

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

In the Matter of an Earnings Investigation of the)	
Retail Natural Gas Utility Operated by the Union)	<u>Case No. GO-2016-0362</u>
Electric Company d/b/a Ameren Missouri)	

STAFF PROGRESS REPORT ON EARNINGS INVESTIGATION

COMES NOW the Staff of the Missouri Public Service Commission and for its *Progress Report on Earnings Investigation* (the “Progress Report”), states as follows:

1. On July 12, 2016, the Commission issued its *Order Opening an Investigation* (the “Order”) in this docket which ordered Staff to “undertake an investigation of the rates charged by Union Electric Company d/b/a Ameren Missouri for the provision of natural gas” and to “file a progress report regarding its investigation no later than September 12, 2016.”

2. On September 12, Staff filed a Progress Report in response to the Order. In the September 12 Progress Report Staff stated it would “file either a further Progress Report or the results of its earnings investigation in this docket no later than December 12, 2016.” Therefore, Staff is submitting this Progress Report.

3. Staff initiated this earnings investigation to determine if Ameren Missouri’s existing rates for natural gas service are just and reasonable, since over five years has elapsed since the effective date of Ameren Missouri’s last general rate case for its natural gas operations.

4. Staff is currently examining Ameren Missouri’s revenues, expenses and investment that existed during the twelve months ending March 31, 2016. Thus far, Staff has performed adjustments to per book revenue amounts that take into account

winter weather that was warmer than normal and to address unbilled revenues. Staff also eliminated the Infrastructure System Replacement Surcharge (ISRS) revenues that were collected during the twelve-month-ending March 31, 2016, time period under the ISRS tariff. This tariff was discontinued on September 17, 2016, as discussed in the Commission's Order issued on September 14, 2016, in Case No. GO-2017-0061. Staff has also examined gas costs that were included in both revenues and expense and performed adjustments to remove these items. These removals are necessary as part of any general rate case and earnings review because Staff's Procurement Analysis Unit reviews the costs that Ameren Missouri incurs to acquire gas, among other factors, through Purchase Gas Adjustment (PGA) and Actual Cost Adjustment (ACA) filings in separate proceedings. Staff has also performed adjustments to take into account reduced levels of costs for pensions and Other Post Employment Retirement Benefits (OPEBS). At this point in time Staff's results are inconclusive and therefore additional discovery and analysis is required.

5. Staff has recently submitted additional data requests in order to further investigate other areas of revenues, expense and investment. Staff has requested the quantification for the elimination of certain items which are separately addressed in PGA and ACA filings. Staff is also seeking additional capital investment information, including allocated general plant and reserve, through October 31, 2016, and an explanation and quantification of planned capital investment. Other data requests that Staff has recently submitted will address further adjustments that are required and that will take into account the elimination of incentive compensation levels that are tied to earning performance, changes in employees levels and wage and pay rates, and a

quantification of certain revenues and expenses that must be eliminated from the evaluation period. Once Staff obtains this information, Staff plans to schedule additional meetings with Ameren Missouri to discuss its results and to provide Ameren Missouri an opportunity to explain any other significant changes that should be taken into account.

6. At this time, Staff plans to file a report in this docket on or before March 17, 2017, indicating the results of its preliminary investigation. This is the earliest date Staff believes it can produce this report given Staff's current workload associated with other pending cases including, but not limited to, the Ameren Missouri electric rate case. At that time, Staff plans to indicate whether or not current earnings appear to be reasonable and do not require further review **or** if a subsequent full commitment of Staff resources will be required in order to conduct a comprehensive earnings investigation of all relevant factors.

WHEREFORE Staff submits this Progress Report.

Respectfully submitted,

/s/ Jeffrey A. Keevil

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 12th day of December, 2016.

/s/ Jeffrey A. Keevil