

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

In the Matter of the Adjustment of Union )  
Electric Company d/b/a Ameren Missouri's ) File No. ER-2017-0147  
Fuel Adjustment Clause for the Twenty-Third )  
Accumulation Period. )

**AMEREN MISSOURI'S VERIFIED RESPONSE TO  
PUBLIC COUNSEL'S REPLY TO STAFF'S RESPONSE**

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Company" or "Ameren Missouri") and, for its Verified Response to Public Counsel's Reply to Staff's Response ("OPC's Reply"), states as follows:

**INTRODUCTION AND SUMMARY**

1. OPC's Reply fails to identify a single deficiency in the calculation of the Company's proposed fuel adjustment rate ("FAR").<sup>1</sup> The proposed FAR is reflected in the tariff sheet filed by the Company on November 21, 2016, as required by the terms of its fuel adjustment clause ("FAC"). Nor does OPC's Reply identify a single violation of, or deficiency in the Company's compliance with, its FAC, the FAC statute (Section 386.266, RSMo.), or the Missouri Public Service Commission's ("Commission") FAC rules. The Commission Staff ("Staff") has confirmed that the Company's FAR adjustment filing indeed comports with the FAC tariff, the statute and the rules.<sup>2</sup> As explained further below, since there is no issue whatsoever with respect to whether the proposed adjustment and the tariff sheet reflecting it are in full compliance with all legal and regulatory requirements, and since OPC does not even allege that the proposed FAR adjustment – i.e., that the rate reflected in the tariff sheet filed in

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<sup>1</sup> The FAR is defined by the Company's Rider FAC, Fuel and Purchased Power Adjustment Clause approved by the Commission in File No. ER-2015-0258.

<sup>2</sup> Staff's verified December 23, 2016 *Recommendation to Approve Tariff Sheet Regarding Change to the Fuel Adjustment Rate for Accumulation Period 23* ("Staff Recommendation").

this docket – is incorrect, OPC’s Reply is completely irrelevant to this docket and the Commission must either approve the tariff sheet implementing the adjustment, or allow it to take effect by operation of law.<sup>3</sup>

2. OPC’s Reply also contains numerous material misstatements of fact, and reflects misleading or irrelevant contentions regarding the pending, proposed adjustment to the FAR.

3. More specifically, and as discussed in greater detail below:

- OPC’s Reply is misleading, because it suggests that periodic adjustments to the FAR are somehow based on changes in various cost and revenue components that make up the net energy costs tracked in the FAC as compared to the level of those components in a prior accumulation period (“AP”). To the contrary, the FAR that applies during any given recovery period (“RP”) is based on the difference between the actual net energy costs (“ANEC”, as defined by Rider FAC) experienced during a specific AP and the *base level* of those net energy costs as established in the rate proceeding that established the FAC. The rate has absolutely nothing to do with a comparison of the components that make up ANEC from one AP to the next.
- OPC’s suggestion is not only misleading, it is wrong and irrelevant to the only issue in an FAR filing docket such as this one: did the utility properly calculate its proposed FAR adjustment? The answer to that question is “yes.” The Staff agrees. OPC doesn’t claim otherwise.

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<sup>3</sup> See discussion below of the provisions of the Commission’s FAC rules that establish that these are the only proper courses of action for the Commission in the absence of any allegation or credible proof that the FAR adjustment is incorrect.

- As discussed further below, OPC is fully aware that its Reply points to a comparison (how various cost/revenue components change from one AP to another) that has nothing to do with the calculation of a proposed FAR adjustment and whether that proposed rate is correct (how ANEC in a specific AP differs from the base established in the rate case). We know OPC is fully aware of the irrelevance of that comparison because OPC's Sr. Analyst, Lena Mantle (who signed an affidavit swearing to the truth of OPC's Reply), submitted a so-called "White Paper" as part of her pre-filed testimony in both the pending Kansas City Power & Light Company and Ameren Missouri rate proceedings that by its express terms demonstrates that she understands the relevant comparison to be made when calculating the FAR. Despite this knowledge, OPC filed its Reply which can only be fairly read as attempting to prevent the FAR adjustment from taking place, even though the adjustment is mandated by the FAC tariff and is correct in all respects.
- As noted, OPC's Reply does not even claim that the calculation of the FAR which the Company seeks to implement (starting January 26, 2017, per the terms of its FAC tariff) is incorrect or is in any way not fully in accordance with its FAC tariff, the FAC statute, or the Commission's FAC rules, rendering OPC's Reply itself irrelevant to the sole issue in this docket.

- OPC's Reply is replete with errors, albeit given that the premise of OPC's Reply is misleading and simply wrong, those errors are irrelevant to the issue before the Commission: is the proposed FAR rate correct? It is.

4. That the FAR must take effect per the terms of the tariff filed on November 21, 2016 is confirmed by the applicable provisions of the Commission's FAC rules (specifically, 4 CSR 240-20.091(4)), which provide in pertinent part as follows:

If the FAC rate adjustment [here, the proposed FAR rate] is in accordance with the provisions of this rule, Section 386.266, RSMo, and the FAC mechanism established in the most recent general rate proceeding, ***the commission shall either issue an interim<sup>4</sup> rate adjustment order approving the tariff schedules and the FAC rate adjustments*** within sixty (60) days of the electric utility's filing ***or***, if no such order is issued, ***the tariff schedules and FAC rate adjustments shall take effect*** sixty (60) days after the tariff schedules were filed (emphasis added).

Nothing more necessarily need be said regarding OPC's Reply, because lacking in any proof; indeed, lacking in any *allegation* that the proposed FAR is not "in accordance with [the FAC rule/statute/FAC] . . .," the Commission by law has two options: either affirmatively approve it or let it take effect.<sup>5</sup>

5. Importantly, it should be noted the Commission has full authority to either approve the filing or to let it take effect based on the filings in this docket and that there is no need for a hearing, or any process to address the issues OPC's Reply purports to raise. This is

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<sup>4</sup> FAR rates are "interim" because unlike base rates, they are subject to later revision as part of the prudence review and true-up processes contemplated by Section 386.266 and the Commission's FAC rules.

<sup>5</sup> This is not to say the Commission never has the power to decline to approve a proposed FAR adjustment. If the Commission determined the adjustment was incorrect, based on a credible allegation backed-up by credible proof, it could reject the adjustment and as its rules contemplate, approve an adjustment for any undisputed portion and sort-out the disputed part later. Moreover, FAR adjustments are by their very nature "interim." The prudence review and true-up processes are always available to ensure that the final rates are correct.

because a FAR rate filing is a non-contested case.<sup>6</sup> See, e.g., *State ex rel. Public Counsel v. Pub. Serv. Comm'n*, 121 S.W.3d 534, 539-40 (Mo. App. W.D. 2003) (Rejecting Public Counsel's claim that a tariff filing entitled Public Counsel to a hearing, holding that under the Missouri Administrative Procedure Act (Ch. 536, RSMo.), a case is non-contested unless a hearing is required by law, and holding that because there is no protected property interest in existing utility rates, no hearing is required). The same principle applies here, as nothing in the FAC statute, the FAC rules or the FAC tariff provides for a hearing. Accord *State ex rel. Public Counsel v. Pub. Serv. Comm'n*, 210 S.W.3d 344, 349-50 (Holding that for a non-contested case decided by the Commission, the Commission need not make any findings of fact); *Id.* at 353-54 (Also holding that a Commission decision in a non-contested case need not be supported by competent and substantial evidence). In short, the Commission has full authority, on the basis of the Company's filing and/or the Staff's Recommendation, to approve the filing or to let it take effect.

**FURTHER DISCUSSION OF OPC'S MISLEADING AND IRRELEVANT CLAIM THAT AMEREN MISSOURI'S SUPPORTING TESTIMONY LACKED "CRUCIAL INFORMATION," OR WAS SOMEHOW INACCURATE**

6. While arguably nothing more need be said about OPC's Reply, it is so lacking in merit and so replete with inaccuracies that the Company believes a further response is warranted.

7. OPC's Reply is grounded on its last two paragraphs (¶¶ 12 and 13), as follows:

12. The FAC rate increase for AP 23 would have been about half what Ameren Missouri is asking for absent the N-Factor. Despite the testimony provided by Ameren Missouri, the information shows capacity revenue margins have dropped and the negative off-system energy sales margin, prior to the N-Factor adjustment, is smaller in AP 23.

13. As Ameren Missouri's filing does not include this crucial information, Public Counsel believes the tariff filing is incorrect and insufficient.

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<sup>6</sup> Because a hearing on an FAR adjustment filing is not required by law, such a filing is a non-contested case. Section 536.010(4), RSMo (Only cases where a hearing is *required by law* are "contested cases," rendering all other cases non-contested.)

OPC's first statement (§12) is misleading and, essentially, irrelevant. As discussed below, §13 is similarly misleading and is simply wrong.

8. The claims made in §§12 and 13 are misleading because they rest on the false premise that underlies OPC's entire Reply: that FAR adjustments are somehow based on a comparison of changes in ANEC from one AP to the next. They are not. FAR adjustments are based on the measurement of changes in Ameren Missouri's ANEC as compared to the base level of net energy costs (Factor "B" as listed in the Company's Rider FAC tariff) (i.e., the "base"). The factors determining the base are established in the prior general rate proceeding. That base reflects a normalized level of net energy costs (i.e., the costs and revenues tracked in the FAC) as of the time the FAC is established in each rate case, here, for the 12-month true-up period in File No. ER-2014-0258 (the 12 months ending December 31, 2014).

9. OPC knows this, or it should, as the following quotes from Ms. Mantle's above-referenced "White Paper" prove (emphasis supplied):

- An estimate of the FAC costs and revenues, known as Net Base Energy Cost or NBEC, is identified and included in the base rates of each electric utility. *The FAC rate is based on the difference between the FAC costs included in base rates and the actual FAC costs incurred.* FAC costs are tracked in a designated accumulation period and the difference between actual FAC costs and NBEC is recovered or returned in a designated recovery period.<sup>7</sup>
- To derive a rate to be charged the customers after FAC costs have been incurred, *the difference between the actual costs incurred (actual net energy cost or ANEC) and the costs already included in the base rates (NBEC), either positive or negative, is divided by the expected energy use of the utility's customers over the recovery period.*<sup>8</sup>
- Calculation of Fuel Adjustment Rates. *At the end of the accumulation period, a NBEC is calculated for the accumulation period based on the Base Rate set in the rate case and the actual energy consumed by the electric utility's customers in the accumulation period. This NBEC is compared to the Actual Net Energy Costs*

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<sup>7</sup> Mantle "White Paper", p. 8.

<sup>8</sup> *Id.*

*(ANEC) incurred during that accumulation period. The FAR for the accumulation period is then calculated based on the difference between the actual historical costs incurred (ANEC) and the FAC costs billed in the base rates (NBEC) divided by the expected usage of the utility's customers over the recovery period and then adjusting the rate for delivery losses.*<sup>9</sup>

- A true-up is simply a comparison of the actual FAC billed the customers in the recovery period to *the difference between the actual FAC costs and NBEC in the corresponding accumulation period*. This difference, either negative or positive, is added as a true-up amount, including interest, to the FAC costs to be billed in the next recovery period.<sup>10</sup>

10. In fact, the Company's testimony in support of the FAR adjustment at issue here (submitted by its Director of Wholesale Power and Fuel Accounting, Erik C. Wenberg), clearly and accurately explained that the FAR rate change is based on a change in ANEC *as compared to the base*, as the following excerpts from Mr. Wenberg's testimony demonstrate:

- The testimony supports the tariff sheet to "adjust customer rates for changes in . . . Actual Net Energy Costs, which were experienced during the four month period June 2016 through September 2016." p. 1, ll. 11-16;
- The Commission's rules provide for "period filings to adjust customer rates for changes in Ameren Missouri's ANEC experience during each Accumulation Period *as compared to the base level of net energy costs . . . applicable to that same Accumulation Period*" (emphasis added); p. 2, ll. 3-8.
- "Ameren Missouri's ANEC during the June 1, 2016 to September 30, 2016 Accumulation Period increased by \$11,474,852 *as compared to Factor "B" applicable to that same period*" (emphasis added) p. 2, ll. 19-21.

11. Having quite clearly explained that the relevant comparison (in fact, the comparison mandated by the FAC tariff itself) was between the ANEC for AP 23 and the base from the prior rate case, Mr. Wenberg properly advised the Commission of the primary drivers of that difference, stating that the "primary factors driving this increase *above the base (Factor "B")* were the Adjustment for Reduction of Service Classification 12(M) or 13(M) Billing

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<sup>9</sup> *Id.*, p. 10.

<sup>10</sup> *Id.*, p. 11.

Determinants provided for in Rider FAC (referred to as the “N Factor” and calculated in accordance with the Commission’s *Order Approving Second Stipulation and Agreement* in Case No. ER-2016-0130) and lower off-system sales margins, partially offset by higher net capacity revenues” (emphasis added). Wenberg Direct, p. 3, l. 21 to p. 4, l. 4.

12. OPC’s Reply twists this crystal-clear testimony – that off-system sales margins were lower *as compared to the base* and that the lower off-system sales were in part offset by net capacity revenues that were higher, *as compared to the base* – into a claim that (a) the testimony is inaccurate (it is not, as explained further below) and (b) that the testimony lacks “crucial information.” The claims are false.

13. Specifically, OPC’s reference to “this crucial information” can only reasonably be read as referring to the “information” showing “capacity revenue margins have dropped and the negative off-system energy sales margin, prior to the N-Factor adjustment, is smaller in AP 23.” Even if the claim that “capacity revenue margins have dropped and the negative off-system energy sales margin, prior to the N-Factor adjustment, is smaller in AP 23” than AP 22, AP 21 or AP 20 were 100% correct, it would have no bearing on the accuracy of the filing or the proposed FAR adjustment. As explained above, the Company was not (nor should it be) describing differences in specific components of ANEC for AP 23 as compared to AP 22 or any other AP. The “crucial information” OPC claims is lacking is completely irrelevant to the operation of the FAC itself because it plays no part whatsoever in the calculation of the rate – the FAR. It defies logic to describe such irrelevant information as “crucial.” The Company’s November 21, 2016 tariff filing sought one thing and one thing alone: approval of the proposed FAR (or inaction by the Commission, which would allow the rate to take effect on January 26, 2017) contained in the tariff sheet reflecting it. The FAC rules require “supporting testimony” and certain specific data



and information when an FAR adjustment filing is made. *See* 4 CSR 240-3.161(7). Since the information OPC’s Reply characterizes as “crucial” has nothing to do with determining the FAR adjustment for AP 23 such information, even if supplied, would not “support” the filing that has been made. If it doesn’t support the filing, it’s obviously not crucial to it and was not required by the FAC rules. Notably, OPC makes no claim that it was required.

14. Having established that Mr. Wenberg’s testimony addressed the correct “primary drivers”; that is, the drivers of changes in ANEC for AP 23 *as compared to the base*, it is readily apparent that the factors that Mr. Wenberg claims are the primary drivers of the increase in ANEC as compared to the base indeed *are* the primary drivers. That is, the primary drivers are:

- The N-Factor (There was no N-Factor value in the base – obviously then, the N-Factor (which was approximately \$6.9 million for AP 23) was a primary driver of the approximately \$11.5 million increase in ANEC as compared to the base for AP 23);
- Lower off-system sales margins<sup>11</sup> (as compared to the base);
- With those two increases partially offset by higher net capacity revenues (as compared to the net capacity revenues in the base).

15. Even OPC’s calculations (which contain significant errors) confirm that Mr. Wenberg’s testimony was indeed accurate.

16. Regarding Mr. Wenberg’s claim that there were higher net capacity revenues in AP 23 than there were in the base, while OPC’s table on page 2 of its Reply fails to provide the proper comparison of Ameren Missouri’s net capacity revenues for AP 23 to the net capacity revenues in the base, it does note net capacity revenues of \$15 million for AP 23. In addition, OPC’s Reply (in footnote 1) recognizes that the *annual* net capacity revenue *in the base* is \$5.8 million. Since the net capacity revenues in AP 23 (a four-month period) are \$15 million and the

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<sup>11</sup> In this context, both OPC and the Company are addressing margins on the energy component of off-system sales.

base (for an entire year) was \$5.8 million, clearly net capacity revenues were higher (by almost \$9 million, or almost three times higher) than the base, *just as Mr. Wenberg testifies*. Even OPC agrees when it states that “the capacity margin in AP 23 is larger than what was included in the calculation of base rates in the last rate case.”<sup>12</sup> OPC Reply, paragraph 7, pg. 3.<sup>13</sup>

The bottom line is that OPC’s Reply confirms that Mr. Wenberg’s testimony regarding higher net capacity revenues providing an offset to the increase in ANEC driven by the lower off-system energy sales was correct.

17. Regarding off-system energy sales margins, OPC’s table on page 3, (which also contains significant errors), also fails to provide any comparison of Ameren Missouri’s off-system energy sales margins for AP 23 to the base. While OPC’s Reply does not indicate what that base amount was, the information for them to perform a simple calculation such as they did for their “After N-Factor Adj.” margin is readily available on tab “ER-2014-0258” of Mr. Wenberg’s Schedule EW-FAR-HC (“the Schedule”), which is a part of his supporting testimony. By simply subtracting the approximately \$45 million in total fuel and purchased power costs for off-system sales reflected on that tab of the Schedule from the approximately \$70.5 million in off-system sales revenues for the summer accumulation period (AP 23 was a summer accumulation period) also shown on that tab, OPC could have easily determined that the off-system energy sales margin used in establishing the summer base factor was over \$25 million. Even if OPC’s “Before N-Factor Adj.” margin figure of approximately -\$14 million for AP 23

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<sup>12</sup> The remainder of OPC’s statement in paragraph 7 that “the margin or net revenue is lower than it had been in the previous three accumulation periods” while factually true, is meaningless in the context of Ameren Missouri’s FAR filing as the FAC does not measure changes from one Accumulation Period to the next.

<sup>13</sup> While correcting all OPC’s numerical mistakes is beyond the scope of this Response because they have nothing to do with whether the proposed FAR adjustment in this docket is correct, it should be noted that some of OPC’s capacity cost figures in its table on page 2 of its Reply are incorrect, as are figures it relied upon to determine off-system energy sales margins.

were correct (it is grossly incorrect<sup>14</sup>), for purposes of the point OPC attempts to make in its Reply, it doesn't matter. Mr. Wenberg's testimony indicated that off-system energy sales margins *in the base* are *higher* than the off-system energy sales margins in AP 23 and that therefore *lower* off-system energy sales margins in AP 23 are a primary driver of the increase in ANEC in AP 23 as compared to the base. Given that a base of over \$25 million is much higher than OPC's -\$14 million, Mr. Wenberg's testimony that AP 23 margins are lower than the base is obviously 100% correct.<sup>15</sup>

18. To summarize the above points, recall again that Mr. Wenberg testified that there were three primary drivers of the ANEC for AP 23 being higher than the base by approximately \$11.4 million:

- The N-Factor – we have shown that this statement was true;
- Lower off-system energy sales margins than the margins in the base – we have shown that even using OPC's incorrect figures this is also true;
- With a partial offset of the lower off-system energy sales margins provided by net capacity revenues during AP 23 that were higher than the net capacity revenues base – we have shown that to be true as well, using figures from OPC's Reply itself.

The primary drivers are exactly what Mr. Wenberg said they are. An AP to AP comparison, which was not discussed by Mr. Wenberg, has nothing to do with the determination of the FAR adjustment. OPC's Reply is irrelevant.

#### **DISCUSSION OF OTHER OPC ERRORS AND MISSTATEMENTS**

19. Although irrelevant to rebutting OPC's contention that "crucial information" was missing, and given that there is neither a claim nor an allegation that the proposed FAR adjustment is in error, the Company wishes to briefly point out some of the other errors reflected in OPC's Reply.

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<sup>14</sup> The AP 23 off-system energy sales margin is actually \$4 million.

<sup>15</sup> A base of over \$25 million is also much higher than the actual AP 23 off-system energy sales margin, which is approximately \$4 million.

20. As noted, OPC's table 2 contains errors. The capacity cost figures in that table for AP 20 to AP 22 are wrong. The source of those figures is Ameren Missouri's monthly FAC reports, submitted to the Commission each month and provided to OPC. OPC apparently used the correct figures from those reports for AP 23, but for unknown reasons used the wrong figures for the other APs.

21. As noted, OPC's table 3 also contains errors. OPC attempted to calculate a "Before N-Factor Adj." off-system energy sales margin for comparison purposes. OPC did so by starting with a value that it characterizes as the "After N-Factor Adj." margin (it is not as illustrated later) and adding back to it the N-Factor adjustment amount. By starting with an improper value, OPC's calculation of a "Before N-Factor Adj." margin is fatally flawed. A "Before N-Factor Adj" margin is properly calculated by subtracting *the unadjusted total fuel and purchased power for off-system energy sales* from the *unadjusted off-system energy sales revenue* ("unadjusted" meaning before making the N-Factor calculation). The unadjusted total fuel and purchased power for off-system energy sales is found on the "Actual Net Energy Cost" tab of Mr. Wenberg's Schedule. This amount is approximately \$44 million. This tab also contains the *adjusted* off-system energy sales revenue total of approximately \$23 million. The "N-Factor Adj AP 23" tab in the Schedule details the \$25 million which was adjusted out of the original (i.e., *unadjusted*) off-system energy sales revenues in calculating the N-Factor. Adding the \$25 million adjustment back to the \$23 million adjusted total yields proper unadjusted off-system energy sales revenues total of \$48 million.<sup>16</sup> To obtain a "Before N-Factor Adj." off-system energy sales margin, one need to just subtract the aforementioned \$44 million in total fuel

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<sup>16</sup> The unadjusted total can also be determined using the information provided in Ameren Missouri's monthly FAC reports which are provided to OPC each and every month.

and purchased power costs for off-system energy sales from the unadjusted \$48 million in off-system energy sales revenues. That result is a positive margin of \$4 million.

Ameren Missouri's FAC tariff specifically provides for an adjustment to off-system energy sales revenues which are included in the calculation of ANEC in the first step of the FAR adjustment. That does not magically change the nature of these revenues on Ameren Missouri's books; it is simply an administrative step in the administration of the tariff. The "After N-Factor Adj." off-system energy sales margin is exactly the same as the "Before N-Factor Adj." margin: \$4 million.

22. What OPC's has characterized as an "After N-Factor Adj." can only be assumed to represent what the off-system energy sales margin would have been if the smelter's load *had not been reduced*, but this makes no sense because had the smelter's load not been reduced there would have been no N-Factor adjustment in the first place. If the smelter's load not been reduced, not only would Ameren Missouri's off-system sales revenues have been lower, but the amount of fuel and purchased power allocated to off-system energy sales would have also been lower since the portion of those costs associated with the smelter's load would have been allocated to load. OPC's calculation fails to account for this and thus its purported calculation of an "After N-Factor Adj." margin is grossly inaccurate.

23. OPC also makes claims about the Midcontinent Independent System Operator, Inc. ("MISO") capacity market. Specifically, OPC makes claims about the timing of changes made by MISO to its capacity market and the Company's approach to participating in that market, but those claims are simply wrong. The change in Ameren Missouri's strategy for participating in MISO's capacity market, as referenced by OPC, occurred a full year earlier than OPC claims. Consequently, the strategy change obviously could not possibly have been the

source of the change in net capacity revenues between AP 22 and AP 23. Although Ms. Mantle filed rebuttal testimony in the Company's pending rate case in response to Ameren Missouri witness Andrew Meyer's direct testimony regarding capacity, she apparently failed to read Mr. Meyer's testimony regarding the capacity market and Ameren Missouri's approach to it (she also did not disagree with it). Had she done so, she would have known that her contentions about the cause of capacity revenue changes were completely wrong.

24. OPC also discusses the N-Factor, but its discussion of the N-Factor is also completely wrong. OPC's Reply falsely claims that the N-Factor "results in the customers paying the cost of the off-system sales and Ameren Missouri receiving the revenues."<sup>17</sup> This is essentially the same claim made by OPC witness Lena Mantle in her direct testimony in File No. ER-2014-0258, and thoroughly debunked by Ameren Missouri's witness Lynn M. Barnes in her rebuttal testimony in that same case.

Contrary to OPC's claim, customers do not bear the burden of paying the cost of the off-system energy sales derived from the reduction in the smelter's load. As both Ms. Barnes' testimony and Rider FAC clearly point out, when the N-Factor is calculated, in addition to off-system energy sales revenues being adjusted downwards, net base energy costs are increased in a subsequent step in the N-Factor calculation. This adjustment specifically ensures that customers do not bear the very costs that OPC claims that they do.

Both the required adjustment to off-system energy sales revenues and to net base energy costs are found on the "N-Factor Adj AP 23" tab of Mr. Wenberg's Schedule. The reduction in off-system sales of \$25 million is offset by an \$18 million increase in NBEC yielding an N-

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<sup>17</sup> Footnote 2, page 3 of OPC's Reply.

Factor adjustment of only approximately \$7 million - less than 1/3 of the off-system energy sales revenue adjustment.<sup>18</sup>

25. That OPC either does not understand is further evidenced by the following statement in its Reply:

At the time the N-Factor Adjustment was agreed to in File ER-2010-0036, Ameren Missouri was experiencing large positive off-system sales revenue margins. The intent of the N-Factor was that if the Noranda plant experienced a large reduction in usage due to circumstances beyond its control, some of this large off-system sales margin would be returned to Ameren Missouri so that it would recover some or all of the fixed costs that Ameren Missouri was no longer receiving through Noranda's volumetric rate.

That claim is false. As noted, the N-Factor only allows Ameren Missouri to receive revenues arising from *new* off-system energy sales that are derived from a significant reduction in the smelter's load to cover a portion of the fixed costs that remain even when the smelter's load drops. OPC's statement suggests that the N-Factor was intended to allow Ameren Missouri to retain any *pre-existing* off-system sales margins that would have existed absent the reduction in Noranda's load. As explained above, it doesn't. Off-system sales that would have occurred even if the smelter stayed at full load are completely unaffected by the N-Factor and flow through the FAC to customers; i.e., they are fully reflected in the FAR.<sup>19</sup>

### **CONCLUSION**

26. The FAR adjustment filing in this docket is correct. The Staff agrees. OPC does not claim otherwise, but rather, manufactures false and irrelevant comparisons between one AP

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<sup>18</sup> Note that OPC does not claim that the N-Factor adjustment amount is wrong, just as it does not claim that the overall FAR adjustment is wrong.

<sup>19</sup> OPC's attempt to characterize the application of the N-Factor as being limited to "a large reduction in usage due to circumstances beyond its control" is also factually incorrect and misleading. The sole trigger for the application of the N-Factor is "(a) reduction of 40,000,000 kWh or greater in a given month" as compared to the level of normalized 12(M) or 13(M) monthly billing determinants as established in File No. ER-2014-0258." There is no threshold test of determining why such a reduction occurred. Regardless, the damage to the smelter in January 2016 and Noranda's financial condition that led to its closing were beyond Ameren Missouri's control.

and another instead of between the ANEC for AP 23 and the base. Moreover, OPC makes numerous errors and misstatements in the process, albeit those misstatements and errors are similarly irrelevant to the issue in this docket.

27. Because the FAR adjustment is correct, and because there is not even any allegation (credible or otherwise) that it is incorrect, pursuant to 4 CSR 240-20.091(4) the Commission has the option of approving it so that it takes effect on January 26, 2017, or simply letting it take effect on that date by operation of law.

WHEREFORE, in compliance with the Commission's January 4, 2017 *Order Directing Filing*, Ameren Missouri hereby submits this Verified Response, and renews the request made by its November 21, 2016 FAR filing in this docket that the tariff sheet reflecting the new FAR rate either be approved to take effect on January 26, 2017, or be allowed to take effect according to its terms by operation of law.

Respectfully submitted,

/s/ James B. Lowery

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Dated: January 10, 2017

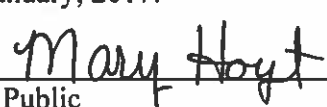


**VERIFICATION**

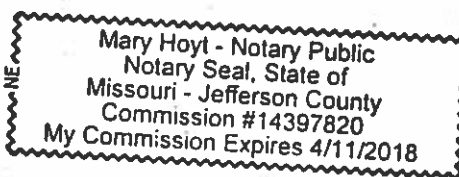
Erik C. Wenberg, being first duly sworn and upon his oath, states that he has read the foregoing *Verified Ameren Missouri Response to Public Counsel's Reply to Staff's Response*, that he has first-hand knowledge of the facts outlined therein, and that said facts are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Erik C. Wenberg  
Director, Wholesale Power and Fuel Accounting

Subscribed and sworn to me this 10<sup>th</sup> day of January, 2017.

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

My Commission Expires: 4-11-2018



**CERTIFICATE OF SERVICE**

The undersigned certifies that true and correct copies of the foregoing have been e-mailed or mailed, via first-class United States Mail, postage pre-paid, to the service list of record of this case on this 10<sup>th</sup> day of January, 2017.

James B. Lowery  
James B. Lowery