

Exhibit No.:
Issues: Adjustment to FAC Rate –
Nineteenth Accumulation Period
Witness: Erik C. Wenberg
Sponsoring Party: Union Electric Co.
Type of Exhibit: Direct Testimony
Case No.: ER-2016-_____
Date Testimony Prepared: July 24, 2015

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

ERIK C. WENBERG

July, 2015
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 1st Revised Sheet No. 73.11 of Ameren Missouri’s Schedule No.
12 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., Annual Net Energy
15 Costs, or “ANEC”), which were experienced during the four-month period February
16 2015 through May 2015.¹

¹ This four-month period is the nineteenth 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 then to 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 October
17 2015 through May 2016.

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

19 A. Ameren Missouri’s ANEC during the February 1, 2015 to May 31, 2015 Accumulation
20 Period have increased as compared to Factor “B” applicable to that period. The primary
21 factor driving this increase above the base (Factor “B”) was lower off-system sales
22 margins. Specifically, for the subject Accumulation Period Ameren Missouri’s ANEC
23 are more than Factor “B” for that period by \$47,108,347. In accordance with the

1 Commission's rule and Ameren Missouri's approved Rider FAC, Ameren Missouri is
2 making this filing to set its FAR so that customers will pay 95% of this difference. Also
3 included in this FAR is the true-up amount reflected in the Company's sixteenth true-up
4 filing, which is being filed concurrently with the initiation of this docket and increases
5 the above difference by \$645,136. The new FAR will appear as a separate line item on
6 the customers' bills starting with the October 2015 billing month, when the Recovery
7 Period applicable to the subject Accumulation Period begins.

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

9 A: The \$47,108,347 increase in ANEC as compared to Factor "B" was calculated in the
10 manner specified in the Company's Rider FAC, and adjusted for voltage level
11 differences, as provided for in Rider FAC. Applying the 95% sharing ratio, the \$645,136
12 amount referenced above from the sixteenth true-up filing (made concurrently with the
13 initiation of this docket) and the applicable recovery of interest totaling \$292,743 as
14 provided for in Rider FAC (which includes \$22,822 for the current Accumulation Period
15 and \$269,921 for the true-up of Accumulation Period 16), the costs to be recovered in the
16 FAR total \$45,690,809. That total, using estimated kWh sales for the October 2015 to
17 May 2016 Recovery Period results in an initial rate component to be applied to the
18 Company's Individual Service Classifications. As provided for in Rider FAC, to the
19 extent the Industrial Aluminum Smelter Service Classification rate exceeds the
20 \$0.002/kWh; the shortfall is applied to the remaining Individual Service Classifications to
21 arrive at the FAR amounts that will be billed during the applicable Recovery Period. The
22 shortfall for Accumulation Period 19 was \$6,045,377. The following are the FAR

1 amounts for the Company's customers during the Recovery Period associated with
2 Accumulation Period 19, beginning with the billing month of October 2015:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Industrial Aluminum Smelter	0.200 ¢/kWh
Secondary	0.462 ¢/kWh
Primary	0.447 ¢/kWh
Transmission	0.433 ¢/kWh

3
4 Filed concurrently with my direct testimony is the tariff sheet that contains the formula
5 that Ameren Missouri used to calculate the FAR. Also included in the tariff sheet are the
6 values for each element of the formula that were used to derive the FAR. This will
7 result in charges under the FAR of approximately \$5.08 per month for a typical
8 residential customer. This is an increase from the FAR currently in effect, which resulted
9 in charges for the typical residential customer of approximately \$4.62 per month. The
10 primary driver for this increase for residential customers is the reallocation of the
11 \$6,045,377 shortfall in recoverable costs resulting from the \$0.002/kWh cap on the
12 Industrial Aluminum Smelter Service Classification that has to be recovered from the
13 Company's other customer classes.

14 **Q. The increase for a typical residential customer is \$0.46 per month. How much of**
15 **that increase arises from reallocating changes in net energy costs because of the**
16 **\$0.002/kWh cap on FAC charges in the IAS rate schedule?**

17 A. Approximately 70%, or approximately \$0.32 per month of the increase in the typical
18 residential customer's bill, arises from the cap on FAC charges in the Industrial

1 Aluminum Smelter (“IAS”) rate schedule. The remaining approximately \$0.14 per
2 month is driven by the actual changes in ANEC versus the base energy costs.

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, attached to my testimony. This
7 schedule contains all of the information that is required by 4 CSR 240-3.161(7)(A) and
8 includes the workpapers that support the data contained in Schedule EW-FAR. I have
9 also included Schedule EW-TU, which is a reproduction of Schedule EW-TU filed in the
10 separate true-up docket for the sixteenth Recovery Period, which as earlier noted is being
11 filed concurrently with the initiation of this docket.²

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

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

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

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

8 A: As provided by 4 CSR 240-20.090(4), the Commission Staff (the "Staff") has thirty (30)
9 days from the date the revised FAC rate schedule is filed to conduct a review and to make
10 a recommendation to the Commission as to whether the rate schedule complies with the
11 Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2013), and
12 Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider
13 FAC rate schedule does comply, the FAR will take effect either pursuant to a
14 Commission order approving the FAR or by operation of law, in either case within 60
15 days after the FAR is filed. Because Ameren Missouri believes its filing satisfies all of
16 the requirements of applicable statutes, the Commission's rules and Ameren Missouri's
17 approved Rider FAC, Ameren Missouri requests that after the Staff's review, the
18 Commission approve the FAR to be effective with the billing month of October 2015.

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

20 A: Yes, it does.

**SCHEDULE EW-FAR
HAS BEEN MARKED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**