

Exhibit No.:
Issues: *Fuel Adjustment Clause (FAC)
and Labor Cost Adjustment in
Missouri Energy Efficiency
Investment Act (MEEIA)*
Witness: *Dana E. Eaves*
Sponsoring Party: *MO PSC Staff*
Type of Exhibit: *Rebuttal Testimony*
File No.: *ER-2016-0179*
Date Testimony Prepared: *January 20, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

DANA E. EAVES

**UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI**

CASE NO. ER-2016-0179

*Jefferson City, Missouri
January 2017*

**** Denotes Highly Confidential Information ****

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DANA E. EAVES
UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri
CASE NO. ER-2016-0179

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1 **FUEL ADJUSTMENT CLAUSE**

2 Q. What modifications to Ameren Missouri's FAC is Ms. Mantle recommending?

3 A. Ms. Mantle is recommending the following changes:

- 4 1. Limit costs and revenues recoverable through the FAC; and
5 2. Change Ameren Missouri's current sharing percentage from 95/5 to 90/10.

6 Q. Does Staff agree with these recommendations proposed by Ms. Mantle?

7 A. No.

8 Q. How is Ms. Mantle proposing to limit costs and revenues recoverable through
9 the FAC?

10 A. Ms. Mantle is proposing Ameren Missouri be only allowed to recover through
11 its FAC the delivered commodity cost of fuel (coal, natural gas, fuel oil, nuclear fuel etc.),
12 plus transportation of the commodity, the cost of purchased power to meet native load,
13 and transmission cost directly incurred by Ameren Missouri used to acquire purchased power
14 and to make off-system sales. Ms. Mantle is also recommending eliminating Regional
15 Transmission Organization charges and revenues.

16 Q. Does Ms. Mantle claim that by adopting OPC recommendations it would
17 minimize the complexity and provide more transparency of Ameren Missouri's FAC?

18 A. Yes.

19 Q. Do you agree with her claim?

20 A. No. Simply reducing the number of items allowed to be recovered through
21 Ameren Missouri's FAC Rider does not make the process more transparent nor does it
22 necessarily simplify the process. Like Ms. Mantle, I have been involved in many aspects of
23 the evolution of the current FACs for all of the regulated electric utilities in Missouri. The
24 current Ameren Missouri FAC is a result of years of negotiations, stipulations and agreements

1 with a multitude of interested parties, Commission orders, and judicial actions. Staff is of the
2 opinion that the FAC statute¹ and the need for statutory compliance have driven the
3 complexity of the electric utilities' FACs in Missouri, not the inclusion of specific cost or
4 revenue items. Ms. Mantle has provided a discussion on the evolution of the FAC for the
5 electric utilities in Missouri in Schedule LM-D-1 of her direct testimony in this case. OPC's
6 proposal appears to ignore this history and seemingly proposes a do-over of Ameren
7 Missouri's current FAC.

8 Q. Does Staff agree with OPC's proposal to change the sharing percentage from
9 95/5 to 90/10?

10 A. No. Changing the sharing percentage for Ameren Missouri in this rate case
11 would be inconsistent with prior rulings by the Commission and would be inconsistent with
12 the sharing percentages for other Missouri regulated electric utilities with FACs.

13 Q. Does Staff agree overall with Ameren Missouri's FAC filing in this case?

14 A. Yes, Staff recommends Ameren Missouri's FAC be continued as proposed in
15 its direct filing, and Staff recommends Ameren Missouri continue to provide monthly filings
16 that will aid Staff in performing FAC tariff, prudence, and true-up reviews.

17 **MEEIA LABOR ADJUSTMENT**

18 Q. Is Ameren Missouri proposing to change how it recovers a portion of its labor
19 cost in this case?

20 A. Yes. Ameren Missouri is proposing an adjustment of ** _____ **² that
21 would remove a pro-formed amount³ for labor costs associated with its approved Missouri

¹Missouri Revised Statutes, Chapter 386, Public Service Commission, Section 386.266.1

²Direct Testimony of Laura M. Moore, Schedule LMM-11, Pro forma Item No. (4).

1 Energy Efficiency Investment Act (“MEEIA”) energy efficiency programs from permanent
2 rates and is seeking cost recovery through its Rider Energy Efficiency Investment Charge
3 (“Rider EEIC”)⁴.

4 Q. Does Ameren Missouri’s response to Staff’s Data Request No. 0393 in this
5 case provide some reasonable assurance that the accounting methodology as explained in its
6 response will provide any protections from double recovery of some level of labor costs?

7 A. No it does not. In fact it raises more questions as to how Ameren Missouri’s
8 proposed MEEIA labor adjustment will actually be accounted for properly if the Commission
9 were to adopt Ameren Missouri’s position. In its response, Ameren Missouri has proposed to
10 remove 22 full-time employees from permanent rates as of March 31, 2016 and seek recovery
11 of those labor costs through its Rider EEIC. However, Staff is aware of several employees
12 listed in the response that are no longer assigned to Ameren Missouri’s MEEIA activities, and
13 employees that were providing services to other business activities outside of MEEIA are
14 included as full time for the purpose of the proposed adjustment.

15 Q. Does Staff support this change to labor cost recovery?

16 A. No. Staff is opposed to Ameren Missouri making this adjustment in this case.
17 Labor expense has a historical cost recovery methodology, and by moving away from this
18 cost recovery methodology it would needlessly shift the cost recovery risk⁵ away from the
19 Company to the customer. Without safeguards, there also exists the possibility of double

³ In response to questions 3 & 4 of Staff’s Data Request No.0398, Laura Moore answers: “For this adjustment, all employees are allocated full time to MEEIA. On a going forward basis, a methodology will be used to determine amount to MEEIA based upon the employee time.”

⁴ On January 3, 2014, the Commission approved Ameren Missouri’s Energy Efficiency Investment Charge (“Rider EEIC”) in Case No. EO-2014-0075, thereby, changing the Company’s DSIM from a tracker to a rider, which provides for periodic rate adjustments between general rate cases.

⁵ Traditional labor cost recovery provides an incentive to the Company to control costs such that if labor cost is less the Company can keep the savings, if labor costs increase the Company will assume the additional expense which might decrease the Company’s profit. Under MEEIA cost recovery the Company is allowed to recover all of its costs dollar for dollar.

1 recovery of labor cost if it is allowed to be recovered through Ameren Missouri's Rider EEIC,
2 and Ameren Missouri has not proposed any such safeguards. The risk of double recovery can
3 occur when an employee was not originally included as part of Ameren Missouri's proposed
4 MEEIA labor adjustment in this case but rather was included in the labor annualization for
5 permanent rates and then bills time to Ameren Missouri's MEEIA programs.

6 Q. Would Ameren Missouri need to seek Commission approval to modify its
7 existing MEEIA programs if its proposed pro-forma MEEIA labor adjustment is approved by
8 the Commission?

9 A. Yes. It is Staff's position Ameren Missouri would need to comply with
10 4 CSR.240-20.094(4):

11 (4) Applications for Approval of Modifications to Electric
12 Utility Demand-Side Programs. Pursuant to the provisions of
13 this rule, 4 CSR 240-2.060, and section 393.1075, RSMo, an
14 electric utility shall file an application with the commission for
15 modification of demand-side programs by filing information
16 and documentation required by 4 CSR 240-3.164(4) when there
17 is a variance of twenty percent (20%) or more in the approved
18 demand-side plan three (3)-year budget *and/or any program*
19 *design modification which is no longer covered by the*
20 *approved tariff sheets for the program.* The commission shall
21 approve, approve with modification acceptable to the electric
22 utility, or reject such applications for approval of modification
23 of demand-side programs within thirty (30) days of the filing of
24 an application under this section, subject to the same guidelines
25 as established in subsections (3)(A) through (C), only after
26 providing the opportunity for a hearing.

27 Ameren Missouri's direct labor costs were not pro-formed during the approval of its MEEIA
28 Cycle 2 programs, and no provision is included in its current MEEIA tariff sheets that would
29 allow for recovery of such labor costs. Without Ameren Missouri seeking an approval of
30 these modifications, Ameren Missouri would not be compliant with its existing tariff sheets.

1 Q. Has Ameren Missouri proposed any safeguards to eliminate the possibility of
2 double recovery of MEEIA labor costs and has Ameren Missouri expressed its intention to
3 seek a modification to its MEEIA programs?

4 A. No, it has not. For these reasons Staff is opposed to Ameren Missouri's
5 proposed pro forma MEEIA labor adjustment as proposed in this case.

6 Q. Does this conclude your rebuttal testimony?

7 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Increase)
Its Revenues for Electric Service) Case No. ER-2016-0179

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DANA E. EAVES and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

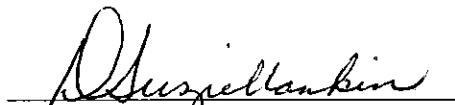
Further the Affiant sayeth not.


DANA E. EAVES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 19th day of January, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070


Notary Public