

**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	)	<b><u>Case No. GO-2016-0362</u></b>
Electric Company d/b/a Ameren Missouri	)	

**STAFF REPORT ON EARNINGS INVESTIGATION**

**COMES NOW** the Staff of the Missouri Public Service Commission and for its *Report on Earnings Investigation* states as follows:

1. On July 12, 2016, the Commission issued its *Order Opening an Investigation* (the “Order”) in response to a *Motion to Open An Earnings Investigation* filed by Staff on June 30, 2016.

2. In the Order the Commission 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.”

3. Staff filed progress reports in this case on September 12 and December 12, 2016. In its last progress report, filed on December 12, 2016, Staff stated it would make a filing on or before March 17, 2017, which indicates “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.”

4. Staff’s December 12, 2016, progress report also stated, in part, that:

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.

5. Staff recently finished the additional discovery and analysis referenced above and has now completed its high-level earnings review of Ameren Missouri's natural gas operations. During its investigation, Staff performed adjustments which addressed the typical major rate case "drivers" in a general rate case. As stated above, Ameren Missouri's ISRS tariff was discontinued on September 17, 2016. However, significant capital investment is currently planned during 2017-2019.

6. Based upon Staff's investigation and analysis, and the fact that significant levels of capital investment are planned in the upcoming years, a full scale earnings investigation does not appear to be warranted at this time.

**WHEREFORE**, Staff respectfully requests the Commission accept this *Report* on Staff's investigation of the earnings of the natural gas utility operations of Union Electric Company d/b/a Ameren Missouri, and issue an order closing this case.

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 17<sup>th</sup> day of March, 2017.

**/s/ Jeffrey A. Keevil**