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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

SURREBUTTAL TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

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

St. Louis, Missouri
February, 2015

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LYNN M. BARNES

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1

I. INTRODUCTION

2

Q. Please state your name and business address.

3

A. My name is Lynn M. Barnes. My business address is One Ameren Plaza,

4

1901 Chouteau Avenue, St. Louis, Missouri 63103.

5

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

6

A. I am employed by Union Electric Company d/b/a Ameren Missouri

7

("Ameren Missouri" or the "Company") as Vice President, Business Planning and

8

Controller.

9

Q. Are you the same Lynn M. Barnes who filed direct and rebuttal

10

testimony in this case?

11

A. Yes, I am.

12

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

13

A. The purpose of my surrebuttal testimony is to respond to fuel adjustment

14

clause-related issues addressed in the rebuttal testimonies filed by Staff witness Matthew

15

Barnes and Office of the Public Counsel ("OPC") witness Lena Mantle. Ameren

16

Missouri witness Jaime Haro's surrebuttal testimony will also address certain issues

17

raised by Ms. Mantle. Ameren Missouri witness Steve Wills' surrebuttal testimony will

1 also address Mr. Barnes' rebuttal testimony relating to what I previously referred to as
2 the "N" factor. See Mr. Barnes' rebuttal testimony at page 3, l. 4-14.

3 I also briefly address Staff witness John Cassidy's rebuttal testimony regarding the
4 lost fixed costs accounting authority order ("AAO") arising from the sharp and prolonged
5 drop in Noranda's load, and Staff witness Jason Kunst's rebuttal testimony regarding
6 Board of Directors' fees and expenses.

7 **II. FUEL ADJUSTMENT CLAUSE**

8 **Response to Mr. Barnes**

9 **Q. Mr. Barnes sponsors what he calls "corrections" to the Base Factors**
10 **("BF") in the Company's fuel adjustment clause ("FAC"). Do you agree with these**
11 **corrections?**

12 **A.** I agree that the BF values for both the summer and winter need to be
13 updated to reflect the true-up values. I do not agree with the particular values presented
14 by Mr. Barnes because they are not based upon the true-up data and because they also do
15 not reflect certain other adjustments discussed in the rebuttal testimonies of Ameren
16 Missouri witnesses Jaime Haro and Mark Peters. Those other adjustments are needed to
17 correct the Staff's previously-filed market prices for energy, to reflect the proper
18 calculation of the proposed bilateral and financial swap margins adjustment, and to
19 include a real time load and generation deviation adjustment. It is my understanding that
20 there is general agreement with the Staff on these additional adjustments, so I interpret
21 Mr. Barnes' use of the values he included in his rebuttal testimony to be placeholder
22 values that the Staff intends to update based upon the true-up data and these other
23 adjustments.

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1 **Q. Mr. Barnes also calculates BF factor values that do not include**
2 **replacement power insurance costs. Do you agree?**

3 A. The Company has no objection to removing replacement power insurance
4 from the FAC.¹ Consequently, the trued-up BF values should not include a value for
5 replacement power insurance. As our initial filing did not include any amounts for
6 replacement power insurance, this will not impact the calculation.

7 **Response to Ms. Mantle**

8 **Q. At pages 4-5 of her rebuttal testimony, Ms. Mantle repeats her earlier**
9 **claims that none of Ameren Missouri's witnesses provided the complete information**
10 **required by the Commission's FAC rules. Please respond.**

11 A. Ms. Mantle is incorrect, as I have already explained in my rebuttal
12 testimony.

13 **Q. Ms. Mantle also repeats her claim that she can't identify the costs and**
14 **revenues included in the FAC (page 5). How do you respond?**

15 A. Ameren Missouri witness Jesse Francis already addressed this incorrect
16 contention in his rebuttal testimony.

17 **Q. Ms. Mantle attaches certain data request responses (Schedule LM-R-**
18 **1) to her rebuttal testimony, claiming that she did not receive any more explanation**
19 **than was provided in your direct testimony. Is that true?**

20 A. No, it is not, as Mr. Francis also already explained in his rebuttal
21 testimony. In fact, Ms. Mantle only included a portion of the responses to data request

¹ We also have no objection to the same recommendation by OPC.

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1 Nos. 8005.1 and 8006.1. Mr. Francis included the entire responses as Schedules JF-R1
2 and JF-R2 to his rebuttal testimony.

3 **Q. Ms. Mantle contends that there should be a “Commission-**
4 **approved” list of costs and revenues, suggesting that without one there could be an**
5 **“expanding interpretation” of costs in the FAC. How do you respond?**

6 A. This list already exists. As I discussed in my rebuttal testimony, we
7 agreed, as part of our last rate case, to very specific terms in the FAC tariff and in our
8 monthly reporting. Those agreements are reflected in the *Non-Unanimous Stipulation*
9 *and Agreement Regarding Class Kilowatt-Hours, Revenues and Billing Determinants,*
10 *Net Base Energy Costs, and Fuel Adjustment Clause Tariff Sheets* in File No. ER-2012-
11 0166 (referred to below as the “FAC Stipulation”). OPC did not object to the FAC
12 Stipulation. In paragraph 5 of the FAC Stipulation, the Company agreed to certain Staff
13 recommendations regarding records and reporting (essentially the same recommendations
14 the Staff has made in this case, to which I have already indicated the Company’s
15 agreement in my rebuttal testimony), as well as other FAC report enhancements, which
16 Mr. Francis discussed in his rebuttal testimony.

17 **Q. Did Ms. Mantle participate in the discussions leading up to the FAC**
18 **stipulation?**

19 A. Yes. Ms. Mantle was an active participant (as a member of the Staff) in
20 those discussions. In both the Staff’s cost of service report and in rebuttal testimony in
21 that case, she made a variety of recommendations, many of which were ultimately
22 mutually agreed upon and incorporated into the FAC Stipulation and the FAC tariff.

23 **Q. What did these recommendations encompass?**

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1 A. In Staff's cost of service report in our last rate case, Ms. Mantle listed
2 eleven specific recommendations for additional filing requirements, each of which
3 provided greater detail on charges included in the FAC "to aid the Staff in performing
4 FAC tariff, prudence and true-up reviews."

5 In her rebuttal testimony in that proceeding, Ms. Mantle made additional
6 recommendations regarding the level of detail to be included in the FAC tariff sheets
7 themselves. These included listing the accounts and subaccounts of costs and revenues
8 that flow through the FAC, listing the MISO schedule costs that are allowed to flow
9 through the FAC and that any additional charges and/or revenues should only be added in
10 a rate case where all parties have an opportunity to provide comment to the Commission.
11 She also recommended account and subaccount detail should be included in its monthly
12 FAC reports.

13 **Q. Were these recommendations incorporated into the FAC Stipulation?**

14 A. Yes. The FAC Stipulation specifically incorporated all of Ms. Mantle's
15 recommendations from the cost of service report. Additionally, the FAC tariff sheets
16 were updated to include significantly more detail, including a listing of MISO charge
17 types.

18 **Q. Please explain the changes to the FAC tariff resulting from the FAC**
19 **Stipulation.**

20 A. We disaggregated expenses and revenues by FERC account, as we agreed
21 to do in the FAC Stipulation. Additionally, the tariff sheet (see page 6 of 10 of my direct
22 testimony Schedule LMB-3, Tariff Sheet 73.5) expressly incorporated by reference a
23 detailed list of all of the charge types (and where applicable, MISO schedules) that can be

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1 included in the FAC.² What this means is that we cannot include any new charge type
2 (including any new revenue) or new MISO schedule unless and until we follow the
3 prescribed process appearing on that same page and the next page of the FAC tariff. As I
4 explained in my rebuttal testimony, we have followed that process to the letter, giving
5 notice of three new charge types involving costs and two new charge types involving
6 revenues. No one has challenged these five charge types and, had they done so, we
7 would have borne the burden of establishing that they are properly includable in the FAC
8 and the Commission would have had full power to exclude them, including to require
9 refunds with interest, just as was agreed upon in our last case by Staff, the Company and
10 by MIEC.³ Finally, the FAC Stipulation also obligates us to provide notice of any
11 change in the FERC accounts we are using or the “minor” accounts (what I have referred
12 to as subaccounts) we are using. We provided the full list of all of the accounts and
13 subaccounts in Exhibit G to the FAC Stipulation, and to the extent any changes have been
14 made, we have provided those changes in our FAC monthly reports as we had agreed to
15 do.

16 **Q. Do these agreements address the concerns raised by Ms. Mantle?**

17 **A.** Yes. They addressed her concerns in the last case and they address the
18 concerns in this one.

² As discussed in my rebuttal testimony, the “charge types” are actually charge and revenue types. In general, the charge types are the categories used by regional transmission organizations (“RTO”) like MISO for costs or revenues associated with operation of the energy and other markets operated by the RTO. Only those costs or revenues that fall within the FERC accounts specified in our FAC may be included in the FAC.

³ OPC was not a signatory, but did not object, meaning the FAC Stipulation was considered by the Commission to be unanimous.

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1 **Q. Is an “expanding interpretation” of the type Ms. Mantle complains**
2 **about even possible?**

3 A. No, it is not. As I just explained, there is a list of charge types and
4 schedules, and it can't be added to without prior notice, and anyone can object, with the
5 Commission to be the arbiter if there is a dispute. There is list of FERC accounts and our
6 own subaccounts, and we must include notice of changes to the subaccounts in our
7 monthly FAC reports.

8 **Q. Ms. Mantle alleges that “this” has happened with Ameren Missouri**
9 **(Mantle rebuttal, p. 6, l. 18 to p. 7, l. 2), and by this I take it she means a new charge**
10 **type being included in the FAC without specific notice. How do you respond?**

11 A. I also already addressed this issue in my rebuttal testimony. Starting in
12 January 2012, MISO started billing Schedule 26A charges which, like Schedule 26
13 charges, reflect costs associated with transmission projects for which some or all of the
14 costs are regionally shared.⁴ We included Schedule 26A charges in the FAC because
15 they are transmission charges properly recorded in FERC account 565. The Commission
16 agreed it was appropriate for us to include them. In any event, under the FAC tariff
17 provisions I just discussed, specific notice would now be required at least 60 days in
18 advance and, as I also just explained, there is a process for challenge if someone believes
19 the charges do not fall within the FAC tariff.

⁴ The sum was small, about \$122,000 the first month, which is immaterial as compared to several hundred million dollars of costs and revenues tracked in the FAC.

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1 **Q. On page 7 of her rebuttal testimony, Ms. Mantle seems to suggest that**
2 **she can only assume what costs and revenues are to be included in the FAC. Must**
3 **she simply assume she is right?**

4 A. No. Between the tariff, which calls out the FERC accounts, Exhibit H to
5 the FAC Stipulation and the charge type process prescribed in the FAC tariff, plus
6 Exhibit G to the FAC Stipulation and the requirement that we notify stakeholders of any
7 changes to FERC accounts or subaccounts, Ms. Mantle should be able to understand the
8 costs and revenues in the FAC. To the extent that her complaints about lack of
9 identification of costs or revenues or about her claimed need to make assumptions
10 suggest there is some mystery to be solved, she is mistaken. The information is available.
11 One only needs to look at it.

12 **Q. Is there quite a lot of information?**

13 A. Sure. However, the volume of information is largely driven by the fact
14 that we are participants in a regional transmission organization (“RTO”) that runs energy
15 and ancillary services markets, and that also breaks out many different charges and
16 revenues into these different “charge types.” We can’t dictate to MISO how it bills us or
17 how it provides revenues that we are due, nor can we make a complex industry (the
18 utility industry) simple, but our accountants do carefully examine the MISO charges and
19 revenues and record them in the proper FERC accounts. The information needed to audit
20 this is found in our monthly FAC reports which include (as Mr. Francis notes in his
21 rebuttal testimony) our general ledger detail for all of the costs and revenues in the FAC.
22 At the end of the day, the point is not whether there is a lot of information. The point is
23 that the necessary information is available and can be understood by persons qualified to

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1 understand it and by persons willing to use the information they have access to. Ms.
2 Mantle herself compiled a list of costs and revenues in her rebuttal testimony schedules.

3 **Q. What about Ms. Mantle's allegation that the general ledger key that is**
4 **provided is limited to about 50 characters?**

5 A. We have provided the descriptions that are included in our general ledger.
6 Those descriptions are sufficient for our accountants to determine what expenses or
7 revenues are properly included in the FAC, and have been sufficient for the Staff to
8 verify each of our 17 FAC adjustments to-date, as well as to complete three prudence
9 reviews.

10 **Q. Ms. Mantle seems to suggest that the Commission itself can't know**
11 **what is included in the FAC because it does not have access to the monthly FAC**
12 **reports. Is that true?**

13 A. I cannot imagine that what she says is true. We submit the report in EFIS⁵
14 every single month. The FAC rules require that it be submitted to the "commission's
15 auditing manager." I do understand that in contested cases the Staff takes on the role of a
16 "party" that is distinct from the "Commission," but it has always been my understanding
17 that from the perspective of day-to-day oversight of utilities and reporting, the
18 Commission is acting through its Staff. There is nothing stopping every single
19 Commissioner from reviewing every single report, although I would think that is what the
20 Commission's staff is there for.

⁵ The Commission's Electronic Information and Filing System.

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1 **Q. Please address Ms. Mantle’s suggestion that there are charge and**
2 **revenue types she did not expect to see (Mantle rebuttal, p. 8, l. 17 to p. 9, l. 20).**

3 **A. Mr. Haro addresses this issue in more detail in his surrebuttal testimony,**
4 **but, as I understand it, the charges she is referring to are for transmission charges**
5 **associated with serving our load in the Missouri Bootheel and that these charges are**
6 **essentially the same charges we used to incur from Entergy itself before Entergy joined**
7 **MISO.**

8 **Q. Ms. Mantle essentially repeats some of the themes present in her**
9 **direct testimony, pointing once again to 4 CSR 240-20.090(2), which contemplates**
10 **Commission consideration of certain factors when considering FACs, such as**
11 **magnitude, volatility and control. Does her rebuttal testimony bring up anything**
12 **new in this area?**

13 **A. Not really. I, along with Mr. Haro and Ameren Missouri witness Jeffrey**
14 **Jones, addressed her contentions in detail in our rebuttal testimony. For the reasons**
15 **discussed in those testimonies, there is no contradiction in my direct testimony regarding**
16 **the volatility and uncertainty of our fuel and purchased power costs, and it is simply not**
17 **true that our delivered coal costs are “not uncertain.” I also addressed in detail her other**
18 **suggestion, that is, that our direct case had to include analysis after analysis after analysis**
19 **of these or other factors the Commission considers, or may consider, each time a utility**
20 **seeks to renew a FAC. If something material were to change about fuel or purchased**
21 **power/off-system sales markets, or about our fuel or purchased power/off-system sales**
22 **management, then we would provide new testimony and analysis addressing how those**
23 **changes may impact various relevant factors, but given that nothing has really changed –**

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1 and given the Commission's repeated recognition that the factors Ms. Mantle points to
2 support utilization of a FAC for Ameren Missouri – I simply disagree with Ms. Mantle
3 that there was something deficient about our initial filing. Please see my discussion of
4 these factors in my rebuttal testimony.

5 **Q. Ms. Mantle's rebuttal testimony contains a significant amount of**
6 **discussion about individual costs or revenues, and even goes so far as to claim that**
7 **the Commission ought to apply what appears to be some kind of "test" for**
8 **magnitude and volatility and control to each such item. Please share your**
9 **perspective on this issue with the Commission.**

10 **A. From my perspective, Ms. Mantle is missing the forest for the trees. The**
11 **categories the FAC is designed to cover are fuel and purchased power, including**
12 **transportation, net of off-system sales. These are the categories that are the focus of the**
13 **Commission's FAC rules. To suggest that the Commission should start entertaining**
14 **specific evidence and analyses of three or more factors for dozens if not hundreds of**
15 **individual items that comprise fuel and purchased power, including transportation, net of**
16 **off-system sales, or else a specific item should not be included in the FAC, is not only**
17 **impractical but also unnecessary. A large number of the individual items that Ms. Mantle**
18 **lists are simply different charge types established by MISO that break down components**
19 **of purchased power and transportation into different categories. Whether broken-down**
20 **or not, the costs (and revenues) are still for purchased power or for fuel or for off-system**
21 **sales. Ms. Mantle is simply ignoring the cumulative effect of the items that make up fuel,**
22 **purchased power, transportation and off-system sales.**

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1 **Q. Have you addressed the magnitude, volatility and lack of control over**
2 **the FAC components?**

3 A. Yes, we addressed these items in detail in my rebuttal testimony and the
4 rebuttal testimonies of Messrs. Haro and Jones.

5 **Q. What happens if you exclude individual components, including those**
6 **that individually totaled less than \$390,000, in the test year?**

7 A. If those items, together with other changes in the costs and revenues in the
8 FAC, go up as compared to the base level established in each rate case, Ameren Missouri
9 will fail to recover more prudently-incurred costs. On the other hand, if those items,
10 together with other changes in costs and revenues, go down as compared to the base,
11 customers will lose part of the benefit. There is simply no rhyme or reason behind Ms.
12 Mantle's arbitrary cutoff, or even the idea that we ought to be looking at these issues on a
13 line item basis.

14 **Q. Doesn't Ms. Mantle provide a rationale for her \$390,000 cutoff?**

15 A. Yes, she provides a rationale, but the rationale is arbitrary. Effectively,
16 she argues that it's okay if the Company fails to recover more prudently-incurred costs.
17 That this is an acceptable result to her is evidenced by the fact that she poses the
18 hypothetical that the costs/revenues she would exclude as not meeting her cutoff would
19 have to double before Ameren Missouri's returns would be impacted by one basis point.

20 **Q. Ms. Mantle also suggests that these items should be excluded to**
21 **reduce complexity in the prudence review process. How do you respond?**

22 A. I addressed this theory in part in my rebuttal testimony at pages 10-12. As
23 I discussed earlier, our tariff is detailed, we have specified charge/revenue types, we have

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1 provided our FERC account and Company minor information, and we file detailed
2 monthly reports. There is no reason, and Ms. Mantle has offered none, for arbitrarily
3 excluding costs and revenues that make up the components of the FAC so that the Staff
4 or others are relieved of using the information we give them. Staff notifies all parties
5 when it starts a prudence review, and the parties have 180 days to conduct a prudence
6 audit. Aside from Ms. Mantle herself, the Staff has never filed a prudence report wherein
7 it claims that it can't properly do its job.

8 **Q. Ms. Mantle says that it is not OPC's recommendation that Ameren**
9 **Missouri should not recover prudently incurred costs, but rather, that OPC is**
10 **simply seeking to exclude non-fuel costs. Do you agree?**

11 A. No, I do not. As Mr. Haro discusses in his surrebuttal testimony, the items
12 she seeks to exclude are clearly for purchased power or off-system sales or associated
13 transportation that should be tracked in the FAC.

14 **Q. Do you agree that just because a cost or revenue happened to be zero**
15 **during a rate case test period that it should be excluded from the FAC tariff?**

16 A. No, I do not. The question is whether the cost/revenue is a fuel or
17 purchased power cost and associated transportation or part of off-system sales. And it is
18 simply not true that "[a]t best, the Commission would only get notified in a rate case" if a
19 cost or revenue that was zero at one point later is not zero. As I explained earlier, all of
20 the parties, and the Commission, receive our monthly FAC reports. Every cost and
21 revenue and the amount thereof is reflected therein. One of the reasons a cost or revenue
22 that is covered by a subaccount or activity code may be zero is that in a particular period
23 there may not have been a cost or revenue for that item, but in a different period there

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1 may be. For example, imagine that the Company has a contract to sell power to the City
2 of Kirkwood at one time, but then Kirkwood buys from someone else, and then
3 Kirkwood later buys from Ameren Missouri again. Or imagine there was a MISO cost
4 for purchased power that we received in one period, but that we just didn't happen to
5 receive in a test year, but then we received it again. In both of these examples, the costs
6 or revenues were proper items for inclusion in the FAC. We leave subaccounts and
7 activity codes that our accountants use to properly account for the costs in the FAC
8 monthly reports because they are part of our accounting code block and because the costs
9 and revenues may come and go at different times.

10 **Q. What about Ms. Mantle's point that at least based on test year net**
11 **energy costs, the exclusions she recommends would still cover 90% - 93% of the**
12 **costs/revenues that made up ANEC in the test year? Why isn't that good enough?**

13 **A.** It is not "good enough" because it is arbitrary and ignores the very real
14 fact that even 7% of our net base energy costs is still a very significant amount, in the
15 tens of millions of dollars.

16 Ms. Mantle's argument in support of this inclusion seems to boil down to a
17 statement that, if it's less than a basis point, then it is not a big deal for Ameren Missouri
18 to bear 100% of any increases in between rate cases (a result that would also pertain if
19 OPC's primary recommendation to eliminate the FAC were adopted.) Not only does this
20 ignore the fact that she seeks to exclude 23 individual items, totaling more than \$1.8
21 million in the test year, but it also ignores the fact that costs can decline or revenues can
22 increase, the benefit of which would be lost to customers between rate cases under Ms.
23 Mantle's suggestions. The point is if they are for fuel and purchased power, including

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1 transportation and net of off-system sales, they should be included, regardless of whether
2 excluding them would exclude 1%, 7%, 10% or 50% of such costs.

3 **Q. Ms. Mantle again brings up the MISO transmission charges that are**
4 **reflected in the FAC, suggesting that this somehow supports her argument that costs**
5 **that were zero in some past period ought to be excluded from the FAC. Please**
6 **address this point.**

7 A. As discussed in my rebuttal testimony at pages 17-20, Ms. Mantle
8 continues to ignore the fact that the Commission specifically determined that it was
9 appropriate for the Company to include the costs that she is complaining about in the
10 FAC. It is true that we did not initially establish a separate line item when MISO
11 established Schedule 26A. As I explained above, the Schedule 26A sums were initially
12 small (between about \$100,000 and \$160,000 each month in 2012 or just about 13% of
13 the total Schedule 26/26A charges that year). As the Schedule 26A charges started to
14 become more significant, we broke them out for reporting purposes, starting in January
15 2013. As I also explained earlier, because of our agreement in the FAC Stipulation, we
16 are required to notify the parties of new charge types or schedules in advance.
17 Ms. Mantle is essentially proposing a solution to what she perceives to be a problem, but
18 the “problem” has already been solved. I would disagree that it was a problem in the first
19 place.

20 **Q. Do you agree that the Commission “should have been notified” when**
21 **Schedule 26A charges were included in the FAC?**

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1 A. No. I do not agree. Ms. Mantle made that same claim during the
2 evidentiary hearings in our last rate case.⁶ To repeat, the Commission concluded that we
3 “acted appropriately” in including those charges in the FAC.⁷

4 **Q. Do you wish to address any other points made by Ms. Mantle?**

5 A. Yes. I would like to address Ms. Mantle’s statement on page 30 of her
6 rebuttal that “(i)f NBEC is increased, it is very important for the fuel and purchased
7 power expenses included in rates to be increased.”

8 **Q. Do you agree with this statement?**

9 A. Yes; however, the statement is superfluous as our rates include the base
10 factor for the FAC, which is itself a function of NBEC, and thus by changing NBEC,
11 whether increasing or decreasing, base rates are necessarily adjusted as well. We have
12 rebased our base factor in each proceeding, and are doing so in this proceeding as well.

13 Ms. Mantle’s supporting discussion and tables which follow on the next two
14 pages are a mishmash of comparing NBEC to costs included in permanent (base) rate and
15 to ANEC and the impact on customers and the Company. It is very unclear what exactly
16 she is intending to do here.

17 What is clear, however, is that she has outlined exactly why having any sharing
18 percentage at all is contrary to her assertion that “it is important that Ameren Missouri’s
19 customers do not pay more than intended and it is equally important that Ameren
20 Missouri recovers the cost that it is entitled.” I agree that both of these are important.

⁶ File No. ER-2012-0166, Tr. p. 1214, l. 16-25.

⁷ *Report and Order*, File No. ER-2012-0166, p. 85.

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1 briefs, including the Court of Appeals' reiteration in its Memorandum that granting
2 AAOs is not retroactive ratemaking.

3 **Q. Does Mr. Cassidy offer any new evidence to support his contention**
4 **that the Company should not recover the AAO?**

5 A. No, he does not. Instead, it appears that he is simply repeating all of the
6 arguments that were rejected by the Commission at the time that the AAO was granted.
7 Again, as I stated in my rebuttal testimony, while I agree that simply receiving an AAO
8 does not guarantee recovery, none of the other parties has identified any new reasons why
9 the Company shouldn't receive recovery (except Mr. Meyer's argument about
10 surveillance results, which I have already addressed). For instance, no evidence has been
11 presented suggesting that any of the deferred costs were imprudently incurred, or that the
12 Company's actions in incurring the costs were inappropriate. Nor have any of the parties
13 suggested that the amount being requested for recovery was miscalculated or that the
14 Company could have sought recovery by other means. The arguments put forth simply do
15 not provide a basis for disallowing a reasonable amortization of costs that have already
16 been properly deferred per the Commission's order. Mr. Cassidy is just re-arguing the
17 points made in the AAO case, which were properly rejected by the Commission.

18' **Q. Mr. Cassidy's rebuttal testimony argues that Ameren Missouri uses**
19 **misleading terminology to characterize the revenue it lost when Noranda curtailed**
20 **service following the 2009 ice storm. Is Mr. Cassidy correct?**

21 A. No, Mr. Cassidy is not correct. Ameren Missouri's reference to revenues
22 it could not collect from Noranda as "unrecovered fixed costs" or "lost fixed costs" is
23 correct and is not at all "misleading," as Mr. Cassidy's rebuttal testimony suggests.

1 Indeed, the Commission's order in the AAO case itself found, as a matter of fact, that the
2 approximately \$35 million that was deferred under the authority of the AAO were
3 "unrecovered fixed costs attributed to serving Noranda . . ." ⁸

4 **IV. BOARD OF DIRECTORS' FEES**

5 **Q. Are any of the Ameren board-related costs duplicative with costs**
6 **relating to the Ameren Missouri board or in some way already being recovered, as**
7 **Mr. Kunst suggests?**

8 A. As I stated in my rebuttal testimony, the Ameren Missouri board is
9 comprised entirely of employees of the Company who do not receive any additional
10 compensation for their service as directors, so there is no duplication of costs.

11 **Q. By not allowing recovery of an allocated share of Ameren**
12 **Corporation Board of Directors' fees, Mr. Kunst implies that Ameren Missouri**
13 **customers do not benefit from this independent board. Do you agree?**

14 A. No, I do not. As I stated in my rebuttal testimony, the independence of the
15 directors adds value to both Ameren and Ameren Missouri by bringing a diverse set of
16 skills, expertise and perspective to the Company and by avoiding any conflicts of interest
17 that could arise from a non-independent board. Executives who possess these unique
18 skills are in high demand and competitive fees are required to retain them for board
19 service. Ameren Missouri benefits from this expertise, but at a reduced cost since the
20 Ameren director fees are allocated to all Ameren subsidiaries, with Ameren Missouri's
21 allocation being less than half of the total costs. Ameren Missouri would have to have an

⁸ *Report and Order*, File. No. EU-2012-0027, p. 2.

Surrebuttal Testimony of
Lynn M. Barnes

1 independent board and would bear the entire cost if it were not part of the Ameren
2 holding company.

3 **Q. Mr. Kunst is recommending that the Company not recover the costs**
4 **of director travel on private aircraft or hotel expenses incurred over the duration of**
5 **the Board meetings. What is your position?**

6 **A.** While we believe that there were legitimate business reasons for these
7 costs to be incurred and are thus prudent for recovery, we will withdraw our request to
8 recover them in this particular case.

9 **Q. Does this conclude your surrebuttal testimony?**

10 **A.** Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Tariffs to Increase Its Revenues) Case No. ER-2014-0258
for Electric 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 & Controller.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 20 pages and ~~Schedule(s)~~ XXXXXXXXXXXXXXXXXXXXXXXXXXXX, 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

Lynn M. Barnes

Subscribed and sworn to before me this 16th day of February, 2015.

Beckie J. Eaves

Notary Public

My commission expires: 2-21-18

