

Exhibit No.:
Issues: Adjustment to FAC Rate – Sixth
Accumulation Period
Witness: Jeff L. Dodd
Sponsoring Party: Union Electric Co.
Type of Exhibit: Direct Testimony
Case No.: ER-2011-_____
Date Testimony Prepared: March 25, 2011

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

JEFF L. DODD

**March, 2011
St. Louis, Missouri**

NP

DIRECT TESTIMONY

OF

JEFF L. DODD

Case No. ER-2011-_____

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

2 A: My name is Jeff L. Dodd. My business address is One Ameren Plaza, St. Louis,
3 Missouri.

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

5 A: I am employed by Ameren Services Company (“Ameren Services”) as Manager,
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 Third Revised Sheet No. 98.14 of Ameren Missouri’s Schedule
12 No. 5 – 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 of off-system sales revenues (i.e., net fuel costs), which were experienced during the
15 four-month period October 2010 through January 2011.¹

¹ This four-month period is the first full Accumulation Period occurring under Ameren Missouri’s current Rider FAC, which was approved by the Commission in Case No. ER-2010-0036. It is the sixth overall Accumulation Period if one accounts for the full and partial Accumulation Periods that occurred under Ameren Missouri’s initial Rider FAC, approved by the Commission in Case No. ER-2008-0318.

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 actual net fuel costs experienced during each
7 Accumulation Period as compared to the base level of net fuel costs (the "net base fuel
8 costs" or "NBFC" listed in the Company's Rider FAC tariff) applicable to that same
9 Accumulation Period. That change is then to be reflected in an adjustment to the Rider
10 FAC rate (i.e., Factor "FPA_c" in Rider FAC). This adjustment can be positive (an
11 increase in the FAC rate) or negative (a decrease in the FAC rate). The Commission's
12 rule requires at least one such review and adjustment each year. Ameren Missouri's
13 approved FAC tariff calls for three filings annually – one filing covering each of the three
14 four-month Accumulation Periods reflected in Rider FAC. The increases or decreases in
15 the FAC factor implemented in these three filings are then collected from or refunded to
16 customers over three twelve-month Recovery Periods. The Recovery Period applicable
17 to this filing consists of the billing months of June 2011 through May 2012.

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

19 A. Ameren Missouri's net fuel costs during the October 1, 2010 to January 31, 2011
20 Accumulation Period have increased as compared to the NBFC applicable to that period.
21 The factors driving this cost increase were lower off-system sales margins and higher fuel
22 costs. Specifically, for the subject Accumulation Period Ameren Missouri's net fuel
23 costs are more than the NBFC for that period by approximately \$25,249,121. In

1 accordance with the Commission's rule and Ameren Missouri's approved Rider FAC,
2 Ameren Missouri is making this filing to set its FPA_c rate so that customers will pay 95%
3 of this cost increase. The new FPA_c rate will appear as a separate line item on the
4 customers' bills starting with the June, 2011 billing month, when the Recovery Period
5 applicable to the subject Accumulation Period begins.

6 **Q: Please describe the impact of this increase in costs on the Company's customers.**

7 A: The approximately \$25,249,121 increase in net fuel costs was calculated in the manner
8 specified in the Company's Rider FAC, and adjusted for voltage level differences, as
9 provided for in Rider FAC. Applying the 95% sharing ratio and applicable interest
10 results in an increase of \$24,051,374 and results in the following FPA_c rates for the
11 Company's customers for the recovery period, beginning with the billing month of June
12 2011:

13

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Secondary	0.419 ¢/kWh
Primary	0.406 ¢/kWh
Large Transmission	0.393 ¢/kWh

14

15 Filed concurrently with my direct testimony is a copy of the tariff sheet that
16 contains the formula that Ameren Missouri used to calculate the FPA_c rates. Also
17 included in the tariff sheet are the values for each element of the formula that were used
18 to derive the FPA_c rates. This will result in charges under the FPA_c rate of
19 approximately \$4.61 per month for a typical residential customer.

1 **Q: How did you develop the various values used to derive the proposed FPA_c rates that**
2 **are shown on the tariff sheet?**

3 A: The data upon which Ameren Missouri based the values for each of the variables in the
4 approved FPA_c formula are shown in Schedule JD-1, attached to my testimony. This
5 schedule contains all of the information that is required by CSR 240-3.161(7)(A) and
6 includes the workpapers that support the data contained in Schedule JD-1.

7 **Q: If the rate schedule filed by Ameren Missouri is approved or allowed to go into**
8 **effect, what safeguards exist to ensure that the revenues the Company collects do**
9 **not exceed the net fuel costs that Ameren Missouri actually incurred during the**
10 **Accumulation Period?**

11 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
12 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
13 prudently-incurred net fuel costs. First, Rider FAC and the Commission's rules require a
14 true-up of the amounts collected from customers through the Rider FAC, with any excess
15 amounts collected to be credited to customers through prospective adjustments to the
16 FPA_c rates, with interest at Ameren Missouri's short-term borrowing rate. Second,
17 Ameren Missouri's net fuel costs are subject to periodic prudence reviews to ensure that
18 only prudently-incurred net fuel costs are collected from customers through Ameren
19 Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the
20 Company's customers pay only the prudently-incurred, actual net fuel costs and no more.

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

1 A: As provided by 4 CSR 240-20.090(4), the Commission Staff (the “Staff”) has thirty (30)
2 days from the date the revised FAC rate schedule is filed to conduct a review and to make
3 a recommendation to the Commission as to whether the rate schedule complies with the
4 Commission’s rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2008), and
5 Ameren Missouri’s approved Rider FAC. If the Commission finds the revised Rider
6 FAC rate schedule does comply, the FPA_c rate will take effect either pursuant to a
7 Commission order approving the FPA_c rate or by operation of law, in either case within
8 60 days after the FPA_c rate was filed. Because Ameren Missouri believes its filing
9 satisfies all of the requirements of applicable statutes, the Commission’s rules and
10 Ameren Missouri’s approved Rider FAC, Ameren Missouri requests that after the Staff’s
11 review, the Commission approve the FPA_c rate to be effective with the billing month of
12 June, 2011.

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

14 A: Yes, it does

*SCHEDULE JD-1 HAS BEEN DEEMED HIGHLY
CONFIDENTIAL IN ITS ENTIRETY AND
HAS THUS BEEN REMOVED*

