

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

In the Matter of the Tariff Filing of Union Electric )  
Company d/b/a AmerenUE, to Implement a )  
General Rate Increase for Retail Electric Service )  
Provided to Customers in its Missouri Service )  
Area. )

**Case No. ER-2007-0002**

**STAFF’S RESPONSE TO ORDER DIRECTING STAFF TO  
RESPOND TO AMERENUE’S MOTION FOR CLARIFICATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and for its response to the Commission’s June 14, 2007 Order Directing Staff To Respond To AmerenUE’s Motion For Clarification states:

1. On June 14, 2007 the Commission issued an Order Directing Staff To Respond To AmerenUE’s Motion For Clarification limited to the depreciation issue respecting Nuclear Accounts 321, 323, 324, and 325. The Staff submits this response with the intent of presenting information and not argument. The Staff also submits this response mindful of the fact that it entered into a Nonunanimous Stipulation And Agreement Regarding Certain Depreciation Issues, which was objected to, that contains the following sentence in paragraph 8: “The Signatories agree to cooperate in presenting this Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Agreement.”

2. The Staff would note that it first raised this matter in its May 30, 2007 Staff’s Response To Order Establishing Time To Respond To Compliance Tariffs And Request For Leave To Late-File. In the two financial scenarios that the Commission issued, the Commission specifically addressed Nuclear Account 322, but did not mention Nuclear Accounts 321, 323, 324, and 325. The Staff and apparently AmerenUE assumed that the Commission was indicating

that it was adopting the Staff's and AmerenUE's changed position on Nuclear Accounts 321, 323, 324, and 325 as it was respecting Nuclear Account 322. The Staff and AmerenUE were mistaken. That became clear when the Commission issued its Report And Order. Thus, the Staff sought to alert the Commission to this matter on May 30, 2007 in Staff's Response To Order Establishing Time To Respond To Compliance Tariffs And Request For Leave To Late-File, wherein the Staff stated at paragraph 4 as follows:

Upon reading the actual Report And Order, the question arose whether the Commission's May 22, 2007 Order Requesting Revised Scenario addressed the following language at page 96 of the Report And Order under the Depreciation issue denominated "Net Salvage Percentage to Be Used for Assets in Account 322":

As previously indicated, in the objected-to stipulation and agreement, which the Commission cannot approve, Staff and AmerenUE agree that an additional .1 percent would be added to the depreciation rates of the other nuclear plant accounts. The depreciation rates for other accounts were not identified as a separate issue and no evidence was offered on that question. The Commission has no basis for making a decision regarding those accounts.

It is the Staff's understanding that AmerenUE will address this matter in its Application For Rehearing, but because of this language AmerenUE filed tariffs which caused its revenue requirement to be \$1,844,346 lower on an annual basis than how AmerenUE and the Staff read the Commission's May 22, 2007 Order Requesting Revised Scenario without the benefit of the Commission's actual Report And Order.

3. The Commission notes at page 96 of its Report And Order that depreciation rates for nuclear plant accounts other than Nuclear Account 322 was not identified as a separate issue. Although it is clear at this point that everyone would have been better served if Nuclear Accounts 321, 323, 324 and 325 had been identified in addition to Nuclear Account 322, the Staff did not anticipate that matters would evolve as they have. (The Staff does not want to suggest to the Commission that the parties in other cases have always been successful in identifying and listing all issues, or that it is possible to identify, or necessarily a good idea to

even attempt to list, each and every subissue or lesser issue in the List of Issues.<sup>1</sup> Parties at times agree that subissues or lesser issues shall be treated as being determined by the Commission's decision of principal or larger issues.)

4. The Staff notes it has not found mention of Nuclear Accounts 321, 323, 324 and 325 in the prehearing briefs of the Staff, AmerenUE, Office of the Public Counsel (Public Counsel) or Missouri Industrial Energy Consumers (MIEC). Nor has the Staff found mention of these particular accounts in the post-hearing briefs of the Staff, Public Counsel or MIEC. The post-hearing brief of AmerenUE at page 127 does address Nuclear Accounts 321, 323, 324 and 325 but does so in one paragraph, along with Nuclear Account 322, as follows:

The next provision of the Depreciation Stipulation, paragraph 3(c), provides that the interim survivor curves for Accounts 321-325, Callaway Plant accounts, as supported by the depreciation studies of both Mr. Wiedmayer and Ms. Mathis, will be adopted. To account for net salvage related to interim retirements, an additional .2% will be added to the depreciation rates for Account 322, and an additional .1% will be added to the depreciation rates for of the other nuclear plant accounts. Although this differs slightly from the net salvage recommendations contained in Ms. Mathis' depreciation study, at the hearing Ms. Mathis testified that these allowances for net salvage are reasonable.<sup>539</sup>

<sup>539</sup> Tr. p. 3751, l. 6-10 (Ms. Mathis).

A review of Volume 34, page 3751, lines 6-10 of the transcript reveals that Ms. Mathis' testimony is in regard to the stipulated position of the Staff and AmerenUE respecting Nuclear Account 322, not Nuclear Accounts 321, 323, 324 and 325, thus the transcript does not support the apparent suggestion of AmerenUE's post-hearing brief. AmerenUE admits this in its Application For Rehearing, Motion For Clarification And For Correction Of Order Nunc Pro Tunc when it states at page 4, paragraph 10 "[b]ecause the Depreciation Stipulation was not approved, and because there was no evidence of record that increasing net salvage amounts in

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<sup>1</sup> "Unexplained differences" and "untried differences" became an issue at a very late stage in a Kansas City Power & Light Company rate increase case in 1983. *Re Kansas City Power & Light Co.*, Report And Order, Case No. ER-83-49, 26 Mo.P.S.C.(N.S.) 104, 110-13 (1983); *See Re Kansas City Power & Light Co.*, Order, Case No. ER-83-49, 26 Mo.P.S.C.(N.S.) 233 (1983).

these accounts by 0.1 percent was reasonable, it is understandable that the Commission would decline to add 0.1 percent to these accounts.<sup>49</sup> [fn. 4: “By contrast, Ms. Mathis’s hearing testimony regarding the .2 percent added to Account 322 provided evidence upon which to base the Commission’s decision to add .2 percent to the rates for Account 322.”] Under the Nonunanimous Stipulation And Agreement Regarding Certain Depreciation Issues, net salvage amounts in Nuclear Accounts 321, 323, 324 and 325 were to be increased 0.1 percent regardless of whether the Commission found the service life of the Callaway Nuclear Generating Station to be 40 years or 60 years.

5. At page 4, paragraph 10 of its Application For Rehearing, Motion For Clarification And For Correction Of Order Nunc Pro Tunc, AmerenUE directs the Commission to Staff witness Jolie L. Mathis’s Direct Testimony, Exhibit 222, admitted into the record at Volume 34, page 3729. AmerenUE points to Schedule JLM-2, the columns labeled “Staff’s Proposal – Net Salvage (%) and Deprec. Rate (%)” for nuclear production plant net salvage %: Nuclear Account 321 (3%), Nuclear Account 323 (3%), Nuclear Account 324 (2%) and Nuclear Account 325 (1%) based on a 60 year life, with 40 years remaining in the operating life, for Callaway Nuclear Generating Station. This was the Staff’s position before it signed the Nonunanimous Stipulation And Agreement Regarding Certain Depreciation Issues. AmerenUE fails to mention its direct testimony position of 0% net salvage for nuclear production plant for Nuclear Accounts 321, 323, 324 and 325 based on a 40 year life for Callaway Nuclear Generating Station. The AmerenUE position can be seen on Staff witness Mathis’s Direct Testimony, Exhibit 222, Schedule JLM-2 the columns labeled “Company’s Proposal – Net Salvage (%) and Deprec. Rate (%)” for nuclear production plant net salvage %. AmerenUE’s

proposal for Nuclear Accounts 321, 323, 324, and 325 is in the Direct Testimony of AmerenUE witness John F. Wiedmayer, Exhibit 72, Schedule JFW-E1, page III-5.

6. AmerenUE's Revenue Requirement under various Nuclear Accounts 321, 323, 324 and 325 scenarios (and including \$598,529 revenue requirement for Low Income Weatherization Program) is as follows:

**AmerenUE's Revenue Requirement Including:**

Staff/AmerenUE's Depreciation Stipulation and Agreement net salvage for Nuclear Accounts 321, 323, 324 and 325 – 40 year or 60 year service life for Callaway Nuclear Generating Station	\$43,621,824
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Staff's Direct Testimony net salvage for Nuclear Accounts 321, 323, 324 and 325, i.e., AmerenUE's Rehearing Position - 60 year Service life for Callaway Nuclear Generating Station	\$43,018,761
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AmerenUE's Direct Testimony net salvage for Nuclear Accounts 321, 323, 324 and 325, i.e., AmerenUE's Compliance Tariffs now in effect – 40 year service life for Callaway Nuclear Generating Station	\$41,777,474
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**Nuclear Accounts 321, 323, 324 and 325 Components:**

Staff/AmerenUE's Depreciation Stipulation and Agreement net salvage for Nuclear Accounts 321, 323, 324 and 325 – Additional Revenue Requirement – 40 year or 60 year service life for Callaway Nuclear Generating Station	
Additional Revenue Requirement	\$ 1,844,346

Staff's Direct Testimony net salvage for Nuclear Accounts 321, 323, 324 and 325 – Additional Revenue Requirement – 60 year service life for Callaway Nuclear Generating Station – AmerenUE's Rehearing Position	
Additional Revenue Requirement	\$ 1,241,287

AmerenUE's Direct Testimony net salvage for Nuclear Accounts 321, 323, 324 and 325 – No Additional Revenue Requirement – AmerenUE's Compliance Tariffs now in effect – 40 year service life for Callaway Nuclear Generating Station	
Additional Revenue Requirement	\$ 0

7. Finally, the Staff notes that MIEC witness James T. Selecky has a proposal for Nuclear Accounts 321, 323, 324 and 325: See Direct Testimony of James T. Selecky, Exhibit 707, Schedule JTS-7 and Rebuttal Testimony of James T. Selecky, Exhibit 708, Revised Schedule JTS-13, page 2 of 3. The Staff did not quantify MIEC's proposal because, for among other reasons, in neither of the financial scenarios that it directed the Staff to submit, did the Commission indicate that the Staff should determine a revenue requirement for AmerenUE based on MIEC's net salvage percentage for assets in Nuclear Account 322.

**WHEREFORE** the Staff submits the instant pleading in response to the Commission's June 14, 2007 Order Directing Staff To Respond To AmerenUE's Motion For Clarification.

Respectfully submitted,

/s/ Steven Dottheim  
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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 19th day of June, 2007.

/s/ Steven Dottheim