

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

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

PUBLIC COUNSEL’S REPLY TO STAFF’S RESPONSE

COMES NOW the Missouri Office of the Public Counsel (“Public Counsel”) and for its Reply to the Staff’s Response states:

1. On November 22, 2016, Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) filed its 5th Revised Sheet No.73.11, with supporting direct testimony pursuant to Public Service Commission (“Commission”) Rules 4 CSR 240-20.090(4) and 4 CSR 240-3.161(7), seeking approval to adjust the its Fuel Adjustment Rate (“FAR”) used to calculate its Fuel Adjustment Clause (“FAC”) charge billed to its customers from the \$0.00057 amount currently in place to \$0.00117 with a proposed effective date of January 26, 2017 to be included in the February 2017 billing period.

2. Also on November 22, Ameren Missouri submitted a true-up filing in File No. ER-2017-0148 to identify the amount of over- or under-recovery during Recovery Period 20 (“RP20”) prescribed by its FAC.

3. By Commission Order dated November 23rd, Staff responded to Ameren Missouri’s filing on December 22, 2016 where it recommended to the Commission that said tariff sheet should be adopted. Public Counsel respectfully disagrees with Staff’s suggestions.

4. In this matter, a dispute exists with respect to whether correct information was included by Ameren Missouri or by Staff regarding the capacity sales margin and the off-system sales margins achieved in Accumulation Period 23 (“AP 23”).

5. In testimony filed in this case, Ameren Missouri witness Erik C. Wenberg states the primary factors in the increase were the adjustment for the reduction of service classification 13(M) billing determinants (“N-factor”) and lower off-system sales margins which was partially offset by higher net capacity revenues. Although Mr. Wenberg states net capacity margins are “higher,” the work papers provided show net capacity revenues for AP 23 were 23% and 33% lower than the net capacity revenues for AP 22 and AP 21 respectively. The following table gives the capacity costs, capacity revenues and capacity margin for the last four accumulation periods as provided by Ameren Missouri in the filings for FAC rate changes for these accumulation periods:

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6. Capacity costs and revenues show a large increase in AP 23 because the Midcontinent Independent System Operator, Inc. (“MISO”) changed its capacity market at the beginning of AP 23 and Ameren Missouri moved from a Fixed Resource Adequacy Plan (“FRAP”) in the capacity market to self-scheduling.

7. While the capacity margin in AP 23 is larger than what was included in the calculation of base rates in the last rate case,¹ the margin or net revenue is lower than it had been in the previous three accumulation periods.

8. Mr. Wenberg also states that one of the driving factors for the increase in the FAC cost was lower off-system sales margins. Off-system sales margin is the revenue received for off-system sales net of the costs to make the sales. The N-Factor adjustment returns to Ameren Missouri a portion of not the off-system sales margin but the off-system sales revenue that would otherwise flow through the FAC to reduce the fuel costs.² The adjustment is dependent upon the normalized billing determinants of Noranda, Inc. in the last rate case and the actual billing determinants.

9. However, in contrast to Mr. Wenberg's testimony, the information provided with his testimony in this file and the previous two AP filings, shows that the off-system sales margin for AP 23, absent the N-factor adjustment was not as negative³ as it was in the previous AP.

Off-System Sales Margin

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10. Over these three APs, which cover a 12-month time period, Ameren Missouri did not realize a positive off-system sales margin and would not have seen a positive margin even if there were no N-Factor adjustment.

¹ The annual capacity revenue margin in the FAC base rate is \$5,843,949.

² This results in the customers paying the cost of the off-system sales and Ameren Missouri receiving the revenues

11. 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.

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.

WHEREFORE, the Office of the Public Counsel submits this reply to the Staff's Response and asks the Public Service Commission to reject the proposed tariff sheet and require the company to address the information presented above before any tariff change is permitted.

³ The cost of the sales was greater than the revenue received for the sales. The annual off-system sales revenue margin in the FAC base rate is a positive \$96,812,626

Respectfully,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 3rd day of January 2017:

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VERIFICATION

STATE OF MISSOURI)
) ss
COUNTY OF COLE)


Lena M. Mantle, being first duly sworn, on her oath and in her capacity as Senior Analyst – Office of the Public Counsel, states that she is authorized to execute the foregoing on behalf of Office of the Public Counsel, has knowledge of the matters stated herein, and that said matters are true and correct to the best of her knowledge and belief.


Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 3rd day of January 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.