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Lena M. Mantle

Sponsoring Party:

MO PSC Staff

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Case No.:

EO-2010-0255

Date Testimony Prepared:

November 24, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT/REBUTTAL TESTIMONY

OF

LENA M. MANTLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. EO-2010-0255

*Jefferson City, Missouri
November 2010*

Staff Exhibit No. 12
Date 1-10-11 Reporter Jenn
File No. EO-2010-0255

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

In the Matter of the First Prudence)
Review of Costs Subject to the)
Commission-Approved Fuel)
Adjustment Clause of Union)
Electric Company d/b/a AmerenUE)

File No. EO-2010-0255

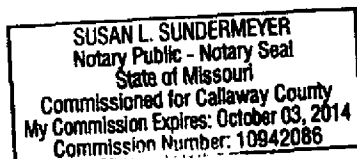
AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Direct/Rebuttal Testimony in question and answer form, consisting of 8 pages of Direct/Rebuttal Testimony to be presented in the above case, that the answers in the following Direct/Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Lena M. Mantle

Subscribed and sworn to before me this 24th day of November, 2010.




Notary Public

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LENA M. MANTLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. EO-2010-0255

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DIRECT/REBUTTAL TESTIMONY

OF

LENA M. MANTLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. EO-2010-0255

Q. Please state your name and business address.

A. Lena M. Mantle, P.O. Box 360, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am the Manager of the Energy Department, Utility Operations Division, of the Missouri Public Service Commission (Commission or PSC).

Q. What has been the nature of your duties while in the employment of this Commission?

A. In my work at the Commission from May 1983 until I became the Engineering Supervisor in August 2001, I worked in many areas of electric utility regulation. Initially I worked on electric utility class cost-of- service analysis. As a member of the Research and Planning Department, I participated in the development of a leading edge methodology for weather normalizing hourly class energy for rate design cases. I applied this methodology to weather normalize energy in numerous rate increase cases. I was actively involved in the writing of the Commission's Chapter 22, Electric Resource Planning rules in the early 1990's and am actively involved in updating the rules.

My responsibilities as the Supervisor of the Engineering Analysis section considerably broadened my work scope. This section of the Commission Staff (Staff) is

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1 responsible for a wide variety of engineering analyses, including electric utility fuel and
2 purchased power expense estimation for rate cases, generation plant construction audits,
3 review of territorial agreements, and resolution of customer complaints. As the Manager
4 of the Energy Department since June 2005, I have overseen the activities of the
5 Engineering Analysis section, the electric and natural gas utility tariff filings, the
6 Commission's natural gas safety staff, fuel adjustment clause filings, electric utility
7 resource planning compliance reviews and the class cost-of-service and rate design for
8 natural gas and electric utilities.

9 Q. Have you previously filed testimony before the Commission?

10 A. Yes. Please see Schedule LMM-1 attached to my testimony, for the list of
11 cases in which I have previously filed testimony or reports.

12 Q. What has been your involvement with fuel adjustment clauses at the
13 Commission?

14 A. After Section 386.266 RSMo. (Supp. 2006), also known as SB 179, went
15 into effect, I was asked to draft rules for the Commission to implement section 1 of the
16 statute. That section allows the Commission to approve periodic rate adjustments outside
17 of general rate proceedings to reflect increases and decreases in prudently incurred fuel
18 and purchased power costs for electric utilities. I drafted rules that were scrutinized,
19 edited and modified through a process that included numerous workshops with other
20 members of Staff, utility companies and ratepayer representatives over a period of many
21 months. The final rules, 4 CSR 240-3.161 Electric Utility Fuel and Purchased Power
22 Cost Recovery Mechanisms Filing and Submission Requirements and 4 CSR 240-20.090

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1 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms, became effective
2 January 30, 2007.

3 I have participated in drafting exemplar tariff sheets for the Fuel and Purchased
4 Power Adjustment Clauses (FAC) of Union Electric Company d/b/a Ameren Missouri
5 (Ameren Missouri), The Empire District Electric Company (Empire), and KCP&L
6 Greater Missouri Operations Company (GMO).

7 Q. What is the purpose of your direct/rebuttal testimony?

8 A. The purpose of my direct/rebuttal testimony is twofold. The first purpose
9 is to provide information to the Commission regarding the development of Ameren
10 Missouri's FAC tariff language that was in effect for accumulation periods 1 and 2 and
11 the March 1 to September 30, 2009 period that is the subject to this prudence review.
12 The second purpose is to explain how and when Staff learned of Ameren Missouri's
13 contracts with American Electric Power Service Corporation (AEP) and the Wabash
14 Valley Power Association, Inc. (WVPA) that are the subject of this case.

15 **Ameren Missouri's Fuel Adjustment Clause Tariff Language**

16 Q. Were you involved in the development of Ameren Missouri's FAC tariff
17 language that was in effect over the March 1 to September 30, 2009 period that is the
18 subject of this prudence review?

19 A. Yes, I was. The original tariff language, including the definition of the
20 OSSR (Off-System Sales Revenue) factor was first proposed by Ameren Missouri in the
21 exemplar FAC tariff sheets it filed in its direct case in Case No. ER-2008-0318. I was the
22 Utility Operation Division's Case Coordinator and Staff expert on the fuel adjustment
23 clause in that case. I was present for most, if not all, of the discussions involving the

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1 FAC in that case, and in the development of the FAC exemplar tariff sheets that became
2 part of a Stipulation and Agreement the Commission approved.

3 Q. What was your understanding of the following exclusion language for
4 long-term full and partial requirements sales when you first saw it in the definition of
5 OSSR for Ameren Missouri's FAC?

6 OSSR = Revenue from Off-System Sales allocated to Missouri electric
7 operations.
8

9 Off-System Sales shall include all sales transactions (including MISO revenues in
10 FERC Account Number 447), excluding Missouri retail sales and long-term full
11 and partial requirements sales, that are associated with (1) AmerenUE Missouri
12 jurisdictional generating units, (2) power purchases made to serve Missouri retail
13 load, and (3) any related transmission.
14

15 A. The FAC exemplar tariff sheets Ameren Missouri included in its direct
16 filing were very different from the GMO FAC tariff sheets that I had previously worked
17 with. There were many phrases and definitions on Ameren Missouri's tariff sheets that I
18 was uncertain about. One of the phrases that I was uncertain about was "Missouri retail
19 sales and long-term full and partial requirements sales, that are associated with (1)
20 AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve
21 Missouri retail load, and (3) any related transmission." To be sure that I understood what
22 the phrase meant, I asked Ameren Missouri what this phrase meant during a discussion
23 where Ameren Missouri was clarifying the definition and phrases in its proposed FAC
24 tariff sheet. Ameren Missouri told me it was a description of the wholesale contracts that
25 Ameren Missouri had with municipal utilities to provide electricity to them.

26 Q. Did Ameren Missouri's explanation make sense to you?

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1 A. Yes, it did. I was aware that Ameren Missouri had included its wholesale
2 municipal contracts in its resource planning process, and having weather normalized
3 Ameren Missouri's net system input in many previous cases, I knew that the loads of
4 these municipals were included in the net system input that Ameren Missouri and Staff
5 used as an input to determine fuel and purchased power expense in rate cases. Further, in
6 the pending rate case, Case No. ER-2008-0318, Ameren Missouri costs were being
7 allocated to municipal utilities through energy and demand allocators. It would have
8 been inappropriate to flow the revenues from these municipal utilities' contracts through
9 Ameren Missouri's FAC because Ameren Missouri's costs associated with the cost to
10 serve the municipal utilities were not being flowed through Ameren Missouri's FAC.
11 Instead, they were allocated to the municipal utilities through the use of jurisdictional
12 allocators. If the revenues from the contracts flowed back to the customers through the
13 FAC, but the revenue requirements that set the rates for the retail customers did not
14 include Ameren Missouri's costs associated with those contracts, then Ameren Missouri
15 would have had to pay all the costs of the contracts, but only receive 5% of the revenues
16 from them.

17 Q. Did Ameren Missouri ever change or modify its explanation of this FAC
18 exclusion language?

19 A. Yes. In its next rate case, File No. ER-2010-0036, Ameren Missouri took
20 the position that this language includes its contracts with AEP and the WVPA as
21 exclusions to its FAC.

22 Q. Were you surprised by Ameren Missouri's position in that case?

1 A. Yes. Never during the discussions of this exclusion language in its 2008
2 rate case, Case No. ER-2008-0318, which was before it entered into the AEP and WVPA
3 contracts, did Ameren Missouri include these types of contracts as being within the scope
4 of the exclusion. As described in Staff Witness Dana E. Eaves' testimony, there are
5 many significant differences between the AEP and WVPA contracts, and Ameren
6 Missouri's contracts to provide electricity to municipal utilities. To my knowledge,
7 contracts like the AEP and WVPA contracts have never been included in the calculation
8 of jurisdictional allocation factors in any Ameren Missouri rate case or in Ameren
9 Missouri's resource planning process.

10 **Staff's Discovery of AEP and the WVPA Contracts**

11 Q. How did Staff become aware of the AEP and WVPA contracts?

12 A. Staff discovered these contracts during Ameren Missouri's last rate case,
13 File No. ER-2010-0036 which it filed on July 24, 2009. On September 24, 2009, I
14 received from the Federal Energy Regulatory Commission (FERC) hard copies of
15 documents which stated that Ameren Missouri had submitted Wholesale Distribution
16 Service Agreements with the cities of Linneus and Centralia to the FERC for approval.¹ I
17 notified the Energy Department Staff so that they could check with Ameren Missouri to
18 make sure that they had the current list of municipalities served by Ameren Missouri for
19 Staff's work on the rate case. As a result, on September 24, 2009, Staff sent Data
20 Request Nos. 184 and 186 asking Ameren Missouri to identify current and anticipated
21 wholesale customers. The first time that Staff saw any mention of the AEP and WVPA
22 contracts was 21 days later in Ameren Missouri's response to Staff Data Request No.

¹ FERC dockets are ER09-518-000 and ER09-520-000

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1 184, provided on October 14, 2010, by Jaime Haro, Ameren Missouri's current Director,
2 Asset Management and Trading. In that response, Mr. Haro stated that Ameren Missouri
3 was supplying wholesale power to Wabash Valley Power Association and American
4 Electric Power Service Corp. as agent for the AEP Operating Companies. This was the
5 first time that Staff became aware of the AEP and WVPA contracts.

6 Q. Why did the Energy Staff need to know about Ameren Missouri's
7 wholesale customers?

8 A. It is important that the wholesale municipal customer requirements be
9 treated consistently in a rate case. They should be included in (1) the calculation of the
10 jurisdictional allocation factors and (2) the energy requirements that are included in the
11 net system input used to estimate the utility's fuel and purchased power expense. If the
12 energy requirements of wholesale customer is included in the jurisdictional allocation
13 factor, but not in the estimate of fuel and purchased power expense, then the fuel and
14 purchased power expense allocated to the retail customers will be too low. If a wholesale
15 customer's energy requirement is included in the net system input used to estimate fuel
16 and purchased power expense, but not included in the jurisdictional allocation factor
17 calculation, then too much fuel and purchased power expense will be allocated to the
18 retail customers.

19 Q. Did Ameren Missouri include the AEP and WVPA contracts in its
20 calculation of its jurisdictional allocation factors in its last rate case, File No. ER-2010-
21 0036?

22 A. In its direct filing made on July 24, 2009, Ameren Missouri included the
23 AEP and WVPA contracts in the calculation of the jurisdictional allocation factor.

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1 Q. Did Ameren Missouri include the AEP and WVPA contracts in its net
2 system input provided to Staff for that case?

3 A. No, it did not. As the rate case progressed it became evident to Staff that
4 there was some confusion at Ameren Missouri regarding Ameren Missouri's treatment of
5 the AEP and WVPA contracts. It did not become evident to Staff that Ameren Missouri
6 was not including AEP and WVPA contract revenues as off-system sales revenues in
7 Ameren Missouri's FAC until late in that case. Eventually, the Parties in that case, File
8 No. ER-2010-0036, signed a stipulation and agreement regarding the AEP and WVPA
9 contracts, but only for the specific limited purpose of dispatching the issue in the rate
10 case. This stipulation and agreement did not resolve the differences of the Parties
11 regarding the appropriate treatment of these contracts in the FAC. As a result, the issue
12 was left to be addressed in the prudence review of Ameren Missouri's FAC.

13 Q. Does Staff believe that it was imprudent for Ameren Missouri to enter into
14 the AEP and WVPA contracts?

15 A. No. As stated by Staff witness Dana E. Eaves in his direct/rebuttal
16 testimony and in the Staff FAC prudence report filed on August 31, 2010, Staff does not
17 believe that entering into these contracts was imprudent. However, it is Staff's position
18 that Ameren Missouri imprudently excluded the costs and revenues related to the AEP
19 contract and to the WVPA contract from its Fuel and Purchased Power Adjustment
20 calculation for accumulation periods 1 and 2.

21 Q. Does this conclude your direct/rebuttal testimony?

22 A. Yes, it does.

Lena M. Mantle, P.E.
Energy Department Manager
Utility Operations Division

In my work at the Commission I have participated in the development or revision of the following Commission rules:

- | | |
|------------------|---|
| 4 CSR 240-3.130 | Filing Requirements and Schedule of Fees for Applications for Approval of Electric Service Territorial Agreements and Petitions for Designation of Electric Service Areas |
| 4 CSR 240-3.135 | Filing Requirements and Schedule of Fees Applicable to Applications for Post-Annexation Assignment of Exclusive Service Territories and Determination of Compensation |
| 4 CSR 240-3.161 | Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements |
| 4 CSR 240-3.162 | Electric Utility Environmental Cost Recovery Mechanisms Filing and Submission Requirements |
| 4 CSR 240-3.190 | Reporting Requirements for Electric Utilities and Rural Electric Cooperatives |
| 4 CSR 240-14 | Utility Promotional Practices |
| 4 CSR 240-18 | Safety Standards |
| 4 CSR 240-20.015 | Affiliate Transactions |
| 4 CSR 240-20.090 | Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms |
| 4 CSR 240-20.091 | Electric Utility Environmental Cost Recovery Mechanisms |
| 4 CSR 240-22 | Electric Utility Resource Planning |

I have testified before the Commission in the following cases:

<u>CASE NUMBER</u>	<u>TYPE OF FILING</u>	<u>ISSUE</u>
ER-84-105	Direct	Demand-Side Update
ER-85-128, et. al	Direct	Demand-Side Update
EO-90-101	Direct, Rebuttal & Surrebuttal	Weather Normalization of Sales; Normalization of Net System

ER-90-138	Direct	Normalization of Net System
EO-90-251	Rebuttal	Promotional Practice Variance
EO-91-74, et. al.	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-93-37	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-94-163	Direct	Normalization of Net System
ER-94-174	Direct	Weather Normalization of Class Sales; Normalization of Net System
EO-94-199	Direct	Normalization of Net System
ET-95-209	Rebuttal & Surrebuttal	New Construction Pilot Program
ER-95-279	Direct	Normalization of Net System
ER-97-81	Direct	Weather Normalization of Class Sales; Normalization of Net System; TES Tariff
EO-97-144	Direct	Weather Normalization of Class Sales; Normalization of Net System;
ER-97-394, et. al.	Direct, Rebuttal & Surrebuttal	Weather Normalization of Class Sales; Normalization of Net System; Energy Audit Tariff
EM-97-575	Direct	Normalization of Net System
EM-2000-292	Direct	Normalization of Net System; Load Research;
ER-2001-299	Direct	Weather Normalization of Class Sales; Normalization of Net System;
EM-2000-369	Direct	Load Research
ER-2001-672	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;

ER-2002-1	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-424	Direct	Derivation of Normal Weather
EF-2003-465	Rebuttal	Resource Planning
ER-2004-0570	Direct	Reliability Indices
ER-2004-0570	Rebuttal & Surrebuttal	Energy Efficiency Programs and Wind Research Program
EO-2005-0263	Spontaneous	DSM Programs and Integrated Resource Planning
EO-2005-0329	Spontaneous	DSM Programs and Integrated Resource Planning
ER-2005-0436	Direct	Resource Planning
ER-2005-0436	Rebuttal	Low-Income Weatherization and Energy Efficiency Programs
ER-2005-0436	Surrebuttal	Low-Income Weatherization and Energy Efficiency Programs; Resource Planning
EA-2006-0309	Rebuttal & Surrebuttal	Resource Planning
EA-2006-0314	Rebuttal	Jurisdictional Allocation Factor
ER-2006-0315	Supplemental Direct	Energy Forecast
ER-2006-0315	Rebuttal	DSM and Low-Income Programs
ER-2007-0002	Direct	DSM Cost Recovery
GR-2007-0003	Direct	DSM Cost Recovery
ER-2007-0004	Direct	Resource Planning
ER-2008-0093	Rebuttal	Fuel Adjustment Clause, Low-Income Program
ER-2008-0318	Surrebuttal	Fuel Adjustment Clause
ER-2009-0090	Surrebuttal	Capacity Requirements
ER-2010-0036	Supplemental Direct,	Fuel Adjustment Clause

Surrebuttal

Contributed to Staff Direct Testimony Report

ER-2007-0291	DSM Cost recovery
ER-2008-0093	Fuel Adjustment Clause, Experimental Low-Income Program
ER-2008-0318	Fuel Adjustment Clause
ER-2009-0090	Fuel Adjustment Clause, Capacity Requirements
HR-2009-0092	Fuel Adjustment Rider
ER-2010-0036	Environmental Cost Recovery Mechanism
ER-2010-0356	Capacity Requirements, Iatan 2 Allocation