

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
File No.:

FAC
Riley/Rebuttal
Public Counsel
ER-2016-0179

REBUTTAL TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

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

FILE NO. ER-2016-0179

January 20, 2017

**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)

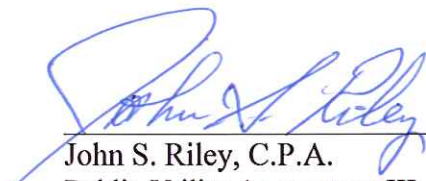
File No. ER-2016-0179

AFFIDAVIT OF JOHN S. RILEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John S. Riley, of lawful age and being first duly sworn, deposes and states:

1. My name is John S. Riley. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




John S. Riley, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 20th 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.

REBUTTAL TESTIMONY

OF

JOHN S. RILEY

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2016-0179

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

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility
5 Accountant III.

6 **Q. Please describe your educational background.**

7 A. I earned a B.S. in Business Administration with a major in Accounting from Missouri State
8 University.

9 **Q. Please describe your professional work experience.**

10 A. I was employed by the OPC from 1987 to 1990 as a Public Utility Accountant. In this
11 capacity I participated in rate cases and other regulatory proceedings before the Public
12 Service Commission (“Commission”). From 1994 to 2000 I was employed as an auditor
13 with the Missouri Department of Revenue. I was employed as an Accounting Specialist
14 with the Office of the State Court Administrator until 2013. In 2013, I accepted a position
15 as the Court Administrator for the 19th Judicial Circuit until April, 2016 when I joined the
16 OPC.

17 **Q. Are you a Certified Public Accountant (“CPA”) licensed in the State of Missouri?**

18 A. Yes. I am also a member of the Institute of Internal Auditors (“IIA”)

1 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
2 **(“Commission” or “PSC”)?**

3 A. Yes I have.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. To respond to Mr. Andrew Meyer’s contention that FAC components are volatile. I also
6 recommend that language within the current FAC tariff and the tariff sheets proposed by
7 Ameren Missouri (sometimes referred to as “Company”) witness Ms. Lynn M. Barnes are
8 in conflict with Section 386.266.4 RSMo, 4 CSR 240-20.090(2), and prior Commission
9 Report and Orders.

10 **Q. Mr. Meyer has a section in his direct testimony claiming that market factors and**
11 **volatility impact the main FAC components. How would OPC describe this**
12 **argument?**

13 A. He argues that there is volatility and uncertainty in all of the FAC cost components but then
14 explains how the Company has locked in prices for the majority of its fuel needs; these
15 being the largest cost factor in the FAC.

16 **Q. How do you view Ameren Missouri’s fuel volatility?**

17 A. The Company has mitigated any significant volatility in its fuel costs.

18 **Q. How has the Company managed its fuels?**

19 A. I have not reviewed the Company’s current coal contracts myself, but Mr. Meyer points out
20 that the Company has locked in prices for the near term.¹ The price of coal has dropped
21 28% since Ameren’s last rate case² and Mr. Meyer indicates that 2016 coal price have fallen

¹ Meyer Direct, page 21 line 15

² Meyer Direct Graph 3, page 20

1 almost 50% in the last four years.³ Any new coal contracts that the Company signs to
2 replace expiring agreements should take advantage of that price reduction. The Company's
3 recent history of rate case filings would indicate that Ameren Missouri will file another case
4 sometime in the middle of 2018. ⁴ By its next rate case, Ameren Missouri should have
5 locked in an even more advantageous price for approximately 71% of its fuel consumption.

6 Mr. Meyer did not mention nuclear power generation in his argument, but those fuel costs
7 only change every 18 months. Coal and nuclear power represent 96% of the Company's
8 energy generation. Therefore both coal and nuclear fuel prices are contracted for the near
9 future. The Company has done what would be expected: It has stabilized prices for the
10 majority of its fuel expense. Volatility is not an issue when prices are locked in.

11 **Rebuttal of Lynn Barnes**

12 **Q. Company witness, Ms. Lynn M. Barnes has a proposed FAC tariff attached as a**
13 **schedule on her direct testimony. What areas of the FAC tariff does OPC have issue?**

14 A. If the Commission adopts OPC's recommendations regarding Ameren Missouri FAC, there
15 should be major modifications to the FAC tariff sheets. My testimony focuses on tariff
16 language on Sheet No. 72.5 and 72.6 as well as 73.5, specifically paragraph 2 through the
17 top paragraph of sheet 73.7. This is where the language mentions new costs or revenues
18 may be included in the FAC between general rate cases. The pertinent sheets are attached
19 as Schedule JSR-R-2.

20 **Q. Generally, what is your main concern with the Company's proposal?**

21 A. Their wording allows modification to the FAC components between general rate cases even
22 though statute specifically states that an FAC may be approved, modified, or rejected only

³ Meyer Direct page 22, line 7 and 8

⁴ Ameren Missouri rate case filed in 2008, 2010, 2012, 2014, 2016

1 within the context of full hearing in a general rate proceeding.⁵ This statute is also cited
2 within 4 CSR 240-20.090:

3 (2) Application to Establish, Continue or Modify a RAM. Pursuant to the
4 provisions of this rule, 4 CSR 240-2.060 and section 386.266, RSMo, only
5 an electric utility in a general rate proceeding may file an application with
6 the commission to establish, continue or modify a RAM by filing tariff
7 schedules. Any party in a general rate proceeding in which a RAM is
8 effective or proposed may seek to continue, modify or oppose the RAM.
9 The commission shall approve, modify or reject such applications to
10 establish a RAM only after providing the opportunity for a full hearing in a
11 general rate proceeding.
12
13

14 **Q. What is the difference between periodic rate adjustments outside of a general rate
15 proceeding and the modifying of an FAC between general rate proceedings?**

16 A. A periodic rate adjustment reflect increases and decreases in prudently incurred fuel and
17 purchased-power costs, including transportation, as established by the Commission in the
18 last general rate case. An example would be an increase in the cost of transportation of
19 fuel. The price of shipping natural gas has risen and has increased the Company's fuel
20 expense between rate cases. The Company would seek an FAC adjustment to reflect the
21 increase in transportation costs.

22 A modification of the FAC itself would be an attempt to include an expense or revenue
23 not approved by the Commission during the previous general rate case. One possibility
24 could be a new RTO transmission fee that is based on a new service. The proposed fee
25 should not be considered for inclusion in the FAC until the next general rate case.

26 **Q. Has OPC opposed this language in prior rate cases?**

27 A. Yes, it has. It was specifically noted in a non-unanimous stipulation and agreement filed in
28 Ameren Missouri's last general rate case, ER-2014-0258.

⁵ Missouri Revised Statutes, Chapter 386, Section 386.266.4 RSMo

1 ...OPC has also recommended removal of provisions of the FAC tariff
2 sheets that allow new costs or revenues arising under charge types or
3 regional transmission organizations schedules to be included in the FAC
4 upon notice and after following a process outlined in the FAC tariff
5 sheets...⁶

6 **Q. Do you know if this matter has been brought to the Commission’s attention before?**

7 A. I am not aware of anyone challenging this language in a general rate case. OPC opposed the
8 language in the above-referenced stipulation and agreement but the matter has not come to
9 the full attention of the Commission.

10 **Q. Why is OPC raising this issue now?**

11 A. Besides being in conflict with statute, OPC believes that the FAC tariffs are too complicated
12 and lack transparency. OPC has been advocating simplification of the FAC in recent
13 general rate cases. Ms. Lena Mantle has filed testimony in this case, and several others,
14 requesting the Commission to streamline the FAC.

15 **Q. Has the Commission previously ruled on adding costs that a company was not
16 currently incurring to its FAC?**

17 A. Yes. The Commission addressed this issue in Case No. ER-2014-0370.

18 **8. Should the FAC include costs and revenues that KCPL is**
19 **not currently incurring or receiving other than insurance**
20 **recoveries, subrogation recoveries and settlement proceeds**
21 **related to costs and revenues included in the FAC?**

⁶ Paragraph (8) NON-UNANIMOUS STIPULATION AND AGREEMENT REGARDING CLASS KILOWATT-HOURS, REVENUES AND BILLING DETERMINANTS, NET BASE ENERGY COSTS, AND FUEL ADJUSTMENT CLAUSE TARIFF SHEETS, Case No. ER-2014-0258, Filing item No. 463

Finding of Fact

83. Allowing new costs and revenues to flow through an FAC would be a modification to the FAC that the Commission approved.

84. Including a cost or revenue in the FAC that KCPL does not currently incur or record clouds the transparency of the FAC and unnecessarily complicates it.

Conclusion of Law and Decision

KCPL argues that the FAC should include all costs and revenues relating to net fuel and purchased power costs, whether or not they are currently being incurred. However, allowing a new cost or revenue to flow through an FAC is a modification to that FAC, which under Section 386.266, RSMo, only the Commission has the authority to modify. It is the Commission that should make the determination as to what costs or revenues should flow through the FAC, not the electric utility.⁷ (emphasis added)

Q. What other problems, besides those already listed, has OPC seen due to electric utilities attempting to expand the components of the FAC?

A. Electric utilities have continually complicated the language to add accounts and sub-accounts to the FAC to increase its base factor. It is problematic to track the expanded number of accounts and sub-accounts. It is challenging to audit, even more so when the components are changed between rate cases. This causes a lack of transparency and is not in the public's best interest

Q. What is OPC recommending?

A. The language on sheets 72.5, 72.6, 73.5, 73.6 and 73.7 should be removed from the FAC tariff sheets. The Commission should reiterate no new costs or revenues can be included in an FAC between general rate cases.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

⁷ Report and Order, Case No. ER-2014-0370, Page 39

John S. Riley, CPA
Summary of Case Participation

EMPIRE DISTRICT ELECTRIC COMAPANY

CASE NO. ER-2016-0023

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

MO.P.S.C. SCHEDULE NO. 61st RevisedSHEET NO. 72.5CANCELLING MO.P.S.C. SCHEDULE NO. 6OriginalSHEET NO. 72.5

APPLYING TO

MISSOURI SERVICE AREARIDER FACFUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (Cont'd.)

*(Applicable To Service Provided Between January 2, 2013 And The Day Before The Effective Date Of This Tariff)

FAR DETERMINATION (Cont'd.)

For purposes of factors FC, E, and OSSR, "hedging" is defined as realized losses and costs (including broker commissions and fees associated with the hedging activities) minus realized gains associated with mitigating volatility in the Company's cost of fuel, off-system sales and emission allowances, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps.

Costs and revenues not specifically detailed in Factors FC, PP, E, or OSSR shall not be included in the Company's FAR filings; provided however, in the case of Factors PP or OSSR the market settlement charge types under which MISO or another centrally administered market (e.g., PJM or SPP) bills/credits a cost or revenue need not be detailed in Factors PP or OSSR for the costs or revenues to be considered specifically detailed in Factors PP or OSSR; and provided further, should the MISO or another centrally administered market (e.g. PJM or SPP) implement a market settlement charge type not listed in Exhibit H of the Non-Unanimous Stipulation and Agreement Regarding Class Kilowatt-Hours, Revenues And Billing Determinants, Net Base Energy Costs, and Fuel Adjustment Clause Tariff Sheets approved in Case No. ER-2012-0166 (a "new charge type"):

- A. The Company may include the new charge type cost or revenue in its FAR filings if the Company believes the new charge type cost or revenue possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR, as the case may be, subject to another party's right to challenge the inclusion (or failure to include) as outlined in E. below;
- B. The Company will include in its monthly reports required by the Commission's fuel adjustment clause rules notice of the new charge type no later than 60 days prior to the Company including the new charge type cost or revenue in a FAR filing. Such notice shall identify the proposed accounts affected by such change, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR as the case may be, and identify the preexisting market settlement charge type(s) which the new charge type replaces or supplements;
- C. The Company will also provide notice in its monthly reports required by the Commission's fuel adjustment clause rules that identifies the new charge type costs or revenues by amount, description and location within the monthly reports;
- D. The Company shall account for the new charge type costs or revenues in a manner which allows for the transparent determination of current period and cumulative costs or revenues; and

* Indicates Change.

Issued pursuant to the Order of the Mo.P.S.C. in Case No. ER-2014-0258.

DATE OF ISSUE May 6, 2015DATE EFFECTIVE June 5, 2015ISSUED BY Michael Moehn
NAME OF OFFICERPresident
TITLESt. Louis, Missouri
ADDRESS

MO.P.S.C. SCHEDULE NO. 61st RevisedSHEET NO. 72.6CANCELLING MO.P.S.C. SCHEDULE NO. 6OriginalSHEET NO. 72.6

APPLYING TO

MISSOURI SERVICE AREARIDER FACFUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (Cont'd.)

*(Applicable To Service Provided Between January 2, 2013 And The Day Before The Effective Date Of This Tariff)

FAR DETERMINATION (Cont'd.)

E. If the Company includes a new charge type cost or revenue in a FAR filing and a party challenges the inclusion (or if the Company does not include a new charge type cost or revenue and a party challenges the failure to include it), such challenge will not delay approval of the FAR filing. To challenge the inclusion of a new charge type, a party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. To challenge the failure to include a new charge type, a party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should have been included, because they do possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. In the event of a challenge, the Company shall bear the burden of proof to support its decision to include or exclude or its failure to include or exclude a new charge type in a FAR filing. Should such challenge be upheld by the Commission, any such costs will refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P.

Should FERC require any item covered by factors FC, PP, E or OSSR to be recorded in an account different than the FERC accounts listed in such factors, such items shall nevertheless be included in factor FC, PP, E or OSSR. In the month that the Company begins to record items in a different account, the Company will file with the Commission the previous account number, the new account number and what costs or revenues that flow through this Rider FAC are to be recorded in the account.

B = $BF \times S_{AP}$

BF = The Base Factor, which is equal to the normalized value for the sum of allowable fuel costs (consistent with the term FC), plus cost of purchased power (consistent with the term PP), and emissions costs and revenues (consistent with the term E), less revenues from off-system sales (consistent with the term OSSR) divided by corresponding normalized retail kWh as adjusted for applicable losses. The normalized values referred to in the prior sentence shall be those values used to determine the revenue requirement in the Company's most recent rate case. The BF applicable to June through September calendar months (BF_{SUMMER}) is \$0.01496 per kWh. The BF applicable to October through May calendar months (BF_{WINTER}) is \$0.01454 per kWh.

* Indicates Change.

Issued pursuant to the Order of the Mo.P.S.C. in Case No. ER-2014-0258.

DATE OF ISSUE May 6, 2015DATE EFFECTIVE June 5, 2015ISSUED BY Michael Moehn
NAME OF OFFICERPresident
TITLESt. Louis, Missouri
ADDRESS

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (Cont'd.)

(Applicable To Service Provided On The Effective Date Of This Tariff Sheet And Thereafter)

FAR DETERMINATION (Cont'd.)

For purposes of factors FC, E, and OSSR, "hedging" is defined as realized losses and costs (including broker commissions and fees associated with the hedging activities) minus realized gains associated with mitigating volatility in the Company's cost of fuel, off-system sales and emission allowances, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps.

*Costs and revenues not specifically detailed in Factors FC, PP, E, or OSSR shall not be included in the Company's FAR filings; provided however, in the case of Factors PP or OSSR the market settlement charge types under which MISO or another centrally administered market (e.g., PJM or SPP) bills/credits a cost or revenue need not be detailed in Factors PP or OSSR for the costs or revenues to be considered specifically detailed in Factors PP or OSSR; and provided further, should the MISO or another centrally administered market (e.g. PJM or SPP) implement a market settlement charge type or schedule not listed in the FAC Charge Type Exhibit filed with the Commission in File No. ER-2014-0258 on May 6, 2015 (a "new charge type"):

- *A. The Company may include the new charge type cost or revenue in its FAR filings if the Company believes the new charge type cost or revenue possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR, as the case may be, subject to the requirement that the Company make a filing with the Commission as outlined in B below and also subject to another party's right to challenge the inclusion as outlined in E. below;
- *B. The Company will make a filing with the Commission giving the Commission notice of the new charge type no later than 60 days prior to the Company including the new charge type cost or revenue in a FAR filing. Such filing shall identify the proposed accounts affected by such change, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR as the case may be, and identify the preexisting market settlement charge type(s) which the new charge type replaces or supplements;
- C. The Company will also provide notice in its monthly reports required by the Commission's fuel adjustment clause rules that identifies the new charge type costs or revenues by amount, description and location within the monthly reports;
- D. The Company shall account for the new charge type costs or revenues in a manner which allows for the transparent determination of current period and cumulative costs or revenues; and

* Indicates Change.

Issued pursuant to the Order of the Mo.P.S.C. in Case No. ER-2014-0258.

DATE OF ISSUE May 6, 2015 DATE EFFECTIVE June 5, 2015

ISSUED BY Michael Moehn President St. Louis, Missouri
 NAME OF OFFICER TITLE ADDRESS

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (Cont'd.)

(Applicable To Service Provided On The Effective Date Of This Tariff Sheet And Thereafter)

FAR DETERMINATION (Cont'd.)

*E. If the Company makes the filing provided for in B above and a party challenges the inclusion, such challenge will not delay approval of the FAR filing. To challenge the inclusion of a new charge type, a party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. A party wishing to challenge the inclusion of a charge type shall include in its filing the reasons why it believes the Company did not show that the new charge type possesses the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be, and its filing shall be made within 30 days of the Company's filing under B above. In the event of a timely challenge, the Company shall bear the burden of proof to support its decision to include a new charge type in a FAR filing. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P; and

**F. A party other than the Company may seek the inclusion of a new charge type in a FAR filing by making a filing with the Commission no less than 60 days before the Company's next FAR filing. Such a filing shall give the Commission notice that such party believes the new charge type should be included because it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR, as the case may be. The party's filing shall identify the proposed accounts affected by such change, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR as the case may be, and identify the preexisting market settlement charge type(s) which the new charge type replaces or supplements. If a party makes the filing provided for by this paragraph F and a party (including the Company) challenges the inclusion, such challenge will not delay inclusion of the new charge type in the FAR filing or delay approval of the FAR filing. To challenge the inclusion of a new charge type, the challenging party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. The challenging party shall make its filing challenging the inclusion and stating the reasons why it believes the new charge type does not possess the characteristic of the costs or revenues listed in Factors PP or OSSR, as the case may be, within 30 days of the

*Indicates Change. ** Indicates Addition.

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (Cont'd.)

(Applicable To Service Provided On The Effective Date Of This Tariff Sheet And Thereafter)

FAR DETERMINATION (Cont'd.)

filing that seeks inclusion of the new charge type. In the event of a timely challenge, the party seeking the inclusion of the new charge type shall bear the burden of proof to support its contention that the new charge type should be included in the Company's FAR filings. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P.

Should FERC require any item covered by factors FC, PP, E or OSSR to be recorded in an account different than the FERC accounts listed in such factors, such items shall nevertheless be included in factor FC, PP, E or OSSR. In the month that the Company begins to record items in a different account, the Company will file with the Commission the previous account number, the new account number and what costs or revenues that flow through this Rider FAC are to be recorded in the account.

B = BF x S_{AP}

*BF = The Base Factor, which is equal to the normalized value for the sum of allowable fuel costs (consistent with the term FC), plus cost of purchased power (consistent with the term PP), and emissions costs and revenues (consistent with the term E), less revenues from off-system sales (consistent with the term OSSR) divided by corresponding normalized retail kWh as adjusted for applicable losses. The normalized values referred to in the prior sentence shall be those values used to determine the revenue requirement in the Company's most recent rate case. The BF applicable to June through September calendar months (BF_{SUMMER}) is \$0.01796 per kWh. The BF applicable to October through May calendar months (BF_{WINTER}) is \$0.01729 per kWh.

*S_{AP} = kWh during the AP that ended immediately prior to the FAR filing, as measured by taking the most recent kWh data for the retail component of the Company's load settled at its MISO CP node (AMMO.UE or successor node), plus the kWh reductions up to the kWh of energy sold off-system associated with the 12(M) or 13(M) OSSR adjustment above plus the metered net energy output of any generating station operating within its certificated service territory as a behind the meter resource in MISO, the output of which served to reduce the Company's load settled at its MISO CP node (AMMO.UE or successor node).

*Indicates Change.

Issued pursuant to the Order of the Mo.P.S.C. in Case No. ER-2014-0258.

DATE OF ISSUE May 6, 2015 DATE EFFECTIVE June 5, 2015

ISSUED BY Michael Moehn President St. Louis, Missouri
 NAME OF OFFICER 5/5 TITLE Schedule JSR-R-2 ADDRESS