

Exhibit No.:
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Witness: *Teresa L. Denney*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2024-0319*
Date Testimony Prepared: *December 3, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

DIRECT TESTIMONY

OF

TERESA L. DENNEY

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

CASE NO. ER-2024-0319

Jefferson City, Missouri
December 3, 2024

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TERESA L. DENNEY
UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri
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1 **DIRECT TESTIMONY OF**

2 **TERESA L. DENNEY**

3 **UNION ELECTRIC COMPANY,**
4 **d/b/a AMEREN MISSOURI**

5 **CASE NO. ER-2024-0319**

6 Q. Please state your name and business address.

7 A. My name is Teresa L. Denney, and my business address is Missouri Public
8 Service Commission, 200 Madison Street, Jefferson City, Missouri 65102.

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

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as
11 a Lead Senior Utility Regulatory Auditor.

12 Q. Please describe your educational background and work experience.

13 A. Please refer to the attached Schedule TLD-d1.

14 Q. Have you previously filed testimony before this Commission?

15 A. Yes. Please refer to Schedule TLD-d1 for a list of cases in which I have
16 previously participated.

17 **EXECUTIVE SUMMARY**

18 Q. What is the purpose of your direct testimony?

19 A. The purpose of my direct testimony is to provide the history of the
20 Fuel Adjustment Clause (“FAC”) for Union Electric Company, d/b/a Ameren Missouri
21 (“Ameren Missouri”) and to support Staff’s recommendation for continuing Ameren Missouri’s
22 FAC with certain modifications.

23 Q. What are Staff’s recommendations regarding Ameren Missouri’s FAC to the
24 Commission?

1 A. Staff recommends that Ameren Missouri continue the following measures and
2 implement the recommendations listed below to Ameren Missouri's FAC:

- 3 1. Continue to include the information provided in Schedule AMM-D1,
4 Attachment F, of Andrew M. Meyer's direct testimony filed in this proceeding
5 in Ameren Missouri's FAC Monthly Reports, to clarify the major/minor
6 accounts included and excluded within the FAC, and detailed designations and
7 descriptions for each account, along with any changes to them between rate
8 cases;
- 9 2. Continue to include one Base Factor for summer and one Base Factor for winter
10 in the FAC tariff sheets, calculated from the Net Base Energy Costs ("NBEC")
11 that the Commission includes in the revenue requirement upon which it sets
12 Ameren Missouri's general rates in this case;
- 13 3. Continue to include transmission costs and revenues that are included in
14 Ameren Missouri's FAC consistent with those that Ameren Missouri incurs for
15 Purchased Power and Off-System Sales. This is a continuation of the currently
16 used methodology consistent with the FAC with what the Commission termed
17 as "true purchased power" in its Report and Order in File No. ER-2014-0258;
- 18 4. Continue to provide monthly filings that will aid the Staff in performing FAC
19 tariff, prudence, and true-up reviews; these filings should specifically be
20 included within the current monthly filings (refer to Schedule TLD-d2);
21 and Continue to include, within the FAC Monthly Reports, information related
22 to the Renewable Choice Program, as referenced in the Non-Unanimous
23 Stipulation and Agreement, approved in ET-2018-0063. If the Renewable
24 Choice Program is replaced with another program, similar information should
25 be provided for that program.

26 In addition to the recommendations listed at the beginning of this section, due to the
27 accelerated Staff review process necessary with FAC adjustment filings,¹ and as performed in

¹ The Company must file its FAC adjustment 60 days prior to the effective date of its proposed tariff sheet. Staff has 30 days to review the filing and make a recommendation to the Commission. The Commission then has 30 days to approve or deny Staff's recommendation.

1 previous Ameren Missouri rate cases, Staff is recommending the Commission order
2 Ameren Missouri to do the following:

- 3 1. As part of the information Ameren Missouri submits when it files a tariff
4 modification to change its Fuel and Purchased Power Adjustment rate
5 within the FAC, include Ameren Missouri's calculation of the interest
6 included in the proposed rate;
- 7 2. In addition to the monthly reports required by 20 CSR 4240-20.090(5),
8 provide Ameren Missouri's Midcontinent Independent System Operator,
9 Inc. ("MISO") Ancillary Services Market ("ASM") market settlements
10 and revenue neutrality uplift charges;
- 11 3. Maintain at Ameren Missouri's corporate headquarters, or at some other
12 mutually-agreed-upon location, within a mutually-agreed-upon time for
13 review, a copy of each and every nuclear fuel, coal, and transportation
14 contract Ameren Missouri has, that is or was in effect, for the previous
15 four (4) years, and within 30 days of the effective date of each contract,
16 provide both notice to Staff of the contract and opportunity to review the
17 contract at Ameren Missouri's headquarters or some other
18 mutually-agreed-upon location;
- 19 4. Maintain at Ameren Missouri's corporate headquarters, or at some other
20 mutually-agreed-upon location within a mutually-agreed-upon time,
21 both notice to Staff of the contract, and a copy for Staff to review, within
22 30 days of the effective date, of each and every natural gas contract
23 Ameren Missouri has that is in effect;
- 24 5. Provide a copy of each and every Ameren Missouri hedging policy;
- 25 6. Within 30 days of any change in an Ameren Missouri hedging policy,
26 provide a copy of the changed hedging policy for Staff to retain;
- 27 7. Provide a copy of Ameren Missouri's internal policy for participating in
28 the MISO ASM, including any Ameren Missouri sales/purchases from
29 that market that are in effect at the time the tariff changes ordered by the
30 Commission in this rate case go into effect for Staff to retain;

- 1 8. If Ameren Missouri revises any internal policy for participating in the
2 MISO ASM, within 30 days of that revision, provide a copy of the revised
3 policy with the revisions identified for Staff to retain;
- 4 9. The monthly as-burned fuel report supplied by Ameren Missouri required
5 by 20 CSR 4240-3.190(1)(B) shall explicitly designate fixed and variable
6 components of the average cost per unit burned including commodity,
7 transportation, emission, tax, fuel blend, and any additional fixed or
8 variable costs associated with the average cost per unit reported
9 (Staff is willing to work with Ameren Missouri on the electronic format
10 of this report);
- 11 10. Notification to Staff within 30 days of entering a new long-term contract
12 for purchased power or changes to a purchased power contract.

13 **HISTORY**

14 Q. Please describe the history of Ameren Missouri's FAC.

15 A. The Commission first approved Ameren Missouri's request for an FAC in
16 Case No. ER-2008-0318. In Case Nos. ER-2010-0036, ER-2011-0028, ER-2012-0166,
17 ER-2014-0258, ER-2016-0179, ER-2019-0335, ER-2021-0240, and ER-2022-0337,
18 Ameren Missouri requested and received authorization to continue its FAC.

19 The primary features of Ameren Missouri's present FAC (tariff sheet MO. P.S.C.
20 Schedule No. 6 1st Revised Sheet No's 71.16 through 71.31) include:

- 21 1. Three four-month accumulation periods² ("AP"): February through May,
22 June through September, and October through January;

² An AP is the calendar months during which the actual costs and revenues are accumulated for the purposes of the Fuel Adjustment Rate.

2. Three eight-month recovery periods³ (“RP”): October through May, February through September, and June through January;
3. One Base Factor⁴ for June through September calendar months (Summer) and one Base Factor for October through May calendar months (Winter);
4. A 95%/5% sharing mechanism;⁵
5. Fuel Adjustment Rates⁶ (“FAR”) for individual service classifications adjusted for the two Ameren Missouri service voltage levels, rounded to the nearest \$0.00001, and charged on each kWh billed;
6. True-up of any over- or under- recovery of revenues following every recovery period with a true-up amount being included in the determination of FAR for a subsequent recovery period; and
7. Prudence reviews of the costs subject to the FAC shall occur no less frequently than every 18 months.

Q. Please explain the historical operation of Ameren Missouri’s FAC.

A. Ameren Missouri has filed for and received approval of changes to its FARs for 46 completed APs (AP2 through AP46). Chart 1 below shows a summary of Ameren Missouri’s Actual Net Energy Costs (“ANEC”),⁷ NBEC, and the over- or under-collection of fuel and purchased-power costs minus off-system sales revenues through

³ A RP is the billing calendar months during which the FAR is applied to retail customer usage on a per kWh basis, as adjusted for service voltage.

⁴ The Base Factor is equal to the normalized value for the sum of allowable fuel costs, plus costs of purchased power, and emission costs and revenues, less revenues from off-system sales, divided by corresponding normalized retail kWh as adjusted for applicable losses.

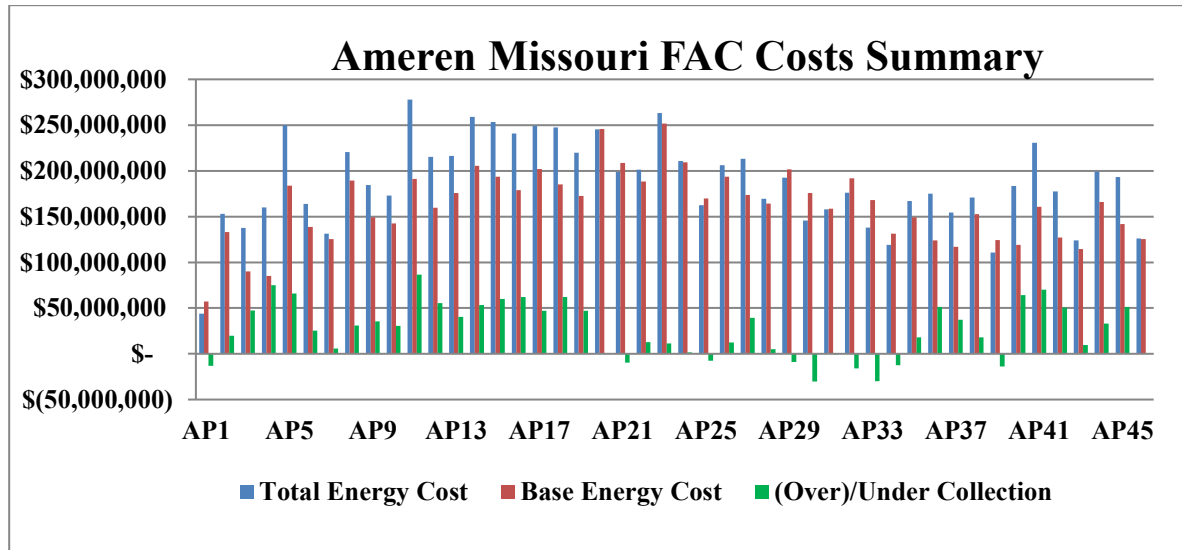
⁵ 95% of the difference between the ANEC and B for each respective AP will be used to calculate the FAR.

⁶ The FAR for each accumulation period is the amount that is returned to or collected from customers as part of a decrease or an increase of the FAC Fuel and Purchased Power Adjustment per kWh rate.

⁷ Actual Net Energy Cost is defined in Ameren Missouri’s current FAC tariff sheet, MO. P.S.C. Schedule 6, 1st Revised Sheet No. 71.17, as: Fuel costs and revenues (FC) plus purchased power costs and revenues (PP) plus costs and revenues for SO₂ and NO_x emissions allowances (E) plus costs and revenues for net insurance recoveries (R) minus off system sales revenues (OSSR). The formula appears as: ANEC = FC + PP + E + R – OSSR.

1 its permanent rates, for each full AP⁸ since the Commission authorized
2 Ameren Missouri's FAC.

3 **Chart 1**



4
5 Chart 1 also shows that the range of Ameren Missouri's ANEC varies from
6 approximately \$111 million for AP39 (October 2021 – January 2022), to approximately
7 \$278 million for AP11 (June 2012 – September 2012). Based on this varied range of
8 Ameren Missouri's ANEC, Chart 1 shows that Ameren Missouri's ANECs have continued to
9 be large and volatile, which is why Staff recommends that the Commission approve,
10 with modifications, the continuation of Ameren Missouri's FAC.

11 **CONTINUATION OF FAC**

12 Q. How is the Base Factor defined?

13 A. The Base Factor is defined on 1st Revised Sheet No. 71.23 as the normalized
14 value used to determine the revenue requirement in the Company's most recent rate case.

⁸ Accumulation Period 1 was not a full accumulation period because it only covered the three calendar months of March 2009 through May 2009. All other accumulation periods cover four calendar months.

1 This value is the sum of allowable fuel costs; plus cost of purchased power, emissions costs and
2 revenues; less revenues from off-system sales: all divided by corresponding normalized
3 retail kWh.

4 Q. Is setting the Base Factor in Ameren Missouri's FAC tariff sheets important?

5 A. Yes. Setting the Base Factor in Ameren Missouri's FAC tariff sheets is
6 important to both a well-functioning FAC and a well-functioning FAC sharing mechanism.
7 For the reasons below, Staff recommends the Commission require the Base Factor in
8 Ameren Missouri's FAC be set based on the Base Energy Cost that the Commission includes
9 in the revenue requirement on which it sets Ameren Missouri's general rates in this case.

10 Q. Please provide examples illustrating why setting a reasonable base factor
11 is so important.

12 A. Table 1 below shows the three scenarios in which the FAC Base Energy Cost
13 used to set the FAC Base Factor is equal to, less than, or greater than the Base Energy Cost in
14 the revenue requirement upon which the Commission sets general rates:

Table 1: Base Energy Cost Case Studies	
95%/5% Sharing Mechanism	
Outcome 1: Actual Net Energy Cost <u>Equals</u> the Base Energy Cost in Revenue Requirement	
Actual Total Energy Cost (ANEC)	\$ 4,000,000
Billed to Customer: (NBEC)	
in Permanent Rates	\$ 4,000,000
95% of difference between ANEC and NBEC through FAC	\$ -
Total Billed to Customers	\$ 4,000,000
Kept/(Paid) by Company	\$ -
Outcome 2: Actual Net Energy Cost <u>Greater Than</u> Base Energy Cost in Revenue Requirement	
Actual Total Energy Cost	\$ 4,200,000
Billed to Customer:	
in Permanent Rates	\$ 4,000,000
95% of difference between ANEC and NBEC through FAC	\$ 190,000
Total Billed to Customers	\$ 4,190,000
Kept/(Paid) by Company	\$ (10,000)
Outcome 3: Actual Energy Cost <u>Less Than</u> Base Energy Cost in Revenue Requirement	
Actual Energy Cost	\$ 3,800,000
Billed to Customer:	
in Permanent Rates	\$ 4,000,000
95% of difference between ANEC and NBEC through FAC	\$ (190,000)
Total Billed to Customers	\$ 3,810,000
Kept/(Paid) by Company	\$ 10,000

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Outcome 1 illustrates that if the FAC Actual Net Energy Cost is equal to the Base Energy Cost (Base Factor) in the revenue requirement used for setting general rates, the utility does not over- or under-collect as a result of the level of total actual energy costs.

Outcome 2 illustrates that if the FAC Actual Net Energy Cost is greater than the Base Energy Cost (Base Factor) in the revenue requirement used for setting general rates, the utility will not collect all of the costs that were included as a normalized value

1 (under-recover) in the FAC design, and customers will pay less than the entire amount included
2 as a normalized value.

3 Outcome 3 illustrates that if the FAC Actual Net Energy Cost is less than the
4 Base Energy Cost (Base Factor) in the revenue requirement used for setting general rates,
5 the utility will collect more than what was included as a normalized value, and customers will
6 pay more than the FAC was designed for them to pay.

7 These three outcomes illustrate the importance of setting the Base Factor in the FAC,
8 i.e., revising the Base Factor to match the Base Energy Cost in the revenue requirement used
9 for setting general rates. If the Base Factor in the FAC is set as close to the actual net energy
10 costs as reasonably possible, the customers will not see such a huge swing of over or under
11 recovery in its subsequent Fuel Adjustment Rate filings.

12 Q. Does Staff recommend the continuation of Ameren Missouri's FAC?

13 A. Yes. Staff recommends continuation of Ameren Missouri's FAC.
14 Ameren Missouri's fuel and purchased-power costs, less off-system sales revenues, continue to
15 be volatile. While Ameren Missouri can control some FAC related costs, there are some that
16 are more difficult for Ameren Missouri to control. The proposed NBEC is \$441,906,796,
17 which represents approximately 10.86%⁹ of Ameren Missouri's proposed annual revenue
18 requirement of \$4,069,689,000 for this case.

19 Q. What is Ameren Missouri proposing to re-base the Base Factor to?

⁹ This percentage is from Ameren Missouri witness Stephen Hipkiss' direct testimony and is comprised of the proposed Net Base Energy Costs of \$441,906,796 from Schedule SJH-D17, divided by the total proposed annual revenue requirement of \$4,069,689,000 from Schedule SJH-D15.

1 A. In the current rate case, Ameren Missouri is proposing to re-base the Base Factor
2 to \$0.01304 per kWh for the June to September calendar months (summer) and \$0.01397 per
3 kWh for the October through May (winter) calendar months. Staff calculated the summer and
4 winter Base Factor rate based upon an analysis of data compiled during the test year through
5 12 months ending June 30, 2024, which results in: (1) net base energy costs (fuel and purchased
6 power costs less off system sales revenue (“OSSR”) including Staff’s accounting adjustments
7 to test year;¹⁰ and (2) normalized net system inputs (“NSI”):

8 ▪ Summer Base Factor:

9	NBEC	\$179,148,369
10	NSI	<u>11,566,310,000</u>
11	BF	\$0.01549 per kWh

12 ▪ Winter Base Factor:

13	NBEC	\$290,820,782
14	NSI	<u>20,738,740,000</u>
15	BF	\$0.01402 per kWh

16 Staff will true-up its recommended Base Factor for summer and winter rates in its
17 True-up/Surrebuttal testimony to be filed on February 14, 2025.

18 Q. What is the Voltage Adjustment Factor (“VAF”) and how does it relate
19 to the FAC?

20 A. VAFs adjust for the energy losses experienced in the delivery of electricity from
21 the generator to customers with secondary, primary, high voltage, and transmission levels.
22 These VAFs are utilized in Staff’s determination of a FAR for each voltage service

¹⁰ Similar to Ameren Missouri’s calculated NBEC, Staff’s net revenue calculation was also normalized to exclude the net revenue of High Prairie and Atchison from the NBEC total.

1 classification. Staff witness Alan J. Bax addresses the Voltage Adjustment Factors in his
2 direct testimony.

3 Q. What are the transmission costs and revenues and how do they factor into the
4 determination of the Base Factor and the FAC?

5 A. Transmission costs and revenues are related to the MISO and Non-MISO costs
6 and revenues associated with network transmission service, point-to-point transmission service,
7 system control and dispatch, and reactive supply and voltage control.

8 Q. What is Ameren Missouri proposing as its new transmission costs percentage?

9 A. In the current rate case, Ameren Missouri is proposing to update the current
10 transmission percentage of 4.97% to 9.46% of transmission costs and 9.46% of transmission
11 revenues. As provided in Staff witness Shawn E. Lange's work papers,¹¹ Staff calculated the
12 pass-through percentage of MISO transmission costs¹² and revenues in the FAC as 8.71%.
13 This calculation is based on the output from Staff's fuel models that were used to develop the
14 revenue requirements for this case.

15 Q. Does this conclude your direct testimony?

16 A. Yes, it does.

¹¹ Work paper titled "SummarywithsalesDirect112024.xlsx."

¹² The pass-through percentage of MISO transmission costs are a representation of transmission expenses that are associated with energy purchases from the MISO IM in excess of energy generation by Ameren Missouri's generation units.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

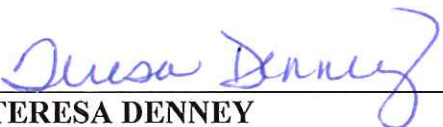
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Adjust)
Its Revenues for Electric Service) Case No. ER-2024-0319

AFFIDAVIT OF TERESA DENNEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW TERESA DENNEY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Teresa Denney*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



TERESA DENNEY

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 26th day of November 2024.





Notary Public

Teresa Denney

Educational Background

I received a Bachelor of Science Degree in Finance from Columbia College, in May of 2017.

Employment History

My previous work experience includes employment with Missouri Farm Bureau as an assistant to the Legislative Director/Lobbyist, where my duties included tracking pertinent bills applicable to the industry and assisting with the implementation and training in various agricultural programs. I also held various positions with Missouri state government before completing my college education. In 2013, I began my auditing/financial career with the Missouri Water and Wastewater Conference. I held the position of financial manager before promoting to the assistant executive director. My duties included auditing 501c3 exemption compliance for the central office and six regional offices; preparing cost benefit analysis of operational income, expenses and budget forecasting; and performing the daily financial/managerial operations of the company. I reported directly to the executive director and board of directors. In 2022, I joined the Missouri Public Service Commission as a Senior Utility Regulatory Auditor and was recently promoted to a Lead Senior Utility Regulatory Auditor. In this position, I perform extensive examinations of utility companies' Missouri Energy Efficiency Investment Act (MEEIA) prudence reviews, Fuel Adjustment Clause prudence reviews, rate cases, etc. I prepare workpapers to report audit results and provide written/oral testimony to detail the findings of the audit.

Teresa Denney
Case Participation
Lead Senior Utility Regulatory Auditor

Company Name	Case Number	Testimony/Issues
Evergy Missouri West	EO-2023-0206/ ER-2023-0210	January 2023 FAR/True Up Filing – Lead Staff
Evergy Missouri West/ Evergy Missouri Metro	EO-2023-0276/ EO-2023-0277	March 2023 Staff Report - Fuel Costs (FERC Accounts 501 & 547, Coal, Oil, & Natural Gas), Fuel Transportation Costs, & Nuclear Fuel
Ameren Missouri	EO-2023-0180	April 2023 MEEIA Prudence Review – Actual & Billed Program Costs & Long Lead Projects Program Costs
Evergy Missouri West/ Evergy Missouri Metro	EO-2023-0407/ EO-2023-0408	June 2023 Staff Report – EM&V, EM&V Contractors, Labor, & Interest
Ameren Missouri	ER-2024-0028/ EO-2024-0029	August 2023 FAR/True Up Filing – Lead Staff
Ameren Missouri	EO-2024-0053	September 2023 FAC Prudence Review – Purchase Power, Off System Sales, & Net Emission Allowance Cost/Revenues
Liberty (Empire)	ER-2024-0118/ EO-2024-0119	October 2023 FAR/True Up – Lead Staff
Liberty (Empire)	EO-2024-0151	November 2023 Staff Report- Actual Program Costs, Throughput Disincentive (TD) & Billed TD
Ameren Missouri	ER-2024-0275/ EO-2024-0277	April 2024 FAR/True Up – Lead Staff
Evergy Missouri West	ER-2024-0189	June - October 2024 Rate Case – Testimony (Direct, CCOS, Rebuttal, & True-Up Direct) – Fuel Adjustment Clause

MONTHLY FILINGS REQUESTED FROM AMEREN
Schedule TLD-d2

Tab Number	DESCRIPTION
5A	Billed Month Actual Energy Usage
5B	NBEC Billed in Base Rates
5C	Billed FAR Revenues
5D	Fuel and Purchase Power Costs and Fuel Related Revenues
5D p1	Supplement Data for Fuel and Purchased Power Costs
5D p2	Support Data for 5D
5D p3.1	High Prairie Data for Prior Year
5D p3.2	High Prairie Data for the Current Year
5D p4.1	Atchison Data for the Prior Year
5D p4.2	Atchison Data for the Current Year
5D p5	NEIL Insurance Premium
5E	Energy Purchases and Sales by RTO and Bilateral
5E p1	Support Data for 5E
5F	Capacity Purchases and Sales by RTO and Bilateral
5F p1	Support Data for 5F