Exhibit No.:	
Issues:	Bilateral Sales Financial Swaps Forecasting Error
Witness:	Erin L. Maloney
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Rebuttal Testimony
Case No.:	ER-2012-0166
Date Testimony Prepared:	August 14, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

ERIN L. MALONEY

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2012-0166

Jefferson City, Missouri
August 2012

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-2012-0166

AFFIDAVIT OF ERIN L. MALONEY

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following 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.

Erin L. Maloney
Erin L. Maloney

Subscribed and sworn to before me this 13th day of August, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin
Notary Public

REBUTTAL TESTIMONY

OF

ERIN L. MALONEY

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2012-0166

Q. Please state your name and business address?

A. Erin L. Maloney, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Erin L. Maloney who contributed to the Missouri Public Service Commission Staff Revenue Requirement and Cost of Service Report (Staff Report) filed on July 6, 2012?

A. Yes.

Q. What is the purpose of this rebuttal testimony?

A. The purpose of this rebuttal testimony is to address three issues involved in the calculation of fuel and purchased power expenses for Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or Company). The first and second issues involve adjustments made to base fuel ("BF") by Staff which the Company did not make. These adjustments account for the margins achieved by the Company from revenues received as a result of bilateral sales and revenues received as a result of financial swaps. The third issue involves the Company's request for compensation based on generation and load forecast deviation presented in the direct testimony of Company witness Mr. Mark J. Peters.

BILATERAL SALES MARGINS

Q. What are bilateral sales?

A. Bilateral sales are off-system sales of energy made to counterparties other than the Midwest Independent System Operator (MISO). Bilateral sales may be made for a single hour, day, week or month. At any given hour the bilateral sale price may be above or below the market price. The advantage of a bilateral sale is that the utility selling the energy knows that it has a buyer for its energy at a certain price, and the buyer knows that it has a certain amount of energy at a set price.

Q. How are bilateral sales margins achieved?

A. Margins in bilateral sales are achieved because these sales are made at different prices than the day-ahead prices used to determine off-system sales revenues in production cost modeling. The bilateral sales margin is the agreed-to bilateral sales price minus the day-ahead cost.

Q. How does the Company characterize bilateral sales?

A. Bilateral sales are described by the Company in its 4 CSR 240-3.190(1) (E) (3.190 data) submissions as "sales made to counterparties to *increase revenue* of underlying generation assets." (Emphasis added)

Q. Has the Company made an adjustment to revenues for these bilateral sales margins?

A. No, the Company makes no adjustment for bilateral sales margins. The Company's modeling assumes that all off-system energy sales are made at the day-ahead price used in its production cost model.

Q. Can you explain how Staff calculated the bilateral sales margin adjustment?

A. Staff used Ameren Missouri's 3.190 data from May 2009 through April 2012, along with data request responses for all of the Company's bilateral energy sales, to calculate the difference each hour between bilateral sales earned by Ameren Missouri and the LMP price at the delivery point paid by Ameren Missouri to MISO. This data was summed by hour for this period and annualized by dividing by three.

Q. What is Staff's recommendation?

A. Staff recommends the Commission adopt the $2.6 million bilateral sales margin adjustment proposed on page 86 of the Staff Report, which will reduce the Company's BF cost and total revenue requirement by $2.6 million.

FINANCIAL SWAPS MARGINS

Q. What are "financial swaps," and why is Staff making an adjustment for these revenues?

A. In its monthly 3.190 data submissions, the Company describes financial swaps as "financial transactions made to lock in sales prices of underlying generation assets." In other words, these are financial transactions made in the energy market that are used by the Company to hedge day-ahead generation costs.

Q. Does the Company account for the revenues received from financial swaps in their direct case?

A. No, the Company is again assuming that the financial swaps it enters into will average to the same price as the average day-ahead LMP prices used in their production cost model.

Q. Will the financial swap price average to the same price as the average day-ahead LMP prices used in their production cost model?

A. No. If the Company does not benefit from these transactions it should cease making them.

Q. What is your recommendation?

A. Staff recommends the Commission adopt the $0.8 million financial swaps margin adjustment, based on a two-year average calculated from Ameren Missouri's 3.190 data submissions from May 2010 through April 2012, as proposed on page 86 of the Staff Report. Staff's proposed adjustment to address financial swaps margin will reduce the Company's BF cost and revenue requirement by $0.8 million.

LOAD AND GENERATION FORECAST DEVIATIONS

Q. What are load and generation forecast deviations?

A. The Company must plan what it expects the load and generation obligations to be on a day-ahead basis. In MISO day 2 operations, there are deviations in actual generation and load from what the Company had forecasted. This has been characterized as load and generation forecast deviation error.

Q. How does the Company calculate the load and generation forecast deviation adjustment?

A. For this issue, the Company does not assume that all transactions are made at the day-ahead price. On page 10, lines 15 through 17 of Company witness Mark J. Peters' direct testimony, he states: "These additional costs/revenues can be measured by multiplying the deviation from the day-ahead award by the difference in price between the real-time MISO market locational marginal price (LMP) and the day-ahead LMP." He also states on page 10, lines 5 through 8, "This component captures the additional costs and revenues associated with actual market settlements as compared to what such settlements *would have* *been* had Ameren Missouri's day-ahead awards *perfectly matched* their actual real time load and generation levels." (Emphasis added)

Q. What is Staff's position regarding the Company's proposal to recover the costs of load and generation forecast deviation errors?

A. Staff is opposed to the Company's proposal to recover these costs because load and generation forecasting are inherent risks in the electric utility business that should not be passed on to the rate payers. The Company would like to be compensated for what the additional load *would have* cost at the day-ahead price instead of what it did cost at the real-time price. These costs are not "additional" costs as Mr. Peters claims on line 13, of page 10, in his direct testimony but rather a calculation of the difference in actual costs to what the costs would have been if the Company was capable of *always performing* a perfect load and generation forecast *for each hour.* (Emphasis added)

Q. What is Staff's recommendation regarding an adjustment for load and generation forecasting error?

A. Staff recommends that the Company be denied an adjustment for generation and load forecasting deviation error made in their direct case. Ideally, the load forecasting error over time will sum to zero. If the Company is compensated for load and generation forecasting error, then it has no incentive to minimize this error.

Q. Does this conclude your rebuttal testimony?

A. Yes.