

Exhibit No.:
Issues: Adjustment to FAC Rate –
Twenty-First Accumulation
Period
Witness: Erik C. Wenberg
Sponsoring Party: Union Electric Co.
Type of Exhibit: Direct Testimony
Case No.: ER-2016-_____
Date Testimony Prepared: March 24, 2016

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

ERIK C. WENBERG

March, 2016
St. Louis, Missouri

NP

DIRECT TESTIMONY

OF

ERIK C. WENBERG

Case No. ER-2016-_____

1 **Q: Please state your name and business address.**

2 A: My name is Erik C. Wenberg. My business address is One Ameren Plaza, 1901
3 Chouteau Ave., St. Louis, Missouri.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Ameren Services Company (“Ameren Services”) as Director,
6 Wholesale Power and Fuel Accounting. Ameren Services provides various corporate
7 support services to Union Electric Company d/b/a Ameren Missouri (“Company” or
8 “Ameren Missouri”), including settlement and accounting related to fuel, purchased
9 power and off-system sales.

10 **Q: What is the purpose of your testimony?**

11 A: My testimony supports the 3rd Revised Sheet No. 73.11 of Ameren Missouri’s Schedule
12 No. 6 – Schedule of Rates for Electric Service, that is being filed by Ameren Missouri to
13 adjust customer rates for changes in Ameren Missouri’s fuel and purchased power costs,
14 net off-system sales revenues, and associated transportation (i.e., Actual Net Energy
15 Costs, or “ANEC”), which were experienced during the four-month period October 2015
16 through January 2016.¹

¹ This four-month period is the twenty-first overall Accumulation Period under Ameren Missouri’s Rider FAC, which was first approved by the Commission in Case No. ER-2008-0318, and which has subsequently been re-authorized, with certain modifications, in Case Nos. ER-2010-0036, ER-2011-0028, ER-2012-0166 and ER-2014-0258.

1 **Q: Please explain why Ameren Missouri is filing a revision to its Rider FAC at this**
2 **time.**

3 A: The Commission's rule governing fuel and purchased power cost recovery mechanisms
4 for electric utilities – specifically 4 CSR 240-20.090(4) – and Ameren Missouri's Rider
5 FAC, require Ameren Missouri to make periodic filings to adjust customer rates for
6 changes in Ameren Missouri's ANEC experienced during each Accumulation Period as
7 compared to the base level of net energy costs (Factor "B" as listed in the Company's
8 Rider FAC tariff) applicable to that same Accumulation Period. That change is to then be
9 reflected in an adjustment to the Rider FAC Fuel Adjustment Rate (i.e., Factor "FAR" in
10 Rider FAC). This adjustment can be positive (a FAR of greater than zero) or negative (a
11 FAR of less than zero). The Commission's rule requires at least one such review and
12 adjustment each year. Ameren Missouri's approved FAC tariff calls for three filings
13 annually – one filing covering each of the three four-month Accumulation Periods
14 reflected in Rider FAC. The changes in the FAR implemented in these three filings are
15 then collected from or refunded to customers over the applicable Recovery Period. The
16 Recovery Period applicable to this filing will consist of the billing months of June 2016
17 through January 2017.

18 **Q. What adjustment is being made in this filing?**

19 A. Ameren Missouri's ANEC during the October 1, 2015 to January 31, 2016 Accumulation
20 Period decreased by \$9,642,661 as compared to the Factor "B" applicable to that period.
21 The primary factor driving this decrease was higher capacity sales revenue, partially
22 offset by the Adjustment for Reduction of Service Classification 13(M) (otherwise
23 known as the IAS class) triggered by load reductions at Noranda Aluminum, Inc.'s

1 smelter (this adjustment is generally referred as the "N factor adjustment"). The N factor
2 adjustment reflected in this filing and arising from Accumulation Period 21 is \$1,137,648
3 (\$1,080,766 after applying the 95%/5% sharing percentage in the FAC tariff), and was
4 calculated in accordance with the methodology approved by the Commission in its *Order*
5 *Approving Second Stipulation and Agreement* in Case No. ER-2016-0130. Also included
6 in this filing is the true-up amount reflected in the Company's eighteenth true-up filing,
7 which is being filed concurrently with the initiation of this docket, and the N factor
8 adjustment applicable to Accumulation Period 20, as also approved by the Commission's
9 *Order Approving Second Stipulation and Agreement* in Case No. ER-2016-0130. The
10 total ANEC difference of \$9,642,661 together with the other sums described above result
11 in Fuel and Purchased Power Adjustment (FPA) of (\$13,933) which, as described further
12 below, will produce the FAR rates that will appear as a separate line item to be applied to
13 customer bills during the 21st Recovery Period that starts with the first day of the June,
14 2016 billing month.

15 **Q. Please elaborate on the N factor adjustments included in this filing.**

16 A. As provided for in the Commission's *Order Approving Second Stipulation and*
17 *Agreement* in Case No. ER-2016-0130, the N factor adjustment arising from
18 Accumulation Period 20 and from this Accumulation Period (21) is to be included in this
19 FAR filing. The N factor adjustments for those periods, respectively, are \$437,526 and
20 \$1,080,766 (plus applicable interest). These figures are shown in additional tabs included

1 in the workpapers that are being submitted with this filing, and which are attached to this
2 testimony as Schedule EW-FAR.²

3 **Q: Please further describe the impact of the change in the FAR on the Company's**
4 **customers.**

5 A: The \$9,642,661 decrease in ANEC as compared to Factor "B" was calculated in the
6 manner specified in the Company's Rider FAC, and adjusted for voltage level
7 differences, as provided for in Rider FAC. Applying the 95% sharing ratio, the
8 \$8,656,997 true-up amount shown on line 4.2 of 3rd Revised Sheet No. 73.11 referenced
9 earlier (which includes the recovery of \$437,526 for the N factor adjustment applicable to
10 Accumulation Period 20 as described above and the recovery of \$8,219,471 resulting
11 from the eighteenth true-up filing being made concurrently with the initiation of this
12 docket³), and the applicable recovery of interest totaling \$489,598 as provided for in
13 Rider FAC (which includes a refund of \$14,849 in interest for the current Accumulation
14 Period, the recovery of \$1,417 in interest for the N factor adjustment applicable to
15 Accumulation Period 20, and the recovery of \$503,030 in interest for the true-up of
16 Accumulation Period 18), the total adjustment to be reflected in the FAR is (\$13,933).
17 That total, when using the estimated kWh sales for the June 2016 to January 2017
18 Recovery Period, results in an Initial Rate Component to be applied to the Company's

² Normally, the detail behind the N factor adjustment will be reflected in monthly reports submitted applicable to the accumulation periods covered by the FAR filing. However, since the N factor adjustment was not made for the Accumulation Period 20 FAR filing (as dictated by the (first) Nonunanimous Stipulation and Agreement that was approved by the Commission in Case No. ER-2016-0130), and since the methodology used to calculate the N factor adjustment (as also approved by the Commission in the Second Stipulation referenced earlier) is different in some respects than the methodology used to report the N factor adjustment in the monthly reports for Accumulation Period 20 and 21, we have included additional information in the workpapers for this filing.

³ As noted in my Recovery Period 18 true-up direct testimony filed concurrently herewith, a majority of the true-up amount that is reflected in the new FAR rates arose from the initial implementation of the \$0.002/kWh rate cap applicable to the 13(M) rate class starting May 30, 2015 as a result of the *Report and Order* in Case No. ER-2014-0258.

1 Individual Service Classifications. As provided for in Rider FAC, to the extent the
2 Industrial Aluminum Smelter Service Classification Initial Rate Component exceeds
3 \$0.002/kWh, the difference is applied to the remaining Individual Service Classifications
4 to arrive at the FAR amounts that will be billed during the applicable Recovery Period.
5 As the Industrial Aluminum Smelter Service Classification Initial Rate Component for
6 the subject Accumulation Period did not exceed \$0.002/kWh, there was no difference to
7 be applied to the remaining Individual Service Classifications. The following are the
8 FAR amounts for the Company's customers during the Recovery Period associated with
9 Accumulation Period 21, beginning with the billing month of June 2016:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Industrial Aluminum Smelter	-0.002 ¢/kWh
Secondary	-0.002 ¢/kWh
Primary	-0.002 ¢/kWh
Transmission	-0.002 ¢/kWh

10
11 Filed concurrently with my direct testimony is the tariff sheet that contains the formula
12 that Ameren Missouri used to calculate the FAR. Also included in the tariff sheet are the
13 values for each element of the formula that were used to derive the FAR. This will result
14 in a refund under the FAR of approximately \$0.02 per month for a typical residential
15 customer. This is a decrease of approximately \$2.13 per month from the FAR currently
16 in effect, which resulted in charges for the typical residential customer of approximately
17 \$2.11 per month. While the primary drivers for this decrease were higher net base energy
18 costs resulting from the rebase of net energy costs in Case No. ER-2014-0258 and higher

1 capacity sales revenue, the impact of these drivers was largely offset by the under-
2 recovered amount established in the eighteenth true-up filing.

3 **Q: How did you develop the various values used to derive the proposed FAR shown on**
4 **the tariff sheet?**

5 A: The data upon which Ameren Missouri based the values for each of the variables in the
6 approved FAR formula are shown in Schedule EW-FAR. This schedule contains all of
7 the information that is required by 4 CSR 240-3.161(7)(A), the additional N factor
8 adjustment data described earlier and includes the workpapers that support the data
9 contained in Schedule EW-FAR. I have also included Schedule EW-TU, which is a
10 reproduction of Schedule EW-TU filed in the separate true-up docket for the eighteenth
11 Recovery Period, which as earlier noted is being filed concurrently with the initiation of
12 this docket.⁴

13 **Q: If the rate schedule filed by Ameren Missouri is approved or allowed to go into**
14 **effect, what safeguards exist to ensure that the revenues the Company collects do**
15 **not exceed the net energy costs that Ameren Missouri actually incurred during the**
16 **Accumulation Period?**

17 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
18 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
19 prudently-incurred ANEC. First, Rider FAC and the Commission's rules require a true-
20 up of the amounts collected from customers through Rider FAC, with any
21 excess/unrecovered amounts to be refunded/billed to customers through prospective

⁴ While the Commission's FAC rules allow filings relating to changes in ANEC to be combined in one filing with the true-up of past Recovery Periods, after consultation with the Staff it is the Company's understanding that the Staff prefers separate filings, but also prefers that sums reflected in such concurrently-filed true-ups be included in the new FAR rates filed in the separate Accumulation Period filing.

1 adjustments to the FAR calculation, with interest at Ameren Missouri's short-term
2 borrowing rate. Second, Ameren Missouri's ANEC are subject to periodic prudence
3 reviews to ensure that only prudently-incurred net energy costs are collected from
4 customers through Ameren Missouri's Rider FAC. These two mechanisms serve as
5 checks that ensure that the Company's customers pay only the prudently-incurred ANEC
6 and no more.

7 **Q: What action is Ameren Missouri requesting from the Commission with respect to**
8 **the rate schedule that the Company has filed?**

9 A: As provided by 4 CSR 240-20.090(4), the Commission Staff (the "Staff") has thirty (30)
10 days from the date the revised FAC rate schedule is filed to conduct a review and to make
11 a recommendation to the Commission as to whether the rate schedule complies with the
12 Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2013), and
13 Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider
14 FAC rate schedule does comply, the FAR will take effect either pursuant to a
15 Commission order approving the FAR or by operation of law, in either case within 60
16 days after the FAR is filed. Because Ameren Missouri believes its filing satisfies all of
17 the requirements of applicable statutes, the Commission's rules and Ameren Missouri's
18 approved Rider FAC, Ameren Missouri requests that after the Staff's review, the
19 Commission approve the FAR to be effective with the billing month of June 2016.

20 **Q: Does this conclude your direct testimony?**

21 A: Yes, it does

SCHEDULE EW-FAR
IS HIGHLY CONFIDENTIAL IN ITS
ENTIRETY

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