

Exhibit No.:
Issue(s): Fuel Adjustment Clause
Witness: Lynn M. Barnes
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2016-0285
Date Testimony Prepared: December 30, 2016

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2016-0285

REBUTTAL TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
December 2016**

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REBUTTAL TESTIMONY

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LYNN M. BARNES

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Lynn M. Barnes. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Please describe your educational background and qualifications.

A. I have a Bachelor of Science degree in Accounting from Millikin University, Decatur, Illinois. I am also a licensed Certified Public Accountant in the states of Missouri and Illinois.

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

A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as Vice President, Business Planning and Controller. My employment history and job responsibilities are outlined in Schedule LMB-1 attached to my testimony.

Q. Have you previously testified in general rate proceedings before the Missouri Public Service Commission ("MPSC" or "Commission")?

A. Yes. I have filed testimony on numerous occasions before the MPSC, as outlined in Schedule LMB-2 attached to my testimony. I have testified at hearings before the Commission in most of these cases as well.

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

The purpose of my rebuttal testimony is to address certain aspects of the Office of the Public Counsel's ("OPC") recommendations to materially change Kansas City Power & Light Company's ("KCP&L") fuel adjustment clause ("FAC"). OPC, through the testimony of its

witness Lena Mantle, has made similar recommendations in Ameren Missouri's pending rate case. More specifically, the primary areas that I address are:

- OPC's overly restrictive attempt to define "fuel costs" in a manner that is at odds with the common understanding of the components of fuel costs and that would, if adopted, improperly exclude from the FAC legitimate fuel cost components that have been included in the FAC since its inception. Ameren Missouri witness Andrew Meyer's rebuttal testimony addresses similar issues regarding OPC's overly restrictive attempt to limit the components of purchased power and transportation.
- Why OPC's overall justifications for attempting to restrict the fuel and other cost components that can be included in the FAC fail to withstand scrutiny.
- Why OPC's already-rejected and still unsupported proposal to change the sharing mechanism in the existing FAC from 95%/5% to 90%/10% (which is the same as OPC's attempt in Ameren Missouri's last rate case to change it to 90%/10%) should be rejected. The Commission has for years repeatedly and properly rejected numerous attempts to change the sharing percentage in FACs where, as here, there is no justification offered (aside from one witness's speculative opinion) that there is any need to expose the utility to further under-recovery of net energy costs when those net energy costs rise, or to deprive customers or an even greater share of reductions when net energy costs fall.
- Why OPC's proposed changes to the FAC are truly a solution in search of a problem, given the fact that FACs in Missouri have operated without any significant problems for nearly a decade.
- Why adopting OPC's significant changes to the FAC would undermine regulatory consistency in Missouri, which is critical to utilities and their investors.

1 **Q. Why address these issues in this case, as opposed to in Ameren Missouri's**
2 **case?**

3 A. While Ameren Missouri could have waited to address most of OPC's
4 recommendations in its own pending rate case (since OPC's FAC-related recommendations in
5 this case and in Ameren Missouri's pending case are similar), it is Ameren Missouri's belief that
6 the Commission will benefit from Ameren Missouri's perspectives on these issues in this case,
7 particularly since a Commission decision of these issues in this case may suggest a shift in policy
8 by this Commission and thus have an influence on the discussion of these issues that would be
9 expected to occur in Ameren Missouri's case. Moreover, as the Commission has recognized in
10 past FAC-related decisions, changes to FACs for one utility may suggest a policy shift that can
11 can cause a negative impact on investor perceptions and on the ultimate cost of capital for
12 electric utilities in the state generally.

13 **Q. What recommendations has OPC made regarding KCP&L's FAC?**

14 A. OPC's proposal is detailed on page 4 of Ms. Mantle's direct testimony. With
15 respect to fuel costs, she effectively recommends restricting the components of fuel costs to just
16 the lumps of coal, molecules of gas, and barrels of oil literally burned in the boiler, and to the
17 nuclear fuel assemblies that are in the nuclear reactor, plus the transportation of those items paid
18 to the railroad, trucking or barge company, or pipeline (and applicable taxes). As Mr. Meyer
19 discusses, she also seeks to greatly restrict the components of purchased power and transmission
20 that would be included in the FAC. Her recommendations would significantly reduce the
21 components currently included in KCP&L's FAC.¹ However, unlike her fuel, purchased power
22 and transportation cost component recommendations, she seeks to continue to include all the off-

¹ As noted, OPC makes similar recommendations in Ameren Missouri's pending rate case.

1 system sales revenues that are currently included in the FAC. As noted, Ms. Mantle also wants
2 the Commission to impose more sharing through the FAC, this time using a sharing ratio of
3 90%/10%.

4 **Q. Do you agree with OPC's recommendations?**

5 A. No, I do not.

6 **Q. What benefits does Ms. Mantle claim would result from the adoption of**
7 **OPC's proposal?**

8 A. Ms. Mantle claims on page 3 of her testimony that their proposal will "provide
9 KCPL with a reduction in risk regarding its recovery of its fuel and purchased power expenses
10 while reducing the complexity of KCPL's FAC . . . [and will] provide more of an incentive for
11 KCPL to prudently manage its fuel and purchased power costs and reduce the potential for errors
12 in its FAC." On page 5, she goes on to list seven specific claimed benefits:

- 13 1. Consistency with Section 386.266.1 RSMo;
- 14 2. Increases transparency of the costs and revenues included in KCP&L's FAC;
- 15 3. Limits the disincentive for implementation of efficiencies;
- 16 4. Simplifies FAC prudence audits;
- 17 5. Simplifies KCP&L's FAC tariff sheets;
- 18 6. Recovers the majority of KCP&L's current FAC costs; and
- 19 7. Provides an incentive for KCP&L to effectively manage fuel, purchased power
20 and off-system sales.

21 **Q. Do you agree with Ms. Mantle's claim that the OPC's proposal would**
22 **"provide KCPL with a reduction in risk regarding its recovery of its fuel and purchased**
23 **power expenses"?**

1 A. No, as Ms. Mantle’s claim is false. Exposing KCP&L to the risk of increases in
2 fuel, purchased power and transportation costs by excluding the majority of the components of
3 these items currently part of their FAC can only serve to *increase* the risk that changes in the cost
4 of fuel, purchased power and transportation between rate cases will not be fully recovered.

5 Ms. Mantle’s attempt to justify this claim on page 23 of her testimony that
6 “(i)mportantly, OPC’s recommendation would still result in KCPL recovering increases in true
7 fuel and purchased power costs thus reducing the risk to KCPL of increases in fuel and
8 purchased power costs” makes it clear to me that she is comparing KCP&L’s risk with a
9 substantially pared-back FAC to what it would be if KCP&L *did not have an FAC at all*.
10 However, KCP&L has an FAC. Excluding components of fuel, purchased power and
11 transportation from the FAC would increase its risk.

12 **Q. Do you agree with Ms. Mantle’s seven other claims of benefits?**

13 A. No. Her claims are, at best, unsupported and several of her claims are simply
14 not true.

15 First, to the extent OPC implies that the costs and revenues currently in KCP&L’s (and
16 Ameren Missouri’s) FAC are not “consistent with” the FAC statute (section 386.266.1, RSMo)
17 because the statute does not contain a detailed listing of every component that makes up fuel,
18 purchased power and transportation, OPC is, in my opinion, wrong. While I am not an attorney,
19 I can read the statute. What it says is that FACs can be implemented to cover “fuel and
20 purchased power costs, including transportation.” The legislature did not restrict the language to
21 the “cost of the fuel commodity” (e.g., to the lump of coal or molecule of gas). The
22 Commission, in approving FAC tariffs that quite clearly include far more components in “fuel
23 costs” and “purchased power costs” and “transportation costs,” has itself never, in the nearly a
24 decade since the FAC was first implemented in Missouri, interpreted the statute so restrictively,

1 nor has its Staff or, for that matter, OPC. Ms. Mantle herself has supported inclusion of a broad
2 variety of costs in the FAC in previous cases. In this case, Ms. Mantle recognizes that the terms
3 “fuel” and “purchased power” and “transportation” are undefined by the FAC statute. She notes
4 that the “statute does not mention fuel adders, fuel handling, contractor costs, spinning reserve
5 costs, startup costs, hedging costs, and a myriad of other costs and revenues” but then goes on to
6 propose a definition of “purchased power” that consists only of “energy” and “capacity,” though
7 neither the terms “energy” nor “capacity” appear anywhere in the statute.² As Mr. Meyer
8 explains, while energy and capacity are two components of “purchased power costs,” there are
9 many more. The same is true of fuel costs. While the lump of coal or molecule of gas are fuel
10 cost components, there are many more legitimate components of fuel costs that are necessary for
11 utilities to prudently acquire fuel and deliver it to their generating units and there is no reason to
12 ignore them for purposes of calculating the FAC. Moreover, their exclusion may provide the
13 very disincentive that Ms. Mantle claims her proposal would eliminate.

14 Second, I disagree that OPC’s proposal would increase the transparency of the costs and
15 revenues included in the FAC. Instead, it just limits the list of the legitimate components of fuel
16 and purchased power costs, including transportation, that would be included. Transparency is not
17 dependent on brevity. To the contrary, transparency depends on whether information is available
18 to identify the fuel and purchased power costs, including transportation. Not only do FAC tariffs
19 in Missouri already contain tremendous detail, but additional detail can be provided in monthly
20 FAC reports and work papers and schedules supplied with FAC rate adjustment filings. Ms.
21 Mantle is the very person who insisted on adding this detail to the tariffs and reports. Oddly

² Existing, approved FAC tariffs for Missouri’s electric utilities clearly reflect the Commission’s understanding that many components (none of which are listed in the FAC statute) make up fuel, purchased power, transportation, and off-system sales. This is evident from a review of KCP&L’s current FAC tariff, Ameren Missouri’s current FAC tariff, and FAC tariffs approved by this Commission in just the past few months for KCP&L-GMO and Empire.

1 enough, if OPC's proposal were to be adopted, these same monthly reports would now be
2 stripped of the data for the excluded components of fuel, purchased power and transportation –
3 arguably significantly reducing the transparency of our costs and revenues between rate cases.
4 Even if one were to agree that transparency into the FAC was somehow increased by OPC's
5 recommendation (which I do not), any incremental benefit gained from such incremental
6 transparency is dwarfed by the increased risk borne by the utility and its customers from the
7 elimination of legitimate fuel, purchased power and transportation costs from the FAC.

8 Third, I disagree that OPC's proposal limits the disincentives for implementation of
9 efficiencies. In fact, if such disincentives as described by Ms. Mantle exist, it is a creation of the
10 OPC's and her own aggressive actions. Those actions include advocating for the addition of
11 ever-increasing and prescriptive levels of detail into the FAC tariff, coupled with then attempting
12 to limit any changes to any of the components thus detailed in between rate cases even if the
13 nature of those components is consistent with those listed in the detailed tariff.

14 Fourth, OPC's claim that their proposal will simplify prudence audits is a red herring at
15 best. OPC's proposal would exclude a large list of components of fuel, purchased power and
16 transportation costs from the FAC, including many which serve as an offset to costs remaining in
17 the FAC. If anything, this would increase, not decrease, the complexity of the prudence review
18 as the audit must now look at the interaction of activities both within the FAC, and outside the
19 FAC, to ensure that the utility is not taking actions which benefit them based solely on whether
20 they are included or excluded from the FAC. Reviews would be further complicated as OPC's
21 proposal would mean that substantial components are no longer in the FAC and thus no longer
22 covered by monthly FAC reports and FAC rate adjustment filings, including the work papers that
23 underlie those filings. For these reasons, FAC prudence reviews would likely be more
24 complicated than they are today.

1 Fifth, I find it ironic that Ms. Mantle touts that OPC's proposal would simplify the very
2 tariffs that she and the OPC have fought so hard to *make as complex as possible*. If she believes
3 they are too complicated, she has herself to blame. These tariffs have not always been this
4 complicated, and do not need to be as complicated as they are. Moreover, just because the tariffs
5 contain a detailed listing of many cost components does not make them "complex."

6 Sixth, the purported benefit that KCP&L would recover the "majority" of their FAC costs
7 under OPC's proposal misses the point of having an FAC. KCP&L would recover the
8 "majority" of its current FAC costs even if its FAC was eliminated. The focus must be on the
9 fact that FACs track *changes* in the cost and revenue components included in the FAC between
10 rate cases. In most jurisdictions, electric utilities recover 100% of their fuel costs through a
11 tracking mechanism. Ms. Mantle's proposal would exacerbate Missouri's out-of-the mainstream
12 exclusion of legitimate fuel and purchased power costs from the FAC.

13 Seventh, I disagree that OPC's proposal would increase the incentive for KCP&L to
14 effectively manage fuel, purchased power and off-system sales. As I will describe later, it may
15 in fact decrease that incentive in certain areas.

16 II. FUEL COSTS

17 Q. What are the commonly-understood components of fuel costs?

18 A. Fuel costs and the components that make them up are commonly defined by
19 reference to the FERC Uniform System of Accounts ("USOA") for electric utilities (principally
20 FERC Accounts 501, 518 and 547). I have included the USOA definitions for each of those
21 accounts in Schedule LMB-3 to my testimony. Those definitions make it very clear that fuel
22 costs consist of many components, certainly far more components than OPC wants to recognize.
23 These definitions have been in place and utilized for decades.

1 **Q. Has the Commission recognized the fuel costs consist of far more components**
2 **than OPC recommends for inclusion in KCP&L's FAC?**

3 A. Yes. This is obvious since all the Commission-approved FACs in Missouri over
4 the last decade include many more components of fuel costs than proposed by OPC. In addition,
5 since FACs include many more components than recommended by OPC, it follows that when the
6 Commission approves the many FAC adjustment filings that have been made, it has approved
7 inclusion of many more components than OPC would recognize.

8 Not only has the Commission approved FAC tariffs and adjustment filings that reflect
9 many more components of fuel, purchased power and transportation costs than OPC proposes, it
10 has had the benefit of receiving detailed FAC monthly reports, rate adjustment filing work
11 papers, and rate case filings and work papers where the base for the FAC is set. Focusing on
12 Ameren Missouri alone, the Commission, based on affirmative recommendations from its Staff
13 and Ameren Missouri's filings, has approved 22 separate FAC rate adjustments which reflect
14 many fuel cost components that OPC would now seek to exclude based on its contention that
15 these components are not sufficiently "pure." Similarly, for Ameren Missouri, five prudence
16 reviews have been completed with no allegation whatsoever that any cost had been included as a
17 fuel cost when it should not have been.

18 **Q. I take it then that you disagree with Ms. Mantle's contention that costs for**
19 **just the fuel "commodity" (e.g., the lump of coal) is the "purest" definition of fuel costs?**

20 A. Yes, I do. The definition Ms. Mantle argues for now is completely at odds with
21 the FERC USOA, industry practice and this Commission's own definition of fuel costs, as
22 evidenced by its treatment of these cost components over a period of many years. A far more
23 accurate descriptor for OPC's position is that the cost of just the fuel commodity is the
24 "narrowest possible" definition of fuel costs there could be.

1 **Q. Ms. Mantle’s first justification for recommending this narrowest possible**
2 **definition of fuel costs is that it would be consistent with the FAC statute. Please address**
3 **her argument.**

4 A. Since Ms. Mantle is not an attorney, I am assuming she is not attempting to draw
5 legal conclusions about what the FAC statute does or does not provide for, and as noted earlier, I,
6 too, won’t attempt to engage in legal interpretation of the statute. I will note, however, that she
7 seems to be suggesting that existing FAC tariffs do not comply with the FAC statute, the
8 implication being that everyone – the Commission, the Staff, the utilities – have all been getting
9 it wrong and that only she knows best. I strongly disagree.

10 As I noted before, the fact that FERC and the industry use the term “fuel costs” much
11 more broadly than OPC recommends, and that the Staff and the Commission (for that matter,
12 OPC, until recently) have obviously recognized that fuel costs within the meaning of the FAC
13 statute include many more components than OPC now recommends, strongly suggests that it is
14 OPC’s recommendation in this case that seeks a far narrower definition of fuel costs than
15 contemplated by the statute.

16 It is important to note here that the statute also includes the provision that “(t)he
17 commission may, in accordance with existing law, include in such rate schedules features
18 designed to provide the electrical corporation with incentives to improve the efficiency and cost-
19 effectiveness of its fuel and purchased-power procurement activities.” As discussed elsewhere
20 in my testimony and that of Mr. Meyer, ensuring that components of costs and revenues which
21 serve to offset other components of fuel, purchased power, transportation or off-system sales
22 remain tied together provides an incentive for the efficient and cost-effective management of
23 fuel, purchased power, transportation and off-system sales.

1 In my opinion, OPC's recommendation to exclude a significant number of the
2 components of fuel, purchased power and transportation from the FAC is significantly *less*
3 *consistent* with the FAC statute than the current handling of fuel cost components in KCP&L's
4 and other Missouri FACs.

5 **III. OPC'S OTHER PURPORTED JUSTIFICATIONS**

6 **Q. Ms. Mantle's second argument for stripping fuel cost components out of the**
7 **FAC is that doing so will improve transparency. Do you agree?**

8 A. No, I do not, as demonstrated by Ameren Missouri's long history of providing
9 transparency into the components included in the FAC. In sum, there is no need to artificially
10 redefine and narrow what fuel costs are in order to provide transparency for components that
11 make up fuel costs included in the FAC. For example, several years ago we worked with the
12 Staff and other stakeholders to go above and beyond the reporting requirements of the
13 Commission's FAC rules to provide a detailed disaggregation of the components of fuel costs,
14 purchased power costs, transmission costs and off-system sales revenues that are included in the
15 FAC. We disaggregated these components by FERC account. I have attached the page
16 containing this disaggregation from our September 2016 report to my testimony as Schedule
17 LMB-4 (also attached are pages that disaggregate our total purchase power and transmission
18 costs, and off-system sales). We also provide additional supplemental information (again, far
19 beyond that required by the Commission's FAC rules) broken down by the managerial
20 accounting that we have chosen to utilize. This, too, is not required by the FAC rules, but we
21 were asked to provide it and have done so. We also go above and beyond the rule requirements
22 by providing all the General Ledger entries that back-up the costs and revenues included in the
23 FAC for that month, and we provide the keys that explain the coding that is used in the General
24 Ledger. In addition to the monthly reporting, we provide highly detailed work papers with each

1 FAC rate adjustment filing. Over 22 such filings, there have been only a few instances where the
2 Staff (or other parties who may choose to review them) had questions for us, and in each instance
3 we were able to address the questions. The Staff (including while Ms. Mantle was on the Staff)
4 has recommended approval of all those adjustments, and no party has ever claimed (aside from
5 Ms. Mantle in our last rate case) that our report or other filings were deficient or lacked
6 transparency.³

7 Our experience shows that the FAC can both properly include the many components that
8 make up fuel costs and provide transparency into what those costs are. The fact that OPC seeks
9 to simply eliminate legitimate cost components from KCP&L's FAC instead of advocating for
10 the use of tools that are or could be available to it seems telling to me, and suggests to me that
11 OPC is less concerned with transparency and more concerned with advancing some
12 philosophical agenda aimed at eliminating legitimate cost components from the FAC.⁴ It should
13 also be noted that should OPC be successful in their arguments, much of the detail currently
14 contained in the monthly reports would be removed as it would no longer pertain to the
15 calculation of the FAC.

16 **Q. Didn't OPC claim deficiencies in Ameren Missouri's "explanations" in**
17 **Ameren Missouri's last rate case?**

³ Early this year we had an issue regarding the calculation of the so-called "N Factor" in our FAC tariff, which occurred during the first FAC rate adjustment filing where an amount arising under the N Factor was included. We agreed not to include the N Factor sum in that particular adjustment and then worked with the parties to achieve an agreed-upon calculation that was reflected in subsequent adjustments. The stipulation resolving the issue was approved by the Commission. Over nearly eight years of operation, there have been only two other instances of arguable dispute about FAC calculations. One arose from File No. EO-2010-0255, involving two wholesale contracts entered into after the 2009 ice storm that damaged the New Madrid smelter and the other involved a true-up calculation about which both Ameren Missouri and the Staff had made a simple mistake (File No. EO-2010-0274). The Commission disagreed with us on the two contracts arising from the ice storm, but agreed with us on the true-up issue.

⁴ As Ms. Mantle has admitted, OPC has been "very negative about fuel adjustment clauses from the beginning" [of FAC requests in Missouri]. Mantle Deposition, File No. ER-2014-0258, p. 230, l. 8-11.

1 A. Yes, OPC made that claim. The Staff has never claimed any such deficiency, nor
2 has the Commission ever found any such deficiency to exist. Moreover, we fully demonstrated
3 that the information we provided in each rate case had been consistently accepted by the Staff
4 and even OPC (until then) as being in accordance with the Commission's rules. In any event, we
5 resolved our differences with OPC in that case and agreed to work together with OPC reasonably
6 and in good faith to develop additional descriptions of all FAC cost and revenue items. We did
7 so, and those were filed in our current rate case.

8 **Q. Do you have any observations about OPC's continued effort to remove**
9 **components from the FAC that have always been included, and about which there has been**
10 **little or no controversy, under the guise of arguing that more "transparency" may be**
11 **needed?**

12 A. Yes, I do. While there have been a couple of changes to the FAC since its
13 inception, the vast majority of the charges and revenues covered by it have remained
14 unchanged.⁵ As earlier noted, the FAC tariff itself now has a lot more detail than it did at its
15 inception, but even before this detail was added, the monthly reports contained significant levels
16 of detail. Adding additional detail to the report did not change what was recovered under the
17 FAC. In fact, the monthly reports we have been providing for years are the product of a
18 collaboration with the Staff (when Ms. Mantle was on the Staff), OPC and others. We were
19 asked several years ago to add additional detail, we did so, and those parties all indicated that the
20 revised reporting met their needs. To that monthly reporting detail has been added the additional

⁵ Emissions were added several years ago, and since they were added, have always reflected revenues that offset total net energy costs. Consumables that are added to fuel for air quality control were added several years ago by agreement and since then no party, except OPC (and perhaps Consumers Council of Missouri, which has consistently opposed FACs in their entirety), has expressed any concern about it. A significant portion of total transmission costs were excluded in 2015 when the Commission rendered its finding about "true" purchased power. Finally, MISO has added a few "charge types" (five over the past few years) as its market has evolved, two of which added *revenues* to the FAC to the benefit of our customers.

1 descriptions of which I just spoke. In summary, we have worked very hard to be responsive to
2 stakeholders who believe they need additional information. OPC's recommendation is truly a
3 solution in search of a problem.

4 **Q. Ms. Mantle next claims that stripping fuel cost components from the FAC**
5 **would limit the disincentive to find efficiencies. Is she right?**

6 A. No, she is not. For starters, the example Ms. Mantle relies on to support her claim
7 is simply wrong. KCP&L's FAC tariff (and Ameren Missouri's) does *not* limit the utility's
8 ability to recover the cost of a different consumable through their FAC. As such, the
9 disincentive described to utilize the lower cost alternative that is not included in the FAC cannot
10 exist. KCP&L's FAC tariff includes "consumable costs for Air Quality Control Systems
11 ("AQCS") operations, such as ammonia, hydrated lime, lime, limestone, powder activated
12 carbon, sulfur, and RESPond, or other consumables which perform similar functions" (emphasis
13 added). Ameren Missouri's tariff also allows the substitution of other consumables.
14 Consequently, if it made more sense for KCP&L to use trona instead of activated carbon, the
15 cost of the trona would be included in its FAC just as the activated carbon costs are.

16 **Q. Do you have any other observations on Ms. Mantle's "trona" example?**

17 A. Yes. Ms. Mantle chose to focus her example on two alternative fuel additives that
18 are used to control a specific environmental concern. What she did not discuss is that there are
19 other alternatives which do not involve additives at all – alternatives which under even her
20 narrowest possible definition of fuel and purchased power would be included in the FAC. One
21 of these alternatives would be to switch to a different fuel source, e.g., natural gas or low-sulfur
22 coal. Another alternative would be to shut off the generator, thus increasing net purchased
23 power from the RTO market. Using Ms. Mantle's own argument, having the fuel additives cost
24 components excluded from the FAC while having the cost components for other alternatives

1 remain in the FAC, would create a *disincentive* for KCP&L to efficiently manage their
2 emissions. Conversely, contrary to Ms. Mantle’s argument, if the cost components for all of the
3 alternatives were included in the FAC, the utility would have an incentive to seek out
4 efficiencies.

5 **Q. Didn’t Ms. Mantle disagree that including all the alternatives in the FAC**
6 **would provide this incentive?**

7 A. No. When asked “[t]hen to avoid this disincentive, should the Commission allow
8 greater discretion in what is included in the FAC?” her response focused on the Commission’s
9 finding that “the Commission should make the determination as to what costs or revenues should
10 flow through the FAC, not the electric utility” and did not rebut in any fashion the notion that
11 this would indeed reduce or eliminate the disincentive.⁶ Her premise that if the Commission
12 approves an FAC tariff that specifically allows alternative components to be included is
13 somehow not a “determination” of the FAC components is also a false one.

14 **Q. Ms. Mantle’s next claim is that stripping cost components from the FAC**
15 **would simplify prudence reviews. Is she right?**

16 A. No. In fact, if anything, stripping components from the FAC will increase, not
17 decrease, the complexity of the review as the audit must now look at the interaction of activities
18 both within the FAC and outside the FAC to ensure that the utility is not taking actions which
19 benefit them based solely on whether the costs associated with such activities are in or out of the
20 FAC. Reviews would be further complicated as OPC’s proposal would also result in the
21 elimination of a substantial amount of information from the existing monthly reports and FAC-

⁶ Mantle Direct, pp. 17-18.

1 related filings and work papers which report and reflect activity within the FAC. For these
2 reasons, FAC prudence reviews would likely be more complicated.

3 For example, Ms. Mantle proposes to include all components of off-system sales in the
4 FAC (these are revenues) while stripping out components of purchased power which are pre by
5 some of those off-system sales components. Similarly, she proposes to strip out some
6 components of purchased power from other components she would leave in the FAC, yet most of
7 the components she proposed to strip out are inextricably linked to those she would leave in, as
8 Mr. Meyer explains in his rebuttal testimony. Her rationale for including the off-system sales
9 revenues in the FAC is that there are complications and difficulties involved in figuring out what
10 fuel and purchased power costs are incurred to make off-system sales versus are incurred to
11 serve native load. Ameren Missouri agrees with this rationale because any allocation of those
12 costs between off-system sales and native load involves subjective judgments and other factors
13 that make it difficult to achieve “the right” allocation. Mr. Meyer discusses this in more detail in
14 his rebuttal testimony.

15 Her rationale for leaving off-system sales in the FAC applies with equal force to many of
16 the purchased power components she seeks to strip out. If they are stripped out, one then must
17 figure out what costs or revenues are directly associated with the excluded component. For
18 example, the same internal process used to allocate fuel between “sales” and “load,” which Ms.
19 Mantle claims would open “an avenue for errors, could result in different positions regarding the
20 appropriate fuel cost to allocate to off-system sales, and would increase the potential for
21 imprudence” is used to calculate the day-ahead congestion costs which are offset by the auction
22 revenue rights and financial transmission rights discussed by Mr. Meyer. Similarly, Mr. Meyer
23 discusses how ancillary service revenues offset ancillary service expenses, though they are not
24 netted on our books as energy purchases and sales from the RTO are. If the ancillary services

1 cost component of expenses were excluded, this netting process would be required – by hour – in
2 both the day-ahead and real-time markets, in order for us to establish net ancillary services sales
3 (which would remain in the FAC) versus net ancillary services purchases (which would be
4 excluded). This would not simplify prudence reviews or the FAC generally. To the contrary, it
5 would add complexity.

6 **Q. There does seem to be some superficial appeal to the notion that if the FAC**
7 **only included the commodity cost, e.g., the cost of the lumps of coal and the railroad bill,**
8 **that prudence reviews would be simpler because the auditor would not have to worry about**
9 **other procurement costs, or things like ash handling, etc. Please respond?**

10 A. As I noted above, these other cost components *are* fuel cost components and
11 under the FERC USOA they *must* be recorded (for coal) in Account 501. The auditor must pay
12 attention to those costs, whether they are included or excluded from the cost of coal used in the
13 FAC calculations, because the auditor will have to examine the ledger entries in Account 501 as
14 a whole. The larger the list of fuel cost components that are recorded to fuel accounts that are
15 *excluded* from the FAC, the more work that must be done to make sure they were *all* excluded.
16 In addition, monthly FAC reports are by their nature reports of activity *within the FAC*. The
17 very detailed disaggregation included in Ameren Missouri's reports (and work papers that
18 underlie FAC rate filings) provide transparent information that the Staff is receiving month in
19 and month out. Staff doesn't have to seek the information they need just within a 180-day
20 prudence review window. Ms. Mantle, who is not an auditor or an accountant, is simply
21 throwing-out speculative opinions about the degree to which auditors can and should do their
22 jobs. I don't see the Commission's duty (through its Staff) to conduct prudence reviews as the
23 FAC statute requires to be any different than the Commission's duty to regulate public utilities
24 generally. Does that regulation require a lot of time and effort? Yes. Is there complexity in

electric utility industry? Yes. Are these reasons to exclude legitimate costs from the FAC? No. (Note that Ms. Mantle looks to exclude costs, but does not similarly suggest excluding the various components of off-system sales *revenues*, which offset fuel costs).

Q. Ms. Mantle next attempts to support her recommendation by contending, effectively, that her recommendation is not a big deal because of her claim that KCP&L would still recover the “majority” of its fuel, purchased power and transportation costs. Does this claim support her recommendations?

A. No, it does not. Like Ameren Missouri, KCP&L’s total fuel, purchased power and transportation costs are quite large relative to its overall operations and maintenance expenses. In each rate case, a base level is set, and that base is undoubtedly large – with or without an FAC. However, the FAC tracks *changes* in those costs (net of off-system sales revenue changes) in between rate cases.

The amounts in question are indeed a very big deal. For example, Mr. Meyer’s testimony includes a discussion of auction revenue rights and financial transmission rights. When we look at the actual annual totals for just those two components of purchased power that Ms. Mantle would exclude from the FAC, we can see that year-over-year changes are as great as \$25 million. Ms. Mantle would seemingly have the Commission believe that \$25 million is not a big deal, because Ameren Missouri could collect the “majority” of the prudently incurred actual net energy costs. I am confident that it is obvious to the Commission that \$25 million is, indeed, a big deal.

As the Staff (as an example) indicates in its revenue requirement report filed in this case, fuel and purchased power costs and associated transportation costs, net of off-system sales, are large, volatile and largely beyond KCP&L’s control. The Commission has repeatedly drawn the same conclusion for other utilities (Ameren Missouri included) and did so for KCP&L when it

1 first approved KCP&L's FAC in 2015. That being true, *changes* in fuel and purchased power
2 costs and associated transmission costs, net of off-system sales, can be significant between rate
3 cases, and the utility can't control them. It should not matter if a utility over time "recovers" 97
4 or 98 or 99%.⁷ Every percentage or fraction thereof the utility does not recover is simply a
5 failure to recover *prudently incurred costs*. A strong case can be made that KCP&L (and other
6 Missouri utilities) ought to recover 100% of prudently incurred net energy cost changes between
7 rate cases as do more than 80% of all other similarly situated utilities.

8 **Q. Ms. Mantle's final purported justification for OPC's recommendations is**
9 **that they would create an incentive for KCP&L to properly manage its fuel and purchased**
10 **power costs, including transportation costs, net of off-system sales revenues. How do you**
11 **respond?**

12 **A.**My response is the same as the response I have given before when Ms. Mantle
13 had repeatedly made the same argument to support her attempt to make FAC changes in the past:
14 OPC presents no evidence to support the conclusion that KCP&L does not already have the
15 appropriate incentives to properly manage the costs and revenues in its FAC. Just because OPC
16 makes the claim that its proposal will improve incentives, does not make it so. Her supposition
17 about incentives is just that: supposition.

18 Despite years of trying, Ms. Mantle has not once actually demonstrated that utilities are
19 making imprudent decisions that negatively impact net energy costs tracked in an FAC because
20 they have an FAC or because of the terms of the FAC tariff. I acknowledge that the
21 Commission's order involving the AEP and Wabash contracts in Ameren Missouri's second
22 prudence review case contains language that indicates Ameren Missouri was "imprudent" for not

⁷ As discussed further below, Ms. Mantle's claim that such a high percentage would be recovered under her proposal is false.

1 including those contracts' revenues in the FAC, but there is no question but that the heart of the
2 dispute was that Ameren Missouri believed the FAC tariff excluded them and others disagreed.
3 The Commission sided with others. However, the issue in that case had nothing to do with
4 incentives and, respectively, it had nothing to do with "prudence." Indeed, when Ms. Mantle has
5 in the past argued that the AEP/Wabash case somehow demonstrated that Ameren Missouri
6 needed more incentive to manage its net energy costs properly, the Commission expressly
7 rejected that argument. Report and Order, File No. ER-2011-0028, p. 82 ("The Commission did
8 not find that Ameren Missouri acted imprudently in that prudence review. * * * In short, the
9 Commission's decision in EO-2010-0255 does not support the argument that Ameren Missouri
10 needs a larger financial incentive within the fuel adjustment clause.").

11 **IV. OPC'S PROPOSAL TO CHANGE THE SHARING MECHANISM**

12 **Q. Please address OPC's proposal to change the sharing mechanism in**
13 **KCP&L's FAC from its current 95%/5% to 90%/10%.**

14 A. OPC's proposal is unsupported and is nothing more than a repeat of the same or
15 similar proposals this Commission has, on numerous occasions, rejected in the past.

16 **Q. Please explain.**

17 A. In the first couple of years after the FAC statute was adopted, the FAC began
18 approving FACs for Missouri's electric utilities, first for Aquila, Inc. (2007) (now KCP&L-
19 GMO), then for Empire (2008), then Ameren Missouri (2009) and lastly, KCP&L. As discussed
20 in KCP&L's last rate order, KCP&L was ineligible to use an FAC until its last rate case because
21 of agreements it made in its 2005 Comprehensive Energy Plan. Starting early-on, various parties
22 have argued for more sharing. For years now, the Commission has concluded that FACs should
23 continue to include the 95%/5% sharing mechanism the Commission implemented nearly ten

1 years ago. In fact, the Commission has rejected calls to impose more sharing on 17 separate
2 occasions, as detailed in Schedule LMB-5 to my testimony.

3 The following are a sampling of Commission statements in support of retaining its
4 95%/5% sharing mechanism while rejecting calls to increase those shares:

- 5 • “A 95% pass through provides AmerenUE sufficient incentive to operate at optimal
6 efficiency . . .” [rejecting an OPC attempt to impose 50%/50% sharing].⁸ Logically,
7 the same should be true for KCP&L whose operations, in many respects, are similar
8 to Ameren Missouri’s.
- 9 • Imposing a less favorable [to utilities] pass through provision “would signal to
10 investors that [the utility] was less well regarded by . . .” the Commission.⁹
11 Undoubtedly the same would be true for KCP&L.
- 12 • “[C]hanging the sharing percentage without good reason to do so would lead
13 investors to question the future of [the utility’s] fuel adjustment clause.”¹⁰ Again,
14 this, too, would be true for KCP&L.
- 15 • “Most fuel adjustment clauses around the county [sic] provide for a 100 percent pass
16 through of costs.”¹¹
- 17 • “MIEC and Public Counsel advocated for a revised sharing mechanism . . .

18 However, the testimony those parties presented was based on little more than the

⁸ *Report and Order*, File No. ER-2008-0318, pp. 73-74 (citing five reasons that the 95%/5% sharing was sufficient, including financial performance incentives for employees that would give them an incentive to minimize net energy costs, the Commission’s use of historical instead of projected costs in FACs, which creates greater exposure to rising net energy costs for utilities, the Commission’s heat rate/efficiency testing requirements, and the fact that having an FAC is a privilege, not a right, which itself gives utilities an incentive to properly manage net energy costs.)

⁹ *Id.*

¹⁰ *Report and Order*, File No. ER-2011-0028, p. 85; *Accord Report and Order*, File No. ER-2010-0036, pp. 77-78 (Discussing concerns about overturning “regulatory stability” in Missouri, and increased investment risk caused if the Commission were to change sharing mechanisms given that investors value “certainty, fairness, stability and predictability”).

¹¹ *Id.*, p. 75; *Report and Order*, File No. ER-2010-0036, p. 76 (same).

1 opinions of their witnesses . . . No party presented any evidence that would indicate
2 how the 95% sharing mechanism is working in practice . . . Certainly, no evidence
3 was produced to show that [the utility] had acted imprudently. . .”¹²

4 Aside from what appears to be an honest mistake on KCP&L’s part (involving Crossroads
5 transmission charges that KCP&L corrected, with interest), I see no such evidence in OPC’s
6 testimony in this case either.

7 The bottom line is that every “justification” put forth by OPC to increase KCP&L’s
8 sharing percentage suffers from the same flaw from which past arguments in support of changing
9 the sharing percentage have suffered: they amount to speculative opinions of individuals who
10 have no experience in managing net energy costs, advanced by a party with demonstrated
11 hostility toward FACs. They also lack any basis in facts showing that the utility has failed to
12 prudently manage its net energy costs or that the existing 95%/5% sharing and the other
13 incentives utilities have to properly manage net energy costs (as recognized by the Commission)
14 are in any way insufficient.

15 **Q. Doesn’t OPC argue that an apparently high percentage of cost recovery**
16 **justifies greater sharing?**

17 A. Yes, it makes that argument, but the argument misses the point.

18 First, Ms. Mantle’s table showing recovery percentages is misleading, and her
19 conclusions drawn from those values are exaggerated.

20 Secondly, even though flawed, OPC’s own math confirms the obvious: greater sharing
21 would deprive customers of additional dollars of reductions in net energy costs and greater
22 sharing would deprive KCP&L of additional *prudently incurred* net energy costs. If the percent

¹² *Id.*, pp. 76-77 (OPC’s testimony in this case also consists of nothing more than unsupported opinions).

1 of recovery is “high” that is exactly how it should be given that by definition only prudently
2 incurred costs are to be recovered. Illustrating the math does not show or tend to show that there
3 is an “imprudence problem” that needs to be addressed.

4 **Q. Why is Ms. Mantle’s table misleading?**

5 A. Ms. Mantle’s table purports to demonstrate that KCP&L would suffer little harm
6 from her proposals. However, her table has a glaring omission – Ms. Mantle has not only
7 recommended that the Commission not only increase the sharing percentage, but that the
8 Commission should also exclude a significant portion of the components of fuel, purchased
9 power and transportation from the FAC. For those items excluded from the FAC, KCP&L
10 would bear the full consequences of increases and decreases in between rate cases, i.e., for the
11 excluded components the “sharing mechanism” is effectively 0%/100%. For those items
12 remaining in the FAC, KCP&L’s share would double from 5% to 10%. However, her table
13 completely fails to account for changes between rate cases in costs *which would no longer be*
14 *included in the FAC.*

15 When we account for both of those components that are in *and* out of the FAC, it is clear
16 that Ms. Mantle has exaggerated her claim.

17 **Q. Can you illustrate this exaggeration?**

18 A. Yes. To do so, I started with Ms. Mantle’s chart and its 90%/10% sharing
19 column, but then assumed that (a) 6% of fuel costs that are now in the FAC would be excluded
20 from the FAC, and (b) 40% of any change in actual net energy costs (“ANEC”¹³) as compared to
21 the base established in the rate case would be attributable to items excluded from the FAC per
22 OPC’s recommendation. The table, reflecting those assumptions, clearly illustrates that the

¹³ Including for this purpose amounts current included in the calculation of ANEC that would be excluded from ANEC under OPC’s proposal.

- 1 combination of both OPC's 90%/10% sharing for items remaining in the FAC and 0%/100%
2 sharing for items excluded from the FAC yields much different results than Ms. Mantle's
3 original table:

	A	B	60% of Chg. In ANEC C	C x 90% D	A+ B + D		
<u>ANEC (incl. amounts excluded from FAC</u>	Base FAC	Base Excl.	Change in FAC	FAC Adj (90/10)	Total Recovery	% Of ANEC	Mantle
120	94	6	12	10.8	110.8	92.33%	98.30%
110	94	6	6	5.4	105.4	95.82%	99.10%
BASE - 100	94	6	0	0	100	100.00%	100%
90	94	6	-6	-5.4	94.6	105.11%	101.10%
80	94	6	-12	-10.8	89.2	111.50%	102.50%

- 4 While the assumed splits between costs that are in and out of the FAC, and the assumed
5 drivers of changes in ANEC are illustrative, the point is that one cannot do what Ms. Mantle did
6 and ignore the fact that under OPC's proposal there would now be costs outside the FAC and
7 changes in those costs would not be recovered, or returned, as the case may be. In the above
8 illustration, I assumed that 40% of the difference between ANEC and the base was caused by
9 components that would be moved outside the FAC if OPC's recommendation were adopted. If
10 that percentage is higher (e.g., if 50% of the difference arises from components moved outside
11 the FAC), the under-recovery (if ANEC went up) or over-recovery (if ANEC went down) will be
12 even greater.¹⁴ Instead of supporting more sharing, a table like Ms. Mantle's supports not having
13 *any sharing at all* because it is the sharing that causes under-recovery of prudently incurred
14 costs, and that precludes passing-back to customers all the reduction in net energy costs when
15 those reductions occur.

¹⁴ E.g., if 50% of an increase in ANEC versus the base was driven by components moved outside the FAC, the percent recovered would drop to just 90.8%.

1 **Q. Do you have any other observations on this issue?**

2 A. Yes. We have repeatedly stated and the Commission has repeatedly
3 acknowledged that having an FAC is a privilege, and not a right, and that this provides a
4 powerful incentive for utilities to properly manage their net fuel costs.¹⁵ Missouri is unique in
5 that we have a statute that mandates we come in and file a rate case and ask to continue our FAC
6 at least every four years. The statute also mandates regular prudence reviews – in Ameren
7 Missouri’s case we just completed our fifth prudence review in the past nearly eight years. The
8 bottom line is that utilities have plenty of incentives to properly manage the components in the
9 FAC without any sharing at all. They could lose the FAC entirely or suffer prudence
10 disallowances. Even without a single prudence disallowance, Ameren Missouri has failed to
11 recover tens of millions of dollars of net energy cost increases over the past several years, caused
12 solely by the 5% sharing mechanism. I suspect KCP&L and its affiliate, KCPL-GMO,
13 collectively, have also experienced significant financial detriment from the 5% sharing in their
14 FACs.

15 As alluded to earlier, it is a very bad idea for the Commission to make changes in an
16 important, mainstream mechanism like the FAC in the absence of a strong justification for
17 making the change. Regulatory consistency is important to utilities as they plan and budget to
18 provide service to their customers, and it is important to the investors on whom they depend for
19 the huge sums of capital they need to do so. Ms. Mantle has been attempting to change the FAC

¹⁵ Ms. Mantle agrees: In her sworn deposition in Case No. ER-2011-0028, she testified as follows: “**Q Okay. Do you agree if there is imprudence the Commission has the power and the obligation to disallow any costs related to the imprudence?** A Yes. **Q And would you agree that that is a powerful incentive for a utility to avoid imprudent behavior?** A Yes. **Q Would you agree with me that the use of a fuel adjustment clause in Missouri is a privilege and not a right for utilities?** A That is correct. **Q And isn't it true that the Commission can take away a utilities [sic] fuel adjustment clause if it believes the utility is misusing it?** A Yes. **Q And doesn't that also provide a powerful incentive for utilities to act reasonably and prudently with respect to their FACs?** A Yes.” Lena Mantle Deposition, File No. ER-2011-0028, April 13, 2011, p. 44, l. 7 – p. 45, l. 18.

1 and its sharing mechanism for years. Her latest attempt to radically re-shape the FAC should be
2 rejected, as have the others.

3 Her 90%/10% proposal in this case, like her prior 85%/15% proposal (made while she
4 worked for the Staff) and her prior 90%/10% proposal (made in Ameren Missouri's last rate case
5 and its current rate case) is nothing more than an unjustified experiment – an experiment for
6 which no need has been shown.

7 **Q. How would an even greater sharing percentage for KCP&L compare to**
8 **FACs of the other 97 utilities operating in non-restructured states?**

9 A. Only about 18% of utilities have sharing of costs *at all*. From an investor
10 standpoint and from the standpoint of putting Missouri electric utilities on comparable footing
11 with their peers, even the 5% share of net energy cost increases that Missouri utilities must bear
12 places them at a disadvantage. That disadvantage should not be exacerbated just because Ms.
13 Mantle or OPC or both seem to “believe” the sharing should be greater.

14 **V. OPC'S ATTEMPT TO ELIMINATE FAC TARIFF FLEXIBILITY**

15 **Q. Another proposal by OPC is to eliminate a provision in KCP&L's FAC that**
16 **originated in the FAC tariff approved for Ameren Missouri in 2012, that is, the provision**
17 **that allows costs and revenues that may arise after an FAC tariff is implemented but before**
18 **it is re-implemented in the next rate case to flow-through the FAC if the cost/revenue is**
19 **similar; is of the same nature as costs/revenues that were included when the tariff was**
20 **implemented. Please explain this provision.**

21 A. In Ameren Missouri's 2012 rate case (File No. ER-2016-0166), Ms. Mantle, then
22 working for the Staff, advocated for including a very detailed listing of each component of fuel,
23 purchased power, transportation and off-system sales in the FAC tariff itself. This necessitated
24 adding significant detail to (in particular) the purchased power and transmission provisions of the

1 tariff since MISO chooses to break purchased power and transmission charges into a fairly large
2 number of distinct “buckets.” As noted, Mr. Meyer addresses these components in more detail in
3 his rebuttal testimony. As part of settling fuel/FAC-related issues in that case, Ameren Missouri
4 agreed to add these details to the FAC tariff because it had no problem with being more explicit;
5 more “transparent” as OPC might say, but with a very important caveat: if the FAC tariff was to
6 become highly prescriptive, as Ms. Mantle desired, there had to be a mechanism to allow
7 changes in cost/revenue *categorization* to be accounted for in the FAC between rate cases.
8 Otherwise, customers or utilities could unfairly bear cost and revenue changes that in the words
9 of the tariff provision at issue, possess “the characteristics of, and is of the nature of” costs and
10 revenues that were already listed. In other words, the RTO might simply recategorize a cost or
11 revenue, or might add a cost or revenue that truly is a component of purchased power or off-
12 system sales, and there needed to be a way to reflect that cost or revenue in the FAC.

13 This provision was modified to some extent in Ameren Missouri’s last rate case, and has
14 essentially become a standard feature in all FAC tariffs in Missouri.

15 **Q. Can you illustrate its operation?**

16 A. Yes, it is rather straightforward in its operation. Since the provision first appeared
17 in Ameren Missouri’s FAC tariff, MISO has implemented five new “charge types” (the phrase
18 “charge type” is a misnomer because a charge type may in fact reflect revenues. In fact, two of
19 the new charge types implemented by MISO were revenues; i.e., they lower net energy costs in
20 the FAC). In each case, Ameren Missouri followed the process provided for in the FAC tariff.

21 Under that process, if MISO (or, for KCP&L, SPP) institutes a new charge type involving
22 moving a cost or revenue already being included in the FAC to a new type, or if MISO starts
23 charging/providing a new cost/revenue under a new charge type that is in the nature of an
24 existing cost or revenue already being included in the FAC, Ameren Missouri can include the

1 cost or revenue in its FAC. However, *before it can do so* Ameren Missouri must *specifically call*
2 *it out and explain it* in its monthly FAC report (at least 60 days in advance). Moreover, all
3 another party must do to challenge the inclusion of the new charge type, or to challenge a
4 utility's failure to include a new charge type (e.g., a party would not want a new charge type that
5 involves revenues to be left out), is file a pleading raising the challenge. If such a challenge is
6 made, Ameren Missouri *bears the burden of proof* to justify the inclusion/exclusion. If a party
7 challenges the inclusion/exclusion of a new charge type, and if in the Commission's view
8 Ameren Missouri fails to carry the burden of proof, Ameren Missouri must refund
9 charges/provide revenues (as the case may be) *with interest*. KCP&L's provision works the
10 same way.

11 **Q. What do you say to OPC's claim that for reasons of simplicity the provision**
12 **should be removed?**

13 A. I could not disagree more. First, the provision is eminently fair, and it is not
14 complex or difficult to follow. As noted, it has been utilized by Ameren Missouri five times
15 without any difficulty and without complaint by any party, including OPC. Second, it is an
16 absolutely essential feature of an FAC tariff (which Ms. Mantle advocated for) that is highly
17 prescriptive. If simplicity (here, less words) were the goal, then it would be far easier to list the
18 relevant FERC Accounts to which costs/revenues components of fuel, purchased power,
19 transmission and off-system sales are recorded, include all the costs/revenues in those accounts
20 and utilize FAC reporting for whatever transparency is warranted. Third, as noted, the provision
21 is fair. The Commission approves participation by utilities in RTOs because, among other
22 things, the markets those RTOs operate bring significant efficiencies (that manifest themselves
23 as benefits) to the industry and ultimately those efficiencies benefit utility customers. Utilities
24 don't control how those RTOs break apart purchased power or transmission or off-system sales

1 components. Missouri's utilities are RTO market participants. Missouri FACs need to
2 accommodate changes in how the RTOs operate or administer those markets.

3 Fourth, Ameren Missouri's experience with the provision shows that it works. Ameren
4 Missouri has utilized it twice to include new RTO revenues that but for the provision would not
5 have been passed through to customers until a later rate case occurred. On the cost side, Ameren
6 Missouri utilized it to include new charge types implemented by MISO to reflect transmission
7 charges that Ameren Missouri was formerly charged by Entergy for service to Ameren
8 Missouri's Boot Heel customers. The only reason there were new charge types is because
9 Entergy joined MISO, but the nature of the charges (which were without controversy included in
10 the FAC before Entergy joined MISO) was the same before and after the new charge type was
11 established.

12 The provision is fair, reasonable, workable and necessary.

13 **Q. So can a Missouri utility dictate the inclusion of costs and revenues not**
14 **approved by the Commission in their FACs?**

15 A. As I previously stated, no, they cannot. As I understand it, utilities must follow
16 their FAC tariffs. They must follow the process outlined above. That process is part of the
17 tariff. By including it in the tariff, the Commission is approving the inclusion of the cost/revenue
18 under the new charge type, subject to proper challenge, and if a challenge occurs, subject to the
19 ultimate decision of the Commission. This means that it is the *Commission* that decides the
20 components in the FAC.

21 **VI. MISCELLANEOUS ISSUES**

22 **Q. Are there any other recommendations made by OPC regarding KCP&L's**
23 **FAC that you wish to address?**

1 A. Yes, I will briefly address OPC's recommendations regarding net insurance
2 recoveries, subrogation recoveries and settlement proceeds. In general, I agree that if there is
3 insurance (e.g., replacement power insurance) for an FAC component (like purchased power),
4 the insurance proceeds should be included in the FAC. The same would be true if a utility
5 recovered sums on a subrogation claim or through a settlement (e.g., the utility recovers damages
6 because of a cost increase or revenue loss, to the extent that the cost increase or revenue loss was
7 reflected in the FAC). OPC hasn't proposed any specific language, which means that language
8 that reflects this intention would have to be developed to ensure both the utility and customers
9 are treated fairly. Assuming the language is appropriate, I have no problem with the general
10 concept OPC proposes.

11 **Q. Does this conclude your rebuttal testimony?**

12 A. Yes.

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

In the Matter of Kansas City Power & Light)
Company's Request for Authority to)
Implement a General Rate Increase for Electric) File No. ER-2016-0285
Service.)

AFFIDAVIT OF LYNN M. BARNES

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

Lynn M. Barnes, being first duly sworn on her oath, states:

1. My name is Lynn M. Barnes. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Vice President Business Planning and Controller.

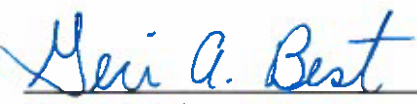
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 30 pages, and Schedule(s) LMB-1 through LMB-5 all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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



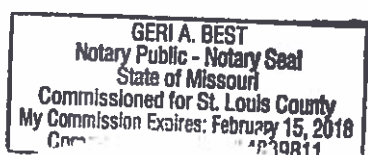
Lynn M. Barnes

Subscribed and sworn to before me this 30th day of December, 2016.



Notary Public

My commission expires:



LYNN M. BARNES

Employment History and Job Responsibilities

I joined Union Electric Company in 1997 as General Supervisor of Financial Communications following positions at Boeing Company and Deloitte, where I began my career. I was promoted to Manager of Financial Communications in 1999, and my responsibilities included managing the financial reporting department, the regulatory accounting department, and investor relations during the period of Ameren Missouri's transition from a single utility to a public utility holding company with multiple operating companies. In 2002, I transferred to Ameren Services Company's Energy Delivery Department as Controller, and in 2005 I was promoted to Director of Energy Delivery Business Services. In July of 2007, I was promoted to Controller for AmerenUE and, in October of 2007, I was promoted to Vice President, Business Planning and Controller for AmerenUE.¹

In my current position as Vice President, Business Planning and Controller, I supervise Ameren Missouri's financial affairs, including about \$1.7 billion of annual non-fuel operations and maintenance ("O&M") expenses and capital expenditures. I direct Ameren Missouri's financial management functions including analysis of monthly/quarterly financial statements, financial forecasting, and budget development and management. I also coordinate the performance management reporting and the business planning process used throughout Ameren Missouri. I interact with Ameren Missouri's President and senior leadership concerning strategic initiatives, financial forecasts and reports. I also serve as liaison between Ameren Missouri's management and the Ameren Corporation controller function.

Schedule LMB-1

¹ AmerenUE is a d/b/a under which Union Electric Company formerly conducted its business. As noted earlier, Union Electric Company now conducts its business using the d/b/a "Ameren Missouri."

Missouri Public Service Commission Testimony

Lynn M. Barnes

File No.	Topic
ER-2014-0258, Ameren Missouri general rate proceeding ER-2012-0166, Ameren Missouri general rate proceeding ER-2011-0028, Ameren Missouri general rate proceeding ER-2010-0036, Ameren Missouri general rate proceeding ER-2016-0179, Ameren Missouri general rate proceeding	Continuation of Ameren Missouri's fuel adjustment clause.
ER-2008-0318, Ameren Missouri general rate proceeding	Miscellaneous cost of service issues
EO-2010-0255, Ameren Missouri fuel adjustment clause prudence review EO-2012-0074, Ameren Missouri fuel adjustment clause prudence review	Prudence review issues arising from 2009 ice storm impacting Noranda Aluminum, Inc.'s smelting facility.
EU-2012-0027, Ameren Missouri accounting authority order proceeding	Accounting authority order request arising from 2009 ice storm impacting Noranda Aluminum, Inc.'s smelting facility.
EO-2012-0142, Ameren Missouri MEEIA proceeding	Accounting for the throughput disincentive
EO-2014-0095, Kansas City Power & Light Co. MEEIA proceeding	Financial impacts of the alternative Demand-Side Investment Mechanisms proposed in those cases by other parties.
EC-2014-0223, Noranda Aluminum, Inc. at al earnings complaint proceeding	Plant-in-service additions.
EO-2015-0055, Ameren Missouri MEEIA proceeding	Accounting for the throughput disincentive

Schedule LMB-2

Comments Exh. B

FERC USoA ACCOUNT DEFINITIONS

501 Fuel.

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to account 151, Fuel Stock (for Nonmajor utilities, appropriate fuel accounts carried under account 154, Plant Materials and Operating Supplies) and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred or charged initially to account 152, Fuel Stock Expenses Undistributed (for Nonmajor utilities, an appropriate subaccount of account 154, Plant Materials and Operating Supplies). In the latter event, they shall be cleared to this account on the basis of the fuel used. Respective amounts of fuel stock and fuel stock expenses shall be readily available.

ITEMS

Labor:

1. Supervising purchasing and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and putting in storage.
4. Moving of fuel in storage and transferring fuel from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler-house structure.
6. Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc.

Materials and Expenses:

7. Operating, maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only).
8. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only).

9. Cost of fuel including freight, switching, demurrage and other transportation charges.
10. Excise taxes, insurance, purchasing commissions and similar items.
11. Stores expenses to extent applicable to fuel.
12. Transportation and other expenses in moving fuel in storage.
13. Tools, lubricants and other supplies.
14. Operating supplies for mechanical equipment.
15. Residual disposal expenses less any proceeds from sale of residuals.

NOTE: Abnormal fuel handling expenses occasioned by emergency conditions shall be charged to expense as incurred.

547 Fuel.

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

518 Nuclear fuel expense (Major only).

A. This account shall be debited and account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for the amortization of the net cost of nuclear fuel assemblies used in the production of energy. The net cost of nuclear fuel assemblies subject to amortization shall be the cost of nuclear fuel assemblies plus or less the expected net salvage of uranium, plutonium, and other byproducts and unburned fuel. The utility shall adopt the necessary procedures to assure that charges to this account are distributed according to the thermal energy produced in such periods.

B. This account shall also include the costs involved when fuel is leased.

C. This account shall also include the cost of other fuels, used for ancillary steam facilities, including superheat.

D. This account shall be debited or credited as appropriate for significant changes in the amounts estimated as the net salvage value of uranium, plutonium, and other byproducts contained in account 157, Nuclear Materials Held for Sale and the amount realized upon the final disposition of the materials. Significant declines in the estimated realizable value of items carried in account 157 may be recognized at the time of market price declines by charging this account and crediting account 157. When the declining change occurs while the fuel is recorded in account 120.3, Nuclear Fuel Assemblies in Reactor, the effect shall be amortized over the remaining life of the fuel.

Ameren Missouri
Additional Information Ordered by the Commission
Report 5(M)
September 2016

		2016 September	Rider FAC	
		Total	Factor	Source
	Fuel For Load Acct 501		FC	Report 5C p1, line 2
	Fuel For Load Acct 518		FC	Report 5C p1, line 3
	Fuel For Load Acct 547		FC	Report 5C p1, line 4
	Fly Ash Acct 501		FC	Report 5C p1, line 5
	Fuel Additives Acct 502		FC	Report 5C p1, line 6
	Fixed Gas Supply Costs for Load Acct 547		FC	Report 5C p1, line 8
	Fuel For OSS Acct 501		FC	Report 5C p1, line 12
	Fuel For OSS Acct 518		FC	Report 5C p1, line 13
	Fuel For OSS Acct 547		FC	Report 5C p1, line 14
	(Gains)/Losses on Gas Sales Acct 547		FC	Report 5C p1, line 15
	Fly Ash Acct 501		FC	Report 5C p1, line 16
	Fuel Additives Acct 502		FC	Report 5C p1, line 17
	Fixed Gas Supply Costs for OSS Acct 547		FC	Report 5C p1, line 19
	Fuel Costs Total			
FERC 501 Diaggregation				
	Coal Commodity - Includes quality and SO2 adjustments, semi-annual inventory adjustments, broker fees and coal hedging (gains)/losses			
	Coal Freight - Includes trucking expenses for high sulfur coal, fuel surcharges (net of hedging) and semi-annual inventory adjustments			
	Railcar - Includes depreciation, lease costs, switching, repair and maintenance			
	Coal (Gains)/Losses on Coal Sales			
	Fly Ash (Revenues)/Expenses			
	Oil Costs			
	Gas Costs			
A	FERC 501 subtotal			
FERC 502 Diaggregation				
	Limestone			
	Activated Carbon			
B	FERC 502 subtotal			
FERC 518 Disaggregation				
	Nuclear Fuel Commodity - Includes nuclear fuel hedging costs			
	Waste Disposal Expense			
C	FERC 518 subtotal			
FERC 547 Disaggregation				
	Gas Commodity - Includes gas storage withdrawals/(injections)			
	Gas Capacity Reservation			
	Gas Transportation			
	Gas Storage			
	Gas Hedging			
	(Gains)/Losses on Gas Sales			
	Oil Costs			
D	FERC 547 subtotal			
A + B + C + D	Fuel Costs Grand Total - Ties Above			

Schedule LMB-4

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Ameren Missouri
Additional Information Ordered by the Commission
Report 5(M)
September 2016

	2016 September	Rider FAC	
	Total	Factor	Source
Emissions Acct 411.8, 411.9 and 509	-	E	Report 5C p1, line 7
Emissions Acct 411.8, 411.9 and 509	-	E	Report 5C p1, line 18
Emissions Total	-		
Purchased Power for Load Acct 555		PP	Report 5C p1, line 9
Purchased Power for OSS Acct 555		PP	Report 5C p1, line 20
MISO Day 2 Account 555		PP	Report 5C p1, line 26
Ancillary Services Account 555		PP	Report 5C p1, line 27
PJM Account 555 expense		PP	Report 5C p1, line 28
Transmission by Others (Acct 565)		PP	Report 5C p1, line 29
Transmission Revenues (Acct 456.1)		PP	Report 5C p1, line 30
Purchased Power Total			

	FERC 411.8, 411.9 and 509 Disaggregation
	Costs for SO ₂ and NO _x emission allowances
	Revenues for SO ₂ and NO _x emission allowances
A	Emissions Total - Ties Above
	FERC 555 Disaggregation
	Energy
	Losses
	Congestion
	Financial Transmission Rights
	Auction Revenue Rights
	Capacity less than 1 year
	Revenue Sufficiency Guarantees
	Revenue Neutrality Uplift
	Net inadvertent Energy Distribution
	Ancillary Services
	Regulating Reserve Service
	Energy Imbalance Service
	Spinning Reserve Service
	Supplemental Reserve Service
	Hedging
A	FERC 555 subtotal
	FERC 565 Disaggregation
	Network Transmission Service
	Point-to-Point Transmission Service
	System Control and Dispatch
	Reactive Supply and Voltage Control
	MISO Schedule 11 or its successor
	MISO Schedules 26, 26A, 37 and 38 or their successors
	MISO Schedule 33
	MISO Schedules 41, 42A, 42B, 45 and 47
B	FERC 565 subtotal
A + B	Purchased Power Costs Grand Total - Ties Above

Ameren Missouri
Additional Information Ordered by the Commission
Report 5(M)
September 2016

	2016 September	Rider FAC	
	Total	Factor	Source
Off-System Energy Sales (Acct 447)		OSSR	Report 5C p1, line 36
MISO Day 2 Revenues - Make Whole Payments (Acct 447)		OSSR	Report 5C p1, line 37
MISO Day 2 Revenues - Inadvertant Distribution (Acct 447)		OSSR	Report 5C p1, line 38
Capacity Sales (Acct 447)		OSSR	Report 5C p1, line 39
Financial Swaps (Acct 447)		OSSR	Report 5C p1, line 40
Ancillary Services Revenue (Acct 447)		OSSR	Report 5C p1, line 41
Load & Generation Forecasting Deviation			Report 5C p1, line 42
Off-System Sales Revenues			
FERC 447 Disaggregation			
Capacity			
Energy			
Regulating Reserve Service			
Energy Imbalance Service			
Ancillary Services			
Spinning Reserve Service			
Supplemental Reserve Service			
Revenue Sufficiency Guarantees			
Net inadvertent Energy Distribution			
Hedging			
FERC 447 Total			
Off-System Sales Adjustment ¹			
FERC 447 Total - Ties Above			

¹As provided for in Ameren Missouri's FAC tariff (sheet 73.4 and 73.7) an adjustment to OSSR is made when service classification 12M or 13M (Noranda) billings fall 40,000,000 Kwh below the normalized monthly billing determinants established in Case No. ER-2014-0258. See 5D and 5D2 for an explanation and calculation of the September 2016 adjustment.

**Non-Utility FAC Sharing Mechanism Proposals
Other than 95%/5%**

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2007-0002	Ameren Missouri	AARP	Ronald Binz (Nancy Brockway)	Sharing bands
		The Commercial Group	Kevin Higgins	50/50
		MIEC	Maurice Brubaker	80/20 with deadband and sharing bands
ER-2007-0004	Aquila	AARP	Nancy Brockway	50/50
		SIEU, AG-P & FEA	Donald Johnstone	50/50
ER-2008-0093	Empire	MIEC	Maurice Brubaker	95/5 with deadband and sharing bands
		Staff	Lena Mantle	60-80% pass through with 70 mid-point
		OPC	Ryan Kind	60/40
ER-2008-0318	Ameren Missouri	MIEC	Maurice Brubaker	80/20
		State of Missouri	Martin Cohen	80/20 Alternate: 85/15 for cost increases 95/5 for cost decreases
		OPC	Ryan Kind	50/50
ER-2009-0090	KCPL-GMO	Ag Processing FEA SIEUA Wal-Mart	Maurice Brubaker	
ER-2010-0036	Ameren Missouri	Staff	John Rogers David Roos	95/5
		MIEC	Maurice Brubaker	80/20
		OPC	Ryan Kind	80/20
ER-2010-0130	Empire	Staff	Matt Barnes	95/5

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2010-0356	KCPL-GMO	Staff	David Roos	75/25
		OPC	Ryan Kind	75/25
ER-2011-0004	Empire	Staff	Matt Barnes	85/15
		OPC	Ryan Kind	85/15
ER-2011-0028	Ameren Missouri	Staff	Lena Mantle	85/15
		OPC	Ryan Kind	85/15
ER-2012-0166	Ameren Missouri	Staff	Lena Mantle	85/15
		MIEC	None	85/15
		AARP/CCM	None	50/50
ER-2012-0175	KCPL-GMO	Staff	Matt Barnes	85/15
ER-2012-0345	Empire	Staff	Matt Barnes	85/15
ER-2014-0258	Ameren Missouri	OPC	Lena Mantle	90/10
		CCM	None	50/50
ER-2014-0351	Empire	OPC	Lena Mantle	90/10
ER-2014-0370	KCPL	Staff	Dana Eaves	95/5
		OPC	Lena Mantle	50/50
		MECG	Michael Brosch	95/5 (or anything higher than 0)
ER-2016-0023	Empire	Staff	David Roos	95/5
ER-2016-0156	KCPL-GMO	Staff	Matt Barnes	95/5
		OPC	Lena Mantle	90/10

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2016-0179	Ameren Missouri	OPC	Lena Mantle	90/10
ER-2016-0285	KCPL	OPC	Lena Mantle	90/10