

Exhibit No.:
Issues: Class Cost of Service
Noranda Rate Design
Witness: Sarah L. Kliethermes
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2014-0258
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

SARAH L. KLIETHERMES

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

*Jefferson City, Missouri
January 2015*

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

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariff to Increase)
Its Revenues for Electric Service)

Case No. ER-2014-0258

AFFIDAVIT OF SARAH L. KLIETHERMES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Sarah L. Kliethermes, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 18 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Sarah L. Kliethermes

Subscribed and sworn to before me this 15th day of January, 2015.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 28, 2018 Commission Number: 14942086
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Notary Public

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SARAH L. KLIETHERMES

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

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1 GM-3 HC and GM-4 HC (motions to declassify are pending), and MIEC's witness Maurice
2 Brubaker filed a study consisting of his adjustments to the Ameren Missouri study,
3 summarized on his Schedule MEB-COS-4.

4 Q. What are the results of those studies?

5 A. To facilitate comparison of study results, I have factored the various results to
6 match Staff's direct-filed revenue requirement net of the revenues Ameren Missouri receives
7 for Off-System Sales (OSS), and found each class's cost of service using those results on a
8 \$/MWh basis.¹ The net revenue requirement per class, on a dollar per MWh basis, found by
9 each study is provided in the table below, and illustrated in the accompanying graph.

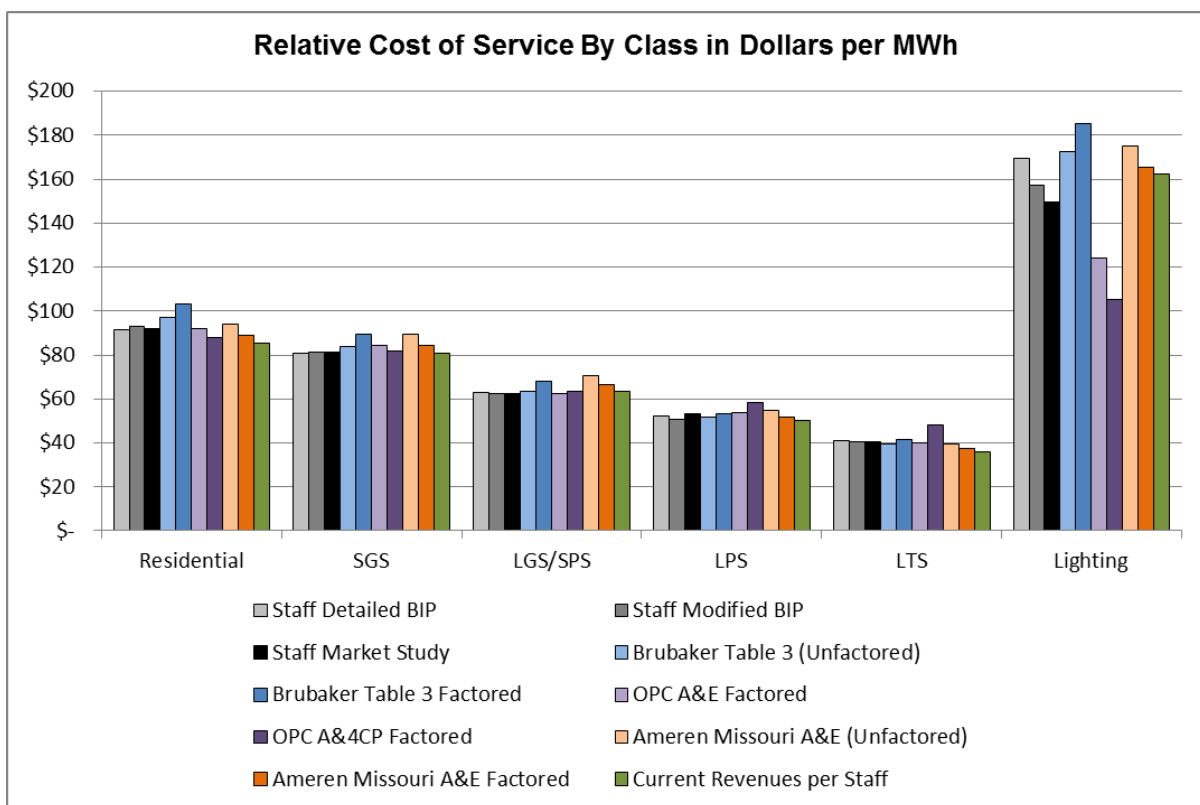
10 **Table 1**

Relative Cost of Service Net of OSSMR By Class in Dollars per MWh						
	Residential	SGS	LGS/SPS	LPS	LTS	Lighting
Staff Detailed BIP	\$91.52	\$80.91	\$63.01	\$52.14	\$41.27	\$169.71
Staff Modified BIP	\$92.85	\$81.12	\$62.35	\$50.93	\$40.44	\$157.37
Staff Market Study	\$91.99	\$81.33	\$62.51	\$53.38	\$40.76	\$149.62
Brubaker Table 3 (Unfactored)	\$97.10	\$83.70	\$63.70	\$51.50	\$39.50	\$172.30
Brubaker Table 3 Factored	\$103.46	\$89.35	\$68.17	\$53.03	\$41.60	\$185.09
OPC A&E Factored	\$91.80	\$84.22	\$62.52	\$53.68	\$40.02	\$124.19
OPC A&4CP Factored	\$88.03	\$81.62	\$63.45	\$58.59	\$48.26	\$105.08
Ameren Missouri A&E (Unfactored)	\$94.22	\$89.27	\$70.40	\$55.03	\$39.39	\$174.94
Ameren Missouri A&E Factored	\$88.98	\$84.31	\$66.49	\$51.97	\$37.20	\$165.21

11

¹ These results are provided for illustrative purposes only. For example, I did not attempt to recalculate a party's cost of service results to reflect differences with Staff's calculation of any given element of revenue requirement or OSS calculation.

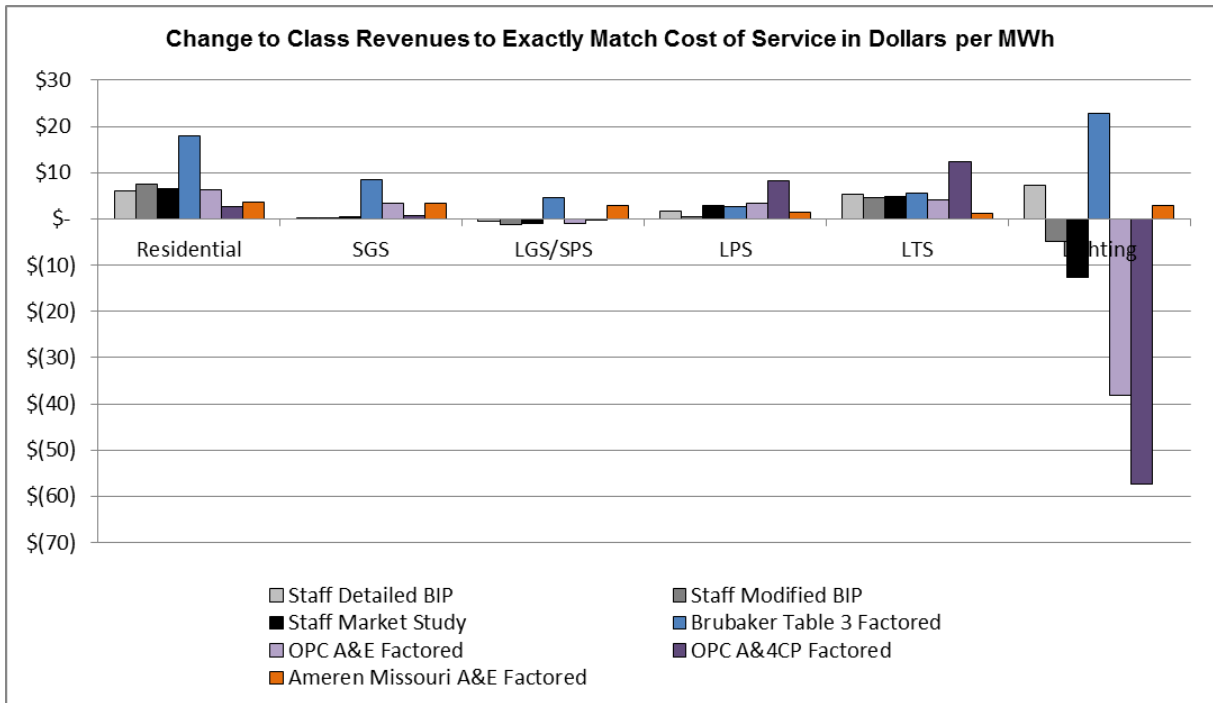
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The change needed to exactly match each class’s revenues to its net revenue requirement found by each study, on a dollar per MWh basis, is provided in the table below, and illustrated in the accompanying graph.

Table 2

Change to Class Revenues to Exactly Match Cost of Service in Dollars per MWh						
	Residential	SGS	LGS/SPS	LPS	LTS	Lighting
Staff Detailed BIP	\$6.0683	\$0.0045	(\$0.4841)	\$1.7091	\$5.3324	\$7.3288
Staff Modified BIP	\$7.3954	\$0.2076	(\$1.1398)	\$0.4927	\$4.4974	(\$5.0047)
Staff Market Study	\$6.5342	\$0.4225	(\$0.9768)	\$2.9441	\$4.8192	(\$12.7574)
Brubaker Table 3 Factored	\$18.0136	\$8.4453	\$4.6804	\$2.5936	\$5.6625	\$22.7139
OPC A&E Factored	\$6.3440	\$3.3082	(\$0.9680)	\$3.2421	\$4.0783	(\$38.1888)
OPC A&4CP Factored	\$2.5827	\$0.7169	(\$0.0403)	\$8.1537	\$12.3248	(\$57.2950)
Ameren Missouri A&E Factored	\$3.5246	\$3.3996	\$2.9980	\$1.5324	\$1.2631	\$2.8299
Current Revenues per Staff	\$85.4514	\$80.9074	\$63.4893	\$50.4338	\$35.9397	\$162.3792



1
2 Q. Are these study results generally consistent in identifying the direction of shifts
3 necessary to perfectly match class revenues to CCoS?

4 A. Yes. The study results (except for the Lighting class) all are within roughly
5 \$10/MWh of one another. Given the appropriate use of a CCoS as a guide to each class'
6 fully-allocated cost of service as opposed to an exact assignment of the costs that would not
7 be incurred but-for service of that class, these results are generally consistent. For the
8 LGS/SPS class there is a difference in sign with a small magnitude of dollars per MWh
9 between Staff's studies and the Ameren Missouri study and the MIEC-adjusted Ameren
10 Missouri study, and a high amount of variability in magnitude and sign in the findings for the
11 Lighting class.

12 Q. What appears to cause the major differences in other parties' CCoS results
13 from Staff's Detailed BIP study results?

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1 A. While Staff's Detailed BIP relies on a more complex and thorough allocation
2 of the cost of owning and operating Ameren Missouri's generation fleet than is done by the
3 other parties' studies, Staff's Detailed BIP results are largely consistent with the Staff's
4 Modified BIP results. Staff's Modified BIP presented as an alternative study is very similar
5 in allocation method to the Average and Excess (A&E) studies relied upon by the other
6 parties. So, while there is a major difference in the literal allocation process between the
7 parties, the impact of that difference on the study results appears negligible.

8 However, the differences in the costs allocated are a major factor in the differences
9 between the study results. MIEC/Noranda based its study on a revenue requirement with
10 about \$6.5 million dollars less in rate-base related revenue requirement. However, those
11 differences lie among many accounts that are allocated differently. For example, MIEC
12 allocated about \$16 million less in Accumulated Deferred Income Tax (ADIT) than was
13 allocated by Staff, but allocated about \$6.5 million more in Fuel Inventories than was
14 allocated by Staff. Staff generally allocated ADIT on the basis of the tax allocator related to
15 the income tax liability caused by each respective class, but allocated Fuel Inventories using a
16 Detailed BIP allocator that assigned the cost per generated MWh of energy of maintaining
17 fuel inventories at each plant and allocated the total cost to each class relative to the MWh of
18 energy each class utilized from each plant. So while the net difference in revenue
19 requirement allocated may be small, the differences in amounts allocated using a particular
20 allocator may be very large.

21 Staff assigned about \$17 million less than MIEC in revenue related to customer
22 growth through the end of the update period, which is assigned to each class based on the
23 growth experienced, while MIEC did not make such an adjustment. However, MIEC did

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1 allocate overall about \$20 million revenue dollars more than was allocated by Staff, primarily
2 related to the calculation of off-system sales margin revenues.

3 Staff allocated different amounts than MIEC on a variety of expenses – ranging from
4 Labor, Pensions and OPEBs, Depreciation, Purchased Power, MISO Transmission, Property
5 Tax, to Solar Rebate Amortizations – on a variety of different allocators. While the net
6 differences in revenue requirement between Staff and MIEC is only about \$21 million, the
7 difference on particular accounts sums to a total of almost \$200 million, while the absolute
8 value of the differences between both Staff and Ameren Missouri and Staff and OPC is
9 approximately \$150 million.

10 There is also a difference in methodology among the parties regarding the allocation
11 of production-capacity costs, production-energy related costs, and off-system sales margins.
12 As stated in its direct-filed CCoS Report, Staff recommends its Detailed BIP method for these
13 allocations as providing the most reasonable allocation, but the methods used by other parties
14 to this case have generally produced class cost-of-service results that do not appear flatly
15 unreasonable, and are generally consistent with Staff's studies, particularly its Modified BIP
16 Alternative Study, which is functionally similar to the Average and Excess-related studies
17 relied upon by the other parties to this case.

18 Q. Do these studies explicitly account for Ameren Missouri's market activity or
19 the impact of changes in environmental laws and renewable energy mandates on Ameren
20 Missouri's investment in generation capital cost or operating expense?

21 A. No. All of these studies rely on the assumption that Ameren Missouri created
22 its fleet as constituted to serve load as it exists in the test year, over the course of the test year.

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1 This assumption ignores the reality that Ameren Missouri's most recent production-capacity
2 investments were made for reasons relating to:

- 3 1. Environmental compliance,
- 4 2. To serve load anticipated under IRP or other long term planning,
- 5 3. To maximize market opportunities, and
- 6 4. Because plants were available at a good price.

7 These studies also assume that Ameren Missouri generally runs its fleet to
8 economically serve its native load as constituted during the test year, and ignores the reality
9 that Ameren Missouri operates its fleet for other reasons, relating to:

- 10 1. Maximization of market opportunities,
- 11 2. Meeting environmental requirements, and
- 12 3. Integration of wind into its supply portfolio pursuant to a long-term contract.

13 Q. Are any of these studies inherently unreasonable because of these
14 assumptions?

15 A. No. These assumptions underlie virtually all cost of service methodologies.
16 As energy markets develop and environmental regulations have a growing impact on
17 generation fleet investment, Staff is attempting to incorporate some of these elements into its
18 studies, such as the Alternative Market Study provided in its direct CCoS filing, as these
19 assumptions underpin all cost of service study methodologies. However, recognizing the
20 disconnect between cost of service as allocated in a fully-allocated CCoS study, and what it
21 may or may not cost Ameren Missouri to provide a particular amount of energy to a particular
22 customer at a particular time is necessary to better weight the relevance of cost of service
23 study results to rate design requests and recommendations. While the Commission is not

1 bound to order rates that strictly adhere to any party's CCoS results, it is important that the
2 Commission not allow any class to contribute less in revenues than what it costs Ameren
3 Missouri to provide service to that class on the basis of cost that Ameren Missouri would not
4 incur but-for provision of that service.

5 **NORANDA'S COST OF SERVICE**

6 Q. Are you addressing whether or not Noranda requires or is entitled to a reduced
7 rate.

8 A. No. I am not addressing the merits of Noranda's assertion that it requires a
9 reduced rate. Staff expert Michael Scheperle presents Staff's response to Noranda's request
10 in his Rebuttal Testimony.

11 Q. Is there any dispute among the parties that Noranda's fully-allocated cost of
12 service at Noranda's meter, whether or not Noranda is allocated OSS, is in excess of \$32.50?

13 A. No. All parties filing Class Cost of Service Studies have found that Noranda's
14 fully-allocated cost of service is in excess of \$32.50/MWh, including Noranda.

15 Q. What rate has Staff recommended for Noranda in its direct filing?

16 A. Staff's recommended rate maintains the existing rate design, and would result
17 in a rate of approximately \$39.83 at Noranda's meter, subject to the FAC and future rate
18 changes.² This rate would reflect a slight increase above the system-average increase as a
19 move to recognizing the current under-contribution of the LTS class to its fully-allocated cost
20 of service, as presented in the CCoS Report by Staff experts Brad Fortson and Mike
21 Scheperle.

² This rate assumes the Commission adopts Staff's direct-recommended revenue requirement at Staff's midpoint rate of return in its entirety and without adjustment.

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1 Q. What is Noranda's fully-allocated cost of service³?

2 A. Unfortunately the interplay of Ameren Missouri's net cost to serve its retail
3 customers and Ameren Missouri's activities in the wholesale market that accrue benefits to its
4 retail customers complicate this question. In general, if a class is not contributing to total cost
5 of service in excess of the costs that would not be incurred but-for service of that class, it is
6 not appropriate to offset that class's revenue requirement with margins from OSS. Staff's
7 Detailed BIP results, reflecting inclusion and exclusion of the costs and benefits of Ameren
8 Missouri's market participation, are provided in the following table:

9 **Table 3**

	Dollar Value	At Noranda's Meter
Fully-Allocated Noranda CoS With OSS Market Participation	\$183,019,389	\$43.59
Noranda's Allocated Cost of Service Excluding Market Participation	\$196,453,357	\$46.79
Noranda's Allocated Cost of Service (Includes Interchange-related Costs, excludes OSSM Revenues)	\$212,266,484	\$50.56

10
11 Q. Were Staff's Detailed BIP study results provided above generally consistent
12 with the results of the other submitted CCoS studies?

13 A. Yes. As indicated by Table 1 and its accompanying graph, presented in the
14 prior section providing the CCoS results on the basis of dollars-per-MWh at generation, all of
15 the study results except for OPC's A&4CP are within 3% of Staff's Detailed BIP results for
16 the LTS class.⁴

³ As noted in its direct-filed discussion of CCoS, Staff's direct-recommended revenue requirement did not allow recovery of Noranda Lost Revenues Amortizations.

⁴ To compare the study results I adjusted the other submitted studies to distribute the same total cost of service net of OSSMR (\$2,834,790,211) over the same billed MWh at the generation voltage level. It is necessary to place all of the studies at the same net cost of service (numerator), and amount of energy sold at a given voltage level (denominator), to have an "apples to apples" comparison of the study results in terms of cost of service per MWh. OPC's A&4CP resulted in a cost of service net of OSS of \$48.26 at generation, which is almost 17% higher than Staff's result.

1 Q. What is the cost, on a dollar-per-MWh basis, that Ameren Missouri would not
2 incur but-for service of Noranda?

3 A. The costs that Ameren Missouri would not incur but-for serving Noranda are
4 best approximated by considering the value of (1) wholesale energy at the Day-Ahead market
5 price to meet Noranda's energy requirements, (2) ancillary services supportive of Noranda's
6 energy requirements, (3) transmission charges incurred on service of load associated with
7 Noranda's energy requirements, and (4) an allocation of capacity costs associated with
8 Noranda's demand coincident with MISO system peak. The sums of those costs are provided
9 in the following table:

10 **Table 4**

	Dollar Value	At Noranda's Meter
Staff Fuel Run Energy Cost to Serve Noranda, with Transmission and Other Costs to Serve	\$121,760,309	\$29.00
Average Wholesale Cost of Noranda Energy Found in Case No. EC-2014-0224, with Transmission and Other Costs to Serve	\$132,253,922	\$31.50
12-month ending 7/1/2014 Wholesale Energy with Transmission and Other Costs to Serve	\$150,651,903	\$35.88

11 Q. What are the significant components of the costs included in the above tables?

12 A. Significant cost components that may be at issue in this case are provided in
13 the following table:

14 **Table 5**

	Dollar Value	At Noranda's Meter
Noranda Allocation of Interchange-related Cost	\$13,224,969	\$3.15
Noranda Allocation of Gross OSSM	\$29,247,095	\$6.97
Noranda Allocation of OSSM Net of Interchange Costs	\$16,022,126	\$3.82
Staff Fuel Run Average Energy-Only Cost to Serve Noranda	\$117,878,282	\$28.08
12 months ending 7/31/2014 Energy-Only Cost to Serve Noranda	\$146,769,877	\$34.96
Average Noranda Transmission and Other Costs to Ameren Missouri	\$3,882,026.55	\$0.92

1 Q. In evaluating Noranda's request, is it most helpful to consider the fully-
2 allocated cost calculation, the more precise market price data to determine what costs Ameren
3 Missouri would not incur but-for Noranda's energy requirements?

4 A. As discussed at great length in the testimonies and the Commission's Report
5 and Order in Case No. EC-2014-0224, market price and transmission cost data is both
6 available and highly relevant to Noranda's request.

7 **IMPACT OF NORANDA'S REQUEST ON OTHER CUSTOMERS**

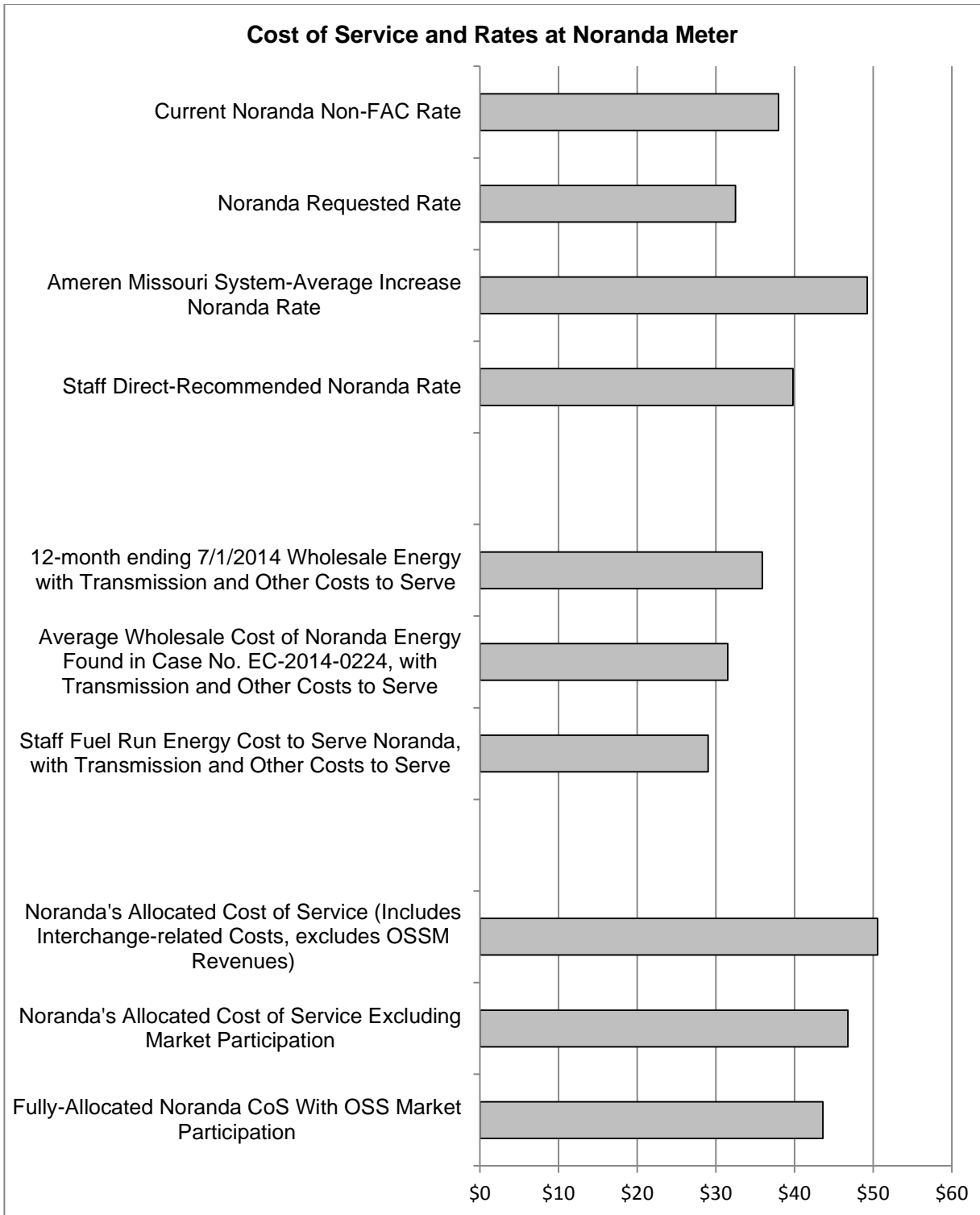
8 Q. Has Noranda requested a rate below its fully-allocated cost of service?

9 A. Yes. Noranda has requested, based on policy and economic development
10 factors, that Ameren Missouri allow Noranda to take service at the rate of \$32.50/MWh, plus
11 a monthly charge to fund a low income program. The following table summarizes the
12 Noranda rate recommendations in this case:

13 **Table 6**

	Dollar Value	At Noranda's Meter
Staff Direct-Recommended Noranda Rate	\$167,032,790	\$39.78
Ameren Missouri System-Average Increase Noranda Rate	\$206,803,050	\$49.26
Noranda Requested Rate	\$136,452,459	\$32.50
Current Noranda Non-FAC Rate	\$159,372,980	\$37.96

14
15 The following graph summarizes the various rates and proposals, market energy costs, and
16 fully-allocated CoS results, all placed on the basis of dollars-per-MWh, at Noranda's meter:



1

2

3

Q. Would Ameren Missouri's total net cost of service change if Noranda ceased to be a retail customer?

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1 A. Yes. I estimate Ameren Missouri's other customers would be obligated to
2 make up about \$159 million in revenues currently generated by Noranda, but based on the
3 direct-filed revenue requirement in this case, I would expect that amount to be offset by
4 approximately \$125 million in additional OSS revenues. Taken together, I would estimate
5 other classes' net cost of service to increase by approximately \$34 million.

6 Q. For the test year in this case as reflected in Staff's direct-filed Cost of Service
7 and Revenue Requirement Report ("CoS Report"), would Noranda contribute anything to
8 Ameren Missouri's cost of service to reduce the revenue requirement of other customers at a
9 rate of \$32.50?

10 A. Yes. Netting Noranda's contribution at a rate of \$32.50 and Ameren
11 Missouri's costs of obtaining energy to serve Noranda results in a positive contribution of
12 approximately \$14.5 million, using wholesale costs associated with Staff's direct-filed
13 revenue requirement.⁵ This amount necessarily varies with the method of determining
14 wholesale costs, but this calculation is consistent with that used in Staff's direct-
15 recommended revenue requirement and FAC base fuel cost, with an allocation for costs
16 assessed by MISO to Ameren Missouri on the basis of load.

17 Q. Have you calculated what each other class' cost of service would be if
18 Noranda's requested rate of \$32.50 was approved, or if Noranda left the system entirely, all
19 else being equal?

20 A. Yes. I have also calculated what each class's recommended revenue
21 responsibility would be if Noranda left the system entirely, or if it received a rate of \$32.50.
22 Additionally, I adjusted Staff's Detailed BIP study to allocate the change in total Ameren

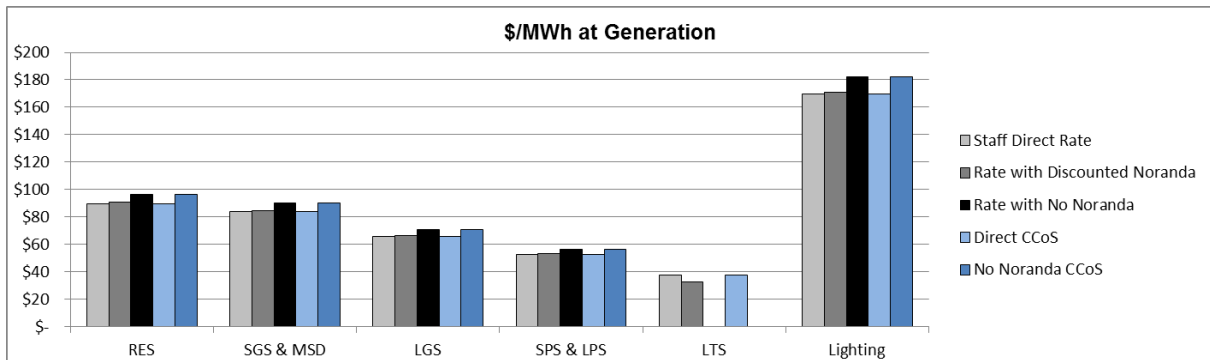
⁵ This assumes Staff's position of disallowing recovery of the Noranda Lost Revenues Amortization, for which Ameren Missouri has requested amortization at the rate of \$7,112,300 annually.

1 Missouri revenue requirement if Noranda ceased receiving service from Ameren Missouri.

2 These results are summarized in Table 7, below, and the following graph:

3 **Table 7**

	\$/MWh at Generation				
	<i>Rates</i>			<i>CCoS</i>	
	<u>Staff Direct Rate</u>	<u>Rate with Discounted Noranda</u>	<u>Rate with No Noranda</u>	<u>Direct CCoS</u>	<u>No Noranda CCoS</u>
RES	\$89.82	\$90.60	\$96.61	\$89.82	\$96.61
SGS & MSD	\$83.95	\$84.67	\$90.23	\$83.95	\$90.23
LGS	\$65.74	\$66.31	\$70.69	\$65.74	\$70.69
SPS & LPS	\$52.74	\$53.20	\$56.71	\$52.74	\$56.71
LTS	\$37.82	\$32.61	\$0.00	\$37.82	\$0.00
Lighting	\$169.41	\$170.87	\$182.00	\$169.41	\$182.00



5

6 Q. Even with the increase to the Residential Revenue Requirement caused by

7 reducing Noranda's rate to \$32.50 from Staff's direct-recommended rate of \$39.69 at

8 Noranda's meter, would the Residential class still be paying less than the total amount

9 allocated to it pursuant to Staff's cost of service study?⁶

10 A. Yes.

11 Q. Do these results account for all of the elements of Noranda's request?

⁶ \$37.82 at Generation.

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1 A. No. These results leave out two very significant elements of Noranda's
2 request. Noranda has also requested essentially a seven-year rate freeze, increasing 1% each
3 year to approximately \$34.50 in the year 2021.⁷ Additionally, Noranda has requested that
4 other rate payers entirely bear the risk of changes in the cost of the energy and transmission
5 used to serve Noranda by including Noranda's energy costs in the numerator of the FAC
6 calculation, but excluding Noranda's energy requirements from the denominator of the FAC
7 calculation. This risk shift is discussed in greater detail by Staff expert Matt Barnes, in his
8 Rebuttal Testimony.

9 Q. Is the exposure of other customers to this risk exacerbated by any other
10 element of Noranda's request?

11 A. Yes. Because Noranda's requested rate is so close to the current market cost of
12 energy at Noranda's meter, there is more risk that the market cost of energy will pass up
13 Noranda's rate well before the end of its seven-year plan. Every increase in the MISO cost to
14 serve load is a decrease in the contribution Noranda makes at its discounted rate to Ameren
15 Missouri's overall cost of service. Increases in the cost to serve load, particularly pursuant to
16 MISO Schedule 26a related to the MISO Multivalue Portfolio (MVP) Projects, are expected
17 for the next several years.

18 Q. If Noranda receives its requested rate and requested rate plan, is there a way to
19 mitigate the exposure of other customers to the risk that the rate is too low relative to market
20 costs?

⁷ Noranda's testimony is silent on how the additional 1% of revenues would be treated by Ameren Missouri. In particular, Noranda does not address whether these revenues will be retained in full by Ameren Missouri, used to offset the costs passed from Noranda to other customers through the FAC, or deferred to offset the costs passed from Noranda to other customers in a general rate case.

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1 A. Yes. If Noranda receives a rate of \$32.50 the Commission will need to address
2 who bears the risk for increases in market energy and transmission costs, other customers (as
3 requested by Noranda), Ameren Missouri, or Noranda. As discussed by Staff experts Mike
4 Scheperle and Matt Barnes, Staff opposes limiting or eliminating Noranda's participation in
5 the FAC. However, if the Commission does decide to limit or eliminate Noranda's
6 participation in the FAC, the risks of changes in the cost to procure energy for Noranda must
7 flow somewhere. Staff recommends any result that does not flow that risk back to other
8 customers or increase Ameren Missouri's cost of serving other customers.

9 Q. Are there mechanisms available that would result in Noranda bearing the risk
10 of wholesale cost changes?

11 A. Yes. Either continued participation in the FAC or development of a Noranda-
12 specific FAC would cause Noranda to bear the risk of cost changes.

13 Q. What elements would be included in a Noranda-specific FAC?

14 A. If a Noranda-specific FAC is adopted, Staff recommends it be indexed to
15 Ameren Missouri's costs in providing service to Noranda that would not be incurred but-for it
16 providing service to Noranda.⁸ Those costs are the wholesale cost of energy, the cost of
17 supportive ancillary services, and MISO transmission charges, including but not limited to
18 Schedules 26 and 26a. The base of such a mechanism would be the wholesale energy price
19 used in Staff's direct-filed revenue requirement (\$28.08/MWh at Noranda's meter), plus the
20 actual transmission and other load-based charges for the twelve months ending July 31, 2014
21 (\$0.92/MWh at Noranda's meter), for a total of \$29.00/MWh, at Noranda's meter, resulting in

⁸ Staff recommends that such a mechanism not flow to Noranda any change in the benefits of Ameren Missouri's participation in the OSS market, because at its requested rate Noranda does not meaningfully contribute to the costs that enable market participation.

1 a contribution to offset the costs of other customers of \$3.50/MWh, or approximately \$14.5
2 million, annually. For future adjustments, an example of the calculation is provided below:

A	Noranda's hourly load (at transmission) for Applicable Period	x	AMMO.UE.Load Zone DA LMP
B	Noranda's total energy in MWh at transmission	x	Average Ameren Ancillary Service Costs for Applicable Period
C	Noranda's total energy in MWh at transmission	x	MISO Transmission Charges in Effect at End of Period (prorated if change during Applicable Period)

3
4 Q. How would a Noranda-Specific FAC operate?

5 A. Such a mechanism would be adjusted once a year, to bill the difference
6 between the base sum of **(A+B+C)/Noranda's energy in MWh at Noranda's meter**, and
7 that year's sum of **(A+B+C)/Noranda's energy in MWh at Noranda's meter**. The
8 difference in the two amounts would be added to Noranda's bill on a \$/MWh at Noranda's
9 meter basis, until the next annual adjustment, maintaining a contribution to offset the costs of
10 other customers of \$3.50/MWh, or approximately \$14.5 million, annually.

11 Q. What changes would need to be made to the regular FAC if a Noranda-specific
12 FAC is adopted?

13 A. Noranda's energy requirements and costs should be excluded from both the
14 numerator and denominator of the FAC Net Base Energy Cost (NBEC) and Actual Net
15 Energy Costs (ANEC) calculation for application to other classes. To exclude Noranda's
16 energy costs from the numerator, the costs discussed above would be applied to Noranda's
17 hourly load for the applicable accumulation period, and subtracted from the otherwise
18 applicable NBEC/ANEC numerator.

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Sarah L. Kliethermes

1 Q. Are you aware of the recommendation of OPC witness Lena M. Mantle that
2 the Commission remove or limit the “Adjustment For Reduction of Service Classification
3 12(M) Billing Determinants” clause from the Ameren Missouri FAC?

4 A. Yes, I am aware of that recommendation. Her alternative recommendation to
5 limit any adjustment pursuant to that clause requires quantification of “fixed costs” recovery
6 by Ameren Missouri through the LTS rate. I have calculated the wholesale price of supported
7 energy to serve Noranda included in Staff’s revenue requirement to be \$121,760,309. The
8 annual difference between average Noranda revenue at the rate of \$32.50/MWh and Ameren
9 Missouri’s “but-for” cost of obtaining energy at wholesale to serve Noranda is approximately
10 \$14,692,150, which would be the “fixed costs.”

11 Q. What is your recommendation concerning Noranda’s request for a rate of
12 \$32.50/MWh with a limit on future rate increases and FAC participation?

13 A. I do not have a recommendation concerning whether the Commission should
14 grant Noranda’s request for a rate of \$32.50/MWh. However, I do recommend that regardless
15 of the rate paid, the reasonableness of Noranda’s rate be examined in every rate case and any
16 appropriate changes be made, without limitation, and that risk of changes in the market price
17 and transmission expense of energy to serve Noranda not be passed to other customers. I
18 recommend that if Noranda is excluded from the FAC, a Noranda-specific FAC be
19 implemented, so that the risk of changes in the market price and transmission expense of
20 energy to serve Noranda is not passed to other customers.

21 Q. Does this conclude your rebuttal testimony?

22 A. Yes.