# MISSOURI PUBLIC SERVICE COMMISSION

# STAFF'S

# RATE DESIGN

# AND

# CLASS COST-OF-SERVICE

# REPORT



## UNION ELECTRIC COMPANY dba AMEREN MISSOURI

## FILE NO. ER-2014-0258

*Jefferson City, Missouri*
*December 19, 2014*

** Denotes highly Confidential Information **

**NP**

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# I. Executive Summary

The Staff's recommended increase in revenue requirement is based upon an adjusted test year for the twelve months ending March 31, 2014, including true-up estimates through December 31, 2014. The Staff's recommended revenue requirement increase for Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") is $97,685,095 to $128,594,790 based on a return on equity ("ROE") range of 9.00% to 9.50%. The Staff's revenue requirement as presented in its Accounting Schedules filed December 5, 2014, includes expected changes for a true-up ending December 31, 2014, based on current information. Also, additional information through January 1, 2015, is considered for inclusion in the cost of service during the true-up agreed to by the parties and ordered by the Commission.[1] The Staff's final amount recommendations will be based on its true-up audit.

Ameren Missouri has eight (8) active service classifications. The service classifications are: (1) residential ("Res"), (2) small general service ("SGS"), (3) large general service ("LGS"), (4) small primary service ("SPS"), (5) large primary service ("LPS"), (6) large transmission service ("LTS"), (7) three street and outdoor area lighting groups, and (8) the Metropolitan St. Louis Sewer District ("MSD") classification. Staff combined the LGS and SPS rate classifications and included MSD in its SGS class as further explained in its rate design section.

As explained in its CCOS Report, Staff recommends that the allocation of any rate increase for Ameren Missouri that is ordered will be accomplished with a six-step process:

1. Based on CCOS results, Step 1 is to increase/decrease the current base retail revenue on a revenue-neutral basis to various classes of customers. The Ameren Missouri Res class should receive a positive 0.50% adjustment, the LTS class should receive a

[1] Order Adopting Procedural Schedule, Establishing Test Year, and Delegating Authority effective August 20, 2014.

positive 0.50% adjustment, and the classes of customers (SGS, and LGS/SPS) should receive a negative adjustment of approximately 0.63%.

2. Step 2 is to assign directly to applicable customer classes the portion of the revenue increase/decrease that is attributable to Energy Efficiency ("EE") programs from Pre-MEEIA ("Missouri Energy Efficiency Investment Act") program costs. The Pre-MEEIA program costs consist of the program costs for increases/decreases in the revenue requirement associated with the amortization of pre-MEEIA program costs.

3. Step 3 is to determine the amount of revenue increase awarded to Ameren Missouri that is not associated with the EE revenue from pre-MEEIA revenue requirement assigned in Step 2, by subtracting the total amount in Step 2 from the total increase awarded to Ameren Missouri. This amount will be allocated to customer classes as an equal percent of current base revenues after making the adjustment in Step 1.

4. Step 4 recommends that the Commission should order Ameren Missouri's rate schedules to be uniform for certain interrelationships among the non-residential rate schedules that are integral to Ameren Missouri's rate design. The following features are uniform and should remain uniform: (a) the value of the customer charge will be uniform across rate schedules, with the customer charge on the SPS, LPS, and LTS rate schedules being the same; (b) the rates for Rider B voltage credits will be the same under all applicable rate schedules; (c) the rate for the Reactive Charge will be the same for all applicable rate schedules; and (d) the rate associated with Time-of-Day meter charge will be the same for all applicable non-residential rate schedules (LGS, SPS, LPS, and LTS).

5. Step 5 recommends that, based on CCOS results, the residential customer charge rate remain at the current charge of $8.00 per month.

6. Step 6 recommends that each rate component of each class be increased across-the-board for each class on an equal-percentage basis after consideration of steps 1 through 5 above.

7. Ameren Missouri proposes a residential low-income exemption for energy efficiency charges relating to MEEIA. Ameren Missouri's testimony outlines that the low-income exemption may save some low-income customers nearly $4.50 per month. The Staff is not opposed to the concept of a low-income exemption for qualified residential customers as defined in MEEIA statute 393.1075, RSMo. This means low-income residential customers will be exempt from Rider Energy Efficiency Investment Charge ("EEIC") charges. Ameren Missouri's proposal does not have a revenue requirement impact in this current case but would allow for the concept in the next Rider EEIC filing.

8. Adopt Rider Fuel and Purchased Power Adjustment Clause ("FAC") tariff sheets consistent with Staff CCOS Report.

9. To address Commission questions related to the *Order Directing Consideration of a Certain Rate Design Question.* The Commission is interested in obtaining information and analysis as to whether rate design mechanisms should be established to promote stability or growth of customer levels in geographic locations where there is underutilization of existing infrastructure. Additionally, the Commission outlined nine additional questions which Staff addresses.

Staff's CCOS and Rate Design objectives in this report are:

1. To present an overview of Staff's CCOS study and the study results based upon the test year of April 1, 2013, through March 31, 2014, updated and trued-up through December 31, 2014.

2. Provide the Commission with a rate design recommendation based on each customer class's relative cost-of-service responsibility.

3. Provide methods to implement any Commission-ordered overall change in customer revenue responsibility in rates.

4. Retain, to the extent possible, existing rate schedules, rate structures, and important features of the current rate design and mitigate the potential for rate shock.

Staff's Class Cost-of-Service and Rate Design Report ("CCOS Report") is organized into the following main sections. They are:

- Executive Summary
- Class Cost-of-Service and Rate Design Overview
- Staff Class Cost-of-Service Study
- Rate Design
- Fuel and Purchased Power Adjustment Clause tariff sheet recommendations
- Residential Low-Income MEEIA Exemption
- Residential Time-of-Day Pilot
- Residential Customer Charge
- Addresses Commission questions related to *the Order Directing Consideration of a Rate Design Question*

Current Class Revenues and Cost to Serve

Table 1 shows the rate revenue shifts necessary for the current rate revenues from each customer class to exactly match Staff's determination of Ameren Missouri's cost of serving that class. Additionally, Table 1 shows the cost-to-serve based on Staff's revenue deficiency recommendation of $113,139,943.

**Table 1**

**Summary Results of Staff's CCOS Study - Ameren Missouri**

| Customer Class | Revenue Deficiency | CCOS % Increase |
|---|---|---|
| Residential | $86,896,941 | 7.10% |
| Small General Service/Municipal Sewer District | $16,574 | 0.01% |
| Large General Service/Small Primary Service | $-6,064,754 | -0.76% |
| Large Primary Service | $6,904,972 | 3.39% |
| Large Transmission Service | $23,646,409 | 14.84% |
| Lighting | $1,739,799 | 4.51% |
| Total (Rounded) | $113,139,943 | 4.16% |

Staff developed its analysis of the cost of serving each class using inputs taken from Staff's Revenue Requirement Cost of Service Report ("COS Report") and the Staff Accounting Schedules filed in this case on December 5, 2014. Staff's recommended revenue requirement increase for Ameren Missouri is $97,685,095 to $128,594,790, based on a return on equity ("ROE") range of 9.00% to 9.50%. Staff supports the mid-point of its ROE recommendation of 9.25% and a corresponding revenue requirement increase of

$113,139,943. Staff's revenue requirement as presented in its Accounting Schedules includes expected changes for a true-up ending December 31, 2014, based on current information. For example, the plant and depreciation reserve balances have been adjusted to reflect the anticipated additions through the December 31, 2014, true-up period.

The results of a CCOS study can be presented either in terms of (1) the rate of return realized for providing service to each class or (2) in terms of the revenue shifts (expressed as negative or positive dollar amounts or percentages) that are required to equalize the utility's rate of return from each class. Staff prefers to present its results in the latter format, i.e., negative or positive dollar amounts or percentages. The results of Staff's analysis are presented in terms of the shifts in revenue that produce an equal rate of return for Ameren Missouri from each customer class.

A negative amount or percentage indicates revenue from the customer class exceeds the cost of providing service to that class; therefore, to equalize revenues and cost-of-service, rate revenues should be reduced, i.e., the class has overpaid. A positive amount or percentage indicates revenue from the class is less than the cost of providing service to that class; therefore, to equalize revenues and cost-of-service, rate revenues should be increased, i.e., the class has underpaid.

The customer classes used in Staff's study correspond to Ameren Missouri's current rate schedules, except Staff combined all lighting rate schedules into one customer class for its study. Aside from lighting rate schedules, Ameren Missouri has six rate schedules: Residential, Small General Service, Large General Service, Small Primary Service, Large Primary Service, and Large Transmission Service.

## II. Class Cost-of-Service and Rate Design Overview

The purpose of a Class Cost-of-Service ("CCOS") study is to determine whether each class of customers is providing the utility with the level of revenue necessary to cover (1) a return on the utility's investments required or allocated to provide service to that class of customers and (2) the utility's ongoing expenses required or allocated to provide electric service to that class of customers. A CCOS study provides a basis for allocating and/or assigning the utility's total cost of providing electric service to all the customer classes in a manner reasonably reflecting cost causation. Staff's CCOS study is a continuation and refinement of Staff's cost-of-service revenue requirement study, resulting in a reasonable allocation of the costs incurred in providing electric service to each of Ameren Missouri's customer classes. Since those costs equate to the utility's revenue requirement as determined by Staff in its Cost of Service Report filed December 5, 2014, the results of Staff's CCOS study are the initial basis for Staff's recommended class revenue requirements of each customer class for an equitable share of the utility's total annual cost of providing electric service. As discussed in the sections of this report concerning rate design, consideration of policy, subsidy, and promotional practices are also taken into account in Staff's ultimate recommendation of class revenue recovery through rate design.[2]

*Staff Expert: Robin Kliethermes*

## III. Staff's Class Cost-of-Service Study

The results of Staff's CCOS study appear in Table 1 above and are outlined in Table 2 below.

[2] Schedule CCOS-1 provides fundamental concepts, terminology, and definitions used in CCOS studies and rate design. It addresses functionalization, classification, and allocation as used in CCOS studies.

**Table 2**

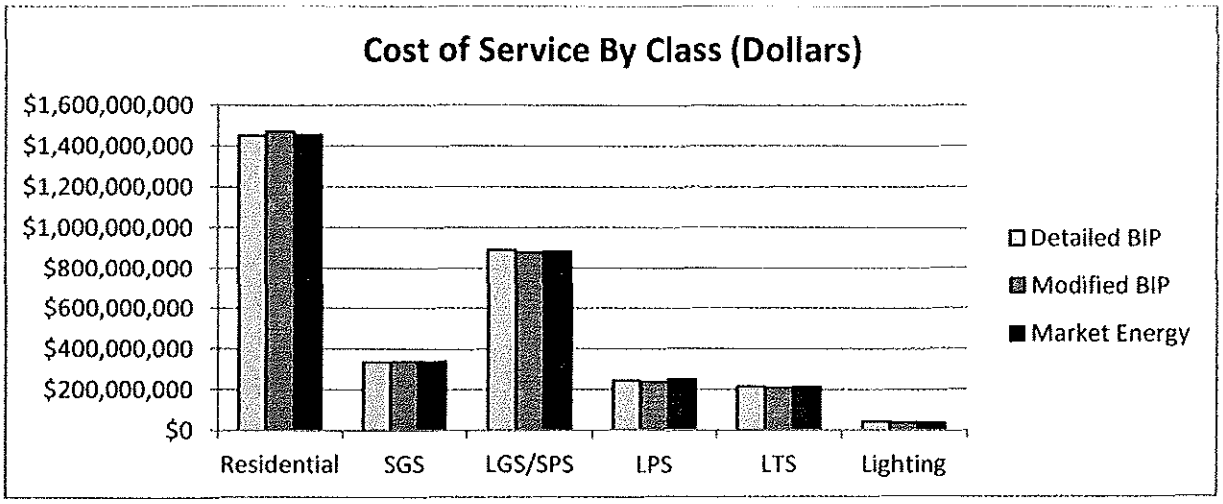
| Summary Results of Staff's CCOS Study | | | | | | |
|---|---|---|---|---|---|---|
| | Residential | SGS | LGS/SPS | LPS | LTS | Lighting |
| Cost of Service | $1,449,353,868 | $334,152,745 | $888,832,821 | $239,151,007 | $212,266,484 | $41,985,938 |
| Off-System Sales Margin | $138,808,913 | $33,196,789 | $99,517,817 | $28,483,447 | $29,247,095 | $1,698,592 |
| Net Cost of Service | $1,310,544,955 | $300,955,956 | $789,315,004 | $210,667,560 | $183,019,389 | $40,287,346 |
| Current Rate Revenues | $1,223,648,014 | $300,939,382 | $795,379,758 | $203,762,588 | $159,372,980 | $38,547,547 |
| Required Increase | $86,896,941 | $16,574 | -$6,064,754 | $6,904,972 | $23,646,409 | $1,739,799 |
| CCOS % Increase | 7.1015% | 0.0055% | -0.7625% | 3.3887% | 14.8372% | 4.5134% |
| Less System Average | 4.1570% | 4.1570% | 4.1570% | 4.1570% | 4.1570% | 4.1570% |
| Revenue Neutral % Increase | 2.9444% | -4.1515% | -4.9195% | -0.7683% | 10.6801% | 0.3564% |

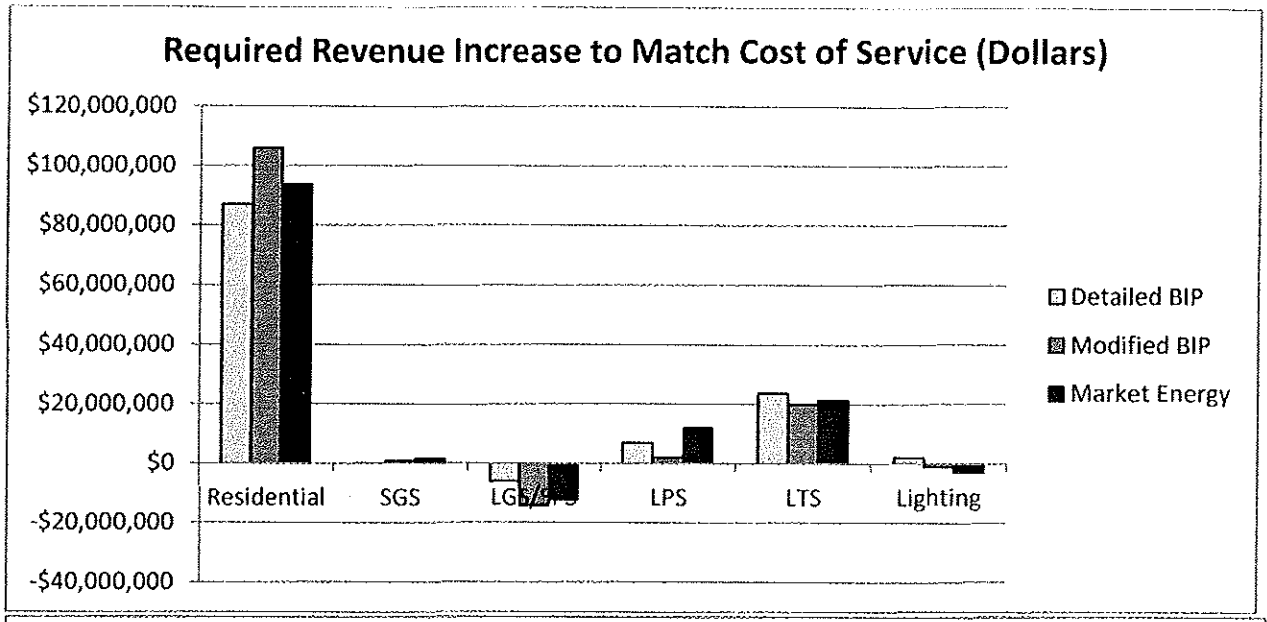
The changes shown in Table 2 are the changes to the current rate revenues of each customer class required to exactly match that customer class's rate revenues with Ameren Missouri's cost to serve that class. The results are also presented, on a revenue-neutral basis, as the revenue shifts (expressed as negative or positive dollar amounts or percentages) that are required to equalize the utility's rate of return from each class.

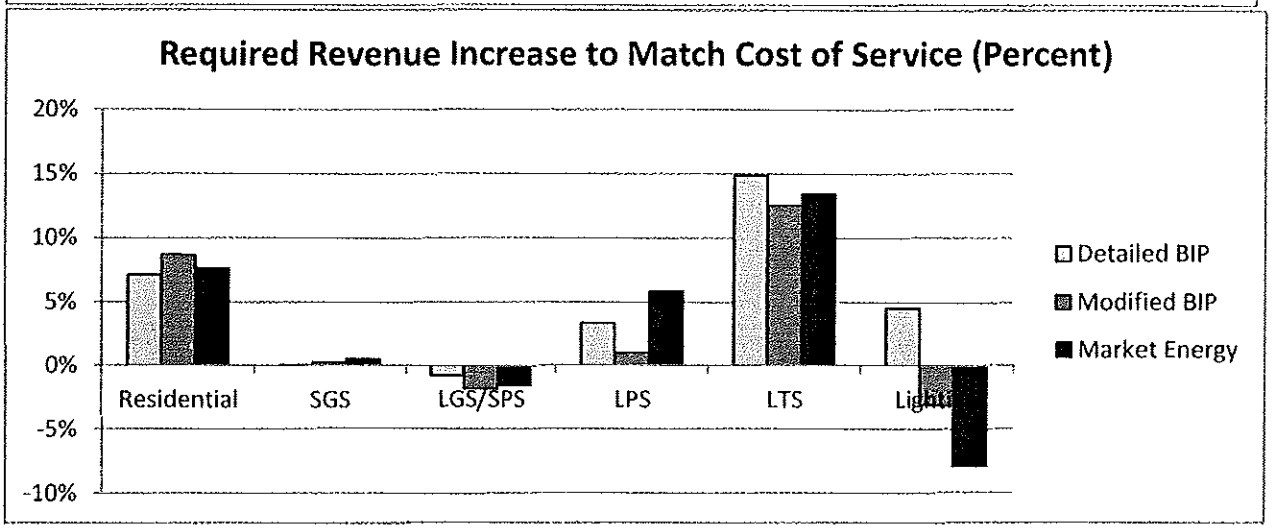
"Revenue neutral" means that the revenue shifts among classes do not change the utility's total system revenues. The revenue neutral format aids in comparing revenue deficiencies between customer classes and makes it easier to discuss revenue neutral shifts between classes, if appropriate. The overall revenue increase recommended as described in Staff's COS Report was 4.157%. For CCOS purposes, Staff calculates the revenue neutral increase that would be necessary for each class to match its cost of service by subtracting the overall system average increase of 4.157% from each customer class's required-percentage increase. This provides the revenue-neutral adjustment to rate revenue that would be

necessary to match the revenues Ameren Missouri should receive from that class to Ameren Missouri's cost to serve that class shown in Table 2.

Staff performed three CCOS studies: the Detailed BIP study that is the basis for Staff's recommended cost-causation results, a Market Price study relying directly on MISO energy prices, and a Modified BIP study relying on the production cost allocation methodology similar to that used by Staff in Ameren Missouri's last general rate case. The results of all three studies are consistent in indicating that the Residential and LTS classes are contributing relatively less to Ameren Missouri's cost of service than are the other classes, as indicated in the following graphs:



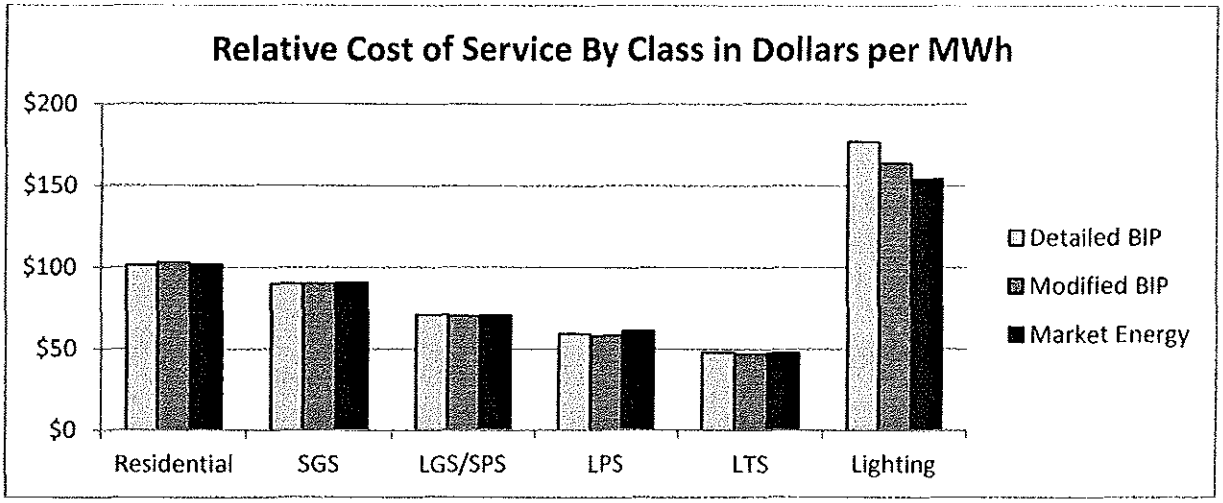


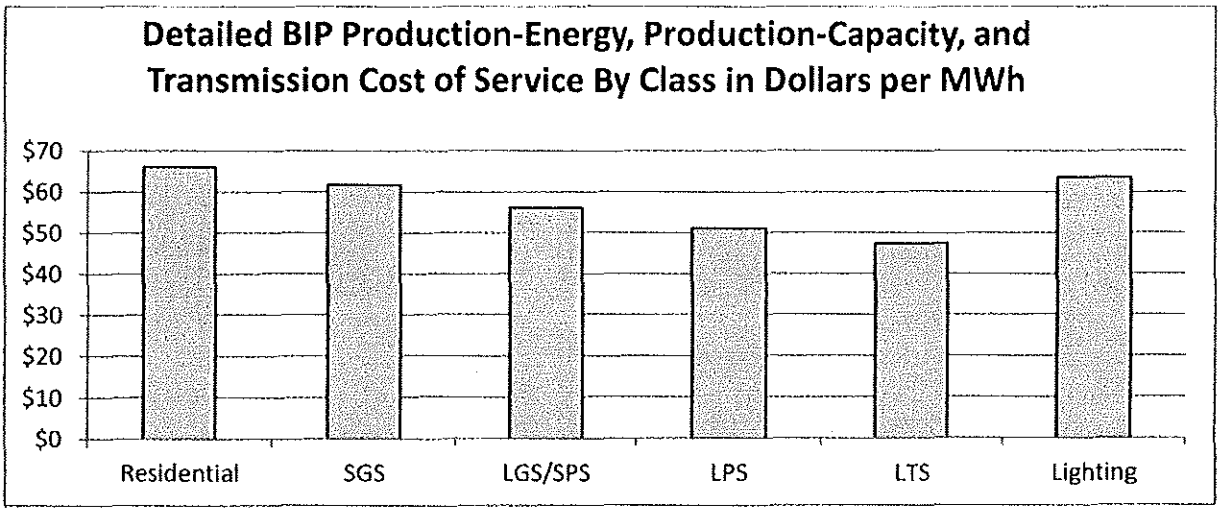

While Ameren Missouri's rate structure is more complex than a simple charge per kilowatt hour, it is helpful to review the cost of providing service to each class relative to the amount of energy purchased by that class to place the cost of serving the classes in perspective.[3] The results of this analysis are consistent with the expectation that classes with a relatively high

[3] Class usage at generation is used to facilitate this comparison.

load factor that take service at a relatively high voltage level are generally less expensive to serve than classes with a low load factor taking service at a relatively low voltage level.[4]




The production energy, capacity, and transmission cost of service as found in the Detailed BIP study is provided below in Dollars per MWh:




A CCOS study is not precise and is used only as a guide for designing rates. For example, bill impacts, simplicity, rate stability, fairness among different consumers, and customer understandability are also factors considered in designing rates. Staff's CCOS study

[4] Of particular note is the relative capital intensiveness of the Lighting class, which results in a relatively high cost of service when analyzed only on the energy consumed by the class.

used costs and revenues from Staff's accounting information and other sources as outlined below.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

**A. Data Sources**

Staff's CCOS study utilized the Staff's revenue-requirement recommendations as filed on December 5, 2014, through Staff's direct revenue requirement cost-of-service recommendation for Ameren Missouri's retail cost-of-service.[5] This data includes:

- Adjusted Missouri investment and expense data by FERC account;
- Normalized and annualized rate revenues;
- Fuel and purchased power costs;
- Other operating and maintenance expenses;
- Depreciation and amortizations;
- Taxes;
- For each class, Staff's determination of weather-adjusted, customer-coincidental peaks, customer-non-coincidental peaks, customer-maximum peaks, and annual energy ; and
- Off-system sales revenues.

In addition, data was also obtained from Ameren Missouri witness William Warwick's direct testimony and workpapers from this case, which includes allocation factors for specific customer allocations. These allocation factors relate to information on meters, meter reading, uncollectible accounts, customer premise installations, and customer deposits.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

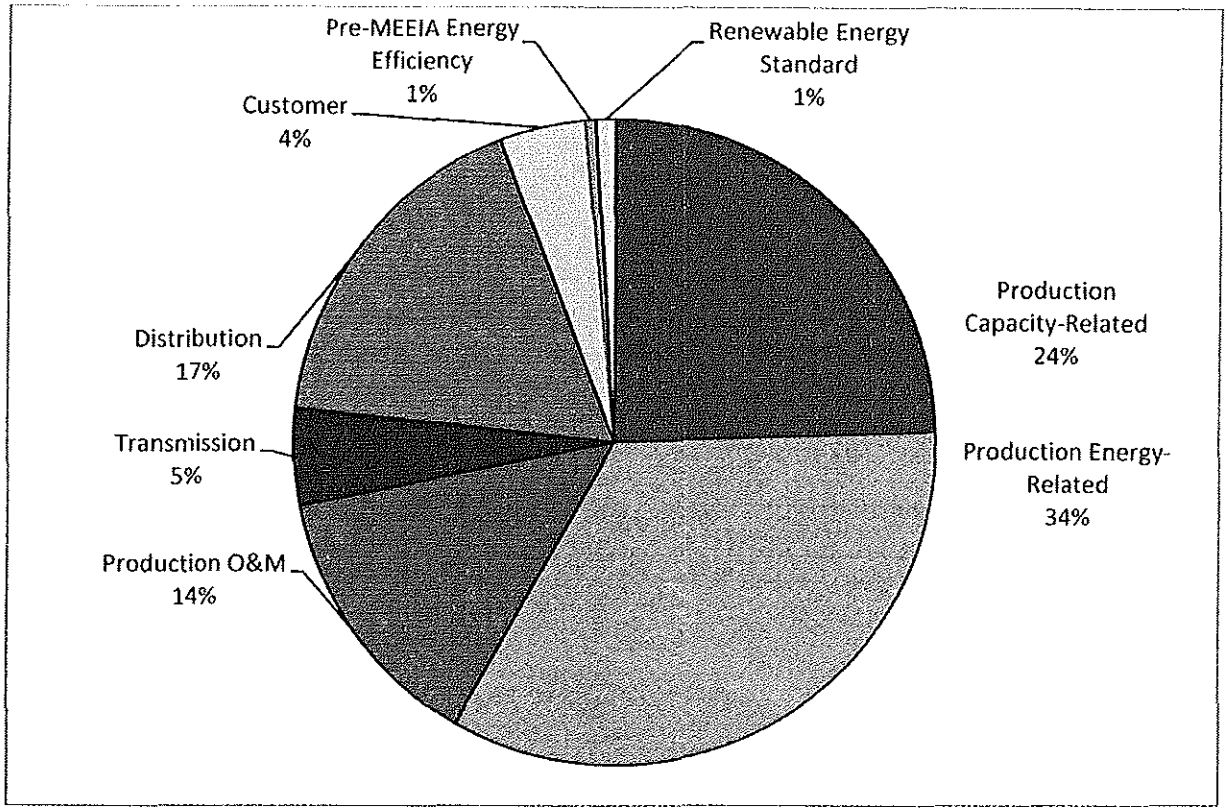
[5] Amounts for which recovery has been requested by Ameren Missouri, but not recommended for recovery at this time by Staff, are not considered. For example, any rate recovery related to the Accounting Authority Order resulting from Case No. EU-2012-0027 may be directly assigned to the LTS class, but it is not addressed in this Report because recovery was not recommended by Staff.

## B. Functions

The major functional-cost categories Staff used in its CCOS study are Production, Transmission, Distribution, and Customer. Within the Production Function, a distinction was made between Production-Capacity and Production-Energy. "Production-Capacity" costs are those costs directly related to the capital cost of generation. "Production-Energy" costs are those costs related directly to the customer's consumption of electrical energy (i.e., kilowatt-hours) and consist primarily of fuel, fuel handling, and the energy portion of net interchange power costs. Table 3 and the graph below show the percentage of total costs associated with each major function for all of Ameren Missouri's classes, as consolidated.

**TABLE 3**

| **Functionalized Costs** | | | |
|---|---|---|---|
| Production Capacity-Related | $ | 774,860,684 | 24% |
| Production Energy-Related | $ | 1,066,745,319 | 34% |
| Production O&M | $ | 431,667,345 | 14% |
| Transmission | $ | 154,762,142 | 5% |
| Distribution | $ | 552,660,768 | 17% |
| Customer | $ | 136,140,601 | 4% |
| Pre-MEEIA Energy Efficiency | $ | 16,526,671 | 1% |
| Renewable Energy Standard | $ | 32,379,336 | 1% |
| Total | $ | 3,165,742,865 | 100% |




The Production-related Function, consisting of Production Capacity-Related, Production Energy-Related, and Production O&M, is the single largest cost component, and represents 72% of the total cost, net of offsetting non-retail revenues. The Distribution Function, at 17% of the total cost, is the second largest contributor to total cost, and includes substations, overhead and underground lines, and line transformers, as well as the costs to operate and maintain this equipment. Transmission at 5%, Customer Services at 4%, and Pre-MEEIA Energy Efficiency and the Missouri Renewable Energy Standard Compliance costs (including solar rebate payment amounts) at 1% each, round out the total cost. Table 2 provides Staff's CCOS results, including each class's revenue deficiency required to exactly match that customer class's rate revenues with Ameren Missouri's cost to serve that class.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## C. Allocation of Production Costs

For class-cost-of-service purposes, Staff assumes that all of Ameren Missouri's generation facilities are primarily used to produce electricity for Ameren Missouri's retail customers in Missouri. Ameren Missouri's costs for plant investment and the production expenses appearing on its income statement are appropriately allocated by a production-capacity (demand) or a production-energy (energy) allocator. Ameren Missouri's generation facilities are predominantly considered fixed assets, and so the costs of these assets are considered demand-related and apportioned to the rate classes on the basis of the production-capacity allocator.[6] Fuel expense related to running the generation plants and purchased power used to serve load are considered energy-related and allocated to rate classes on the basis of the production-energy allocator.[7] The demand and energy characteristics of Ameren Missouri's load requirement are both important determinants of production cost and expense allocations, since load must be served efficiently over time throughout the day and year.

To establish class revenue responsibilities for production costs and expense, Staff developed allocators based on a Base-Intermediate-Peak ("BIP") method. Under the BIP method, the utility company's required return on generation asset investments, and the ongoing energy-related expenses of providing service, are allocated based on:

1. A base component consisting of the investment and expenses determined to be used to meet the average energy requirements of a given customer class;
2. An incremental intermediate component consisting of the investment and expenses determined to be used to serve the energy and demand

[6] "Demand-related" costs are rate base investment and related operating and maintenance expenses associated with facilities necessary to supply a customer's service requirements (kW) during periods of maximum, or peak, levels of power consumption.

[7] "Energy-related" costs are those costs related directly to the customers' consumption of electrical energy (kilowatt-hours) and consist primarily of fuel, fuel handling, and the energy portion of net interchange power costs.

requirements associated with the average 12 Coincident Peaks ("12 CP")[8] of demand for electricity for a given class minus the base component previously allocated; and

3. A peaking component consisting of the investment and expenses determined to be used to serve the energy and demand requirements associated with the average 4 CP[9] component of demand for electricity less the base and intermediate components previously allocated.

The BIP method is described in the NARUC Electric Utility Cost Allocation Manual ("NARUC Manual").[10] The NARUC Manual[11] in Part IV, C, Section 2, describes the BIP method as a time-differentiated method that assigns production plant costs to three rating periods, (1) peak hours, (2) secondary peak, or intermediate hours, and (3) base-loading hours.

Because Ameren Missouri's generation fleet contains a relatively small proportion of the physical plant types assumed to serve intermediate load under the BIP method as described in the NARUC Manual, Staff has developed a method to reasonably assign Ameren Missouri's generation assets to the BIP components for purposes of developing an allocator. Under this approach, Ameren Missouri's net investment in each of the plants assigned to each of the BIP components is allocated to the classes based on each class's base, intermediate, and peak demand (in MW).[12] The relative value – by class – of the investment allocated to each class is used as the Production-Capacity allocator.[13] The fuel cost on a per kWh basis for

[8] "12 CP" is each month's maximum peak demand of each customer class at the time of the system peak the months of January through December.
[9] "4 CP" is peak demand of each customer class during the four highest system peaks: January, June, July, and August.
[10] Published January 1992.
[11] Schedule CCOS-2 details the BIP method as described in the NARUC Manual.
[12] This treatment results in the Sioux generating facility being entirely assigned to the intermediate components. However, because Sioux is the only Ameren Missouri production plant with scrubbers, including an unadjusted value for Sioux as the basis for the determination of intermediate capacity cost allocation would create an inappropriate price signal that intermediate capacity is more costly than base capacity. Staff adjusted Sioux's net plant value used in the assignment of plant to BIP components to smooth the capacity cost curve, by removing the net value of the scrubbers.
[13] A separate capacity-related allocator is used to allocate the return on investment associated with fuel stored at the various generation stations.

each plant, as used in the Staff revenue requirement, is used as the relative prices to serve each class's base, intermediate, and peak load (in MWh). The relative value – by class – of the fuel to serve the load requirements of each class is used as the Production-Energy allocator.[14] Thus, Staff's use of the BIP is a reasonable method for allocating the production-related costs and expenses as well as the capacity-related and energy-related portions of off-system sales revenues. This consistency is appropriate as expenses follow plant.

As assumed under the NARUC Manual, base load units have high capital costs and have lower, constant running costs. Intermediate units have capital costs and operating characteristics between those of base-load units and peaking units, and are typically combined cycle gas units or very small coal thermal plants. For purposes of the BIP, these units are assumed to generate only when demand exceeds base load requirements. Peaking units have low capital costs but are relatively more costly to run. For purposes of the BIP, it is assumed that these units run only for the few hours of the year when the system load is the highest.[15]

Staff determined which generation assets were used to serve base, intermediate, and peak load by ranking the capacity associated with the investment in each Ameren Missouri generating asset by its operating cost per MWh as found through Staff's production modeling described in the Cost of Service Report filed December 5, 2014. The BIP method allocates Production-Capacity costs by recognizing that generation is built to meet peak, intermediate, and base demands and energy requirements. Staff's BIP method assigns generation assets to

[14] A separate energy-related allocator is used to allocate the operations and maintenance expense associated with each of the various generation stations.

[15] In practice, because Ameren Missouri participates in the MISO integrated energy market, its generation is dispatched as part of the larger MISO fleet. For example, its combustion turbines ("CTs") may be dispatched at night to assist in wind integration, as opposed to operating at times of peak demand when another utility may have less expensive energy available. However, MISO's dispatch is ordered according to security-constrained economic merit, which results in price signals stacking in a manner consistent with those experienced by a utility with a generation fleet that includes the relative amounts of each base, intermediate, and peak generation units assumed in the NARUC Manual.

each BIP component as needed to serve each class's demand and energy requirements. The net value of Ameren Missouri's investment in each of those generating assets assigned to components and allocated to classes is the basis for the calculation of the BIP Production-Capacity allocator.[16] The BIP Production-Capacity components are:

> 1) The Base Production-Capacity costs are assigned to each customer class based upon that class's average demand.
> 2) The Intermediate Production-Capacity costs are assigned to each customer class based upon that class's intermediate demand, less that class's average demand. The class intermediate demand is the average of that class's 12 coincident peaks.
> 3) The Peak Production–Capacity costs are assigned to each class based upon each class's peak demand, less that class's intermediate demand. The class's peak demand is the average of that class's 4 coincident peaks. [17]

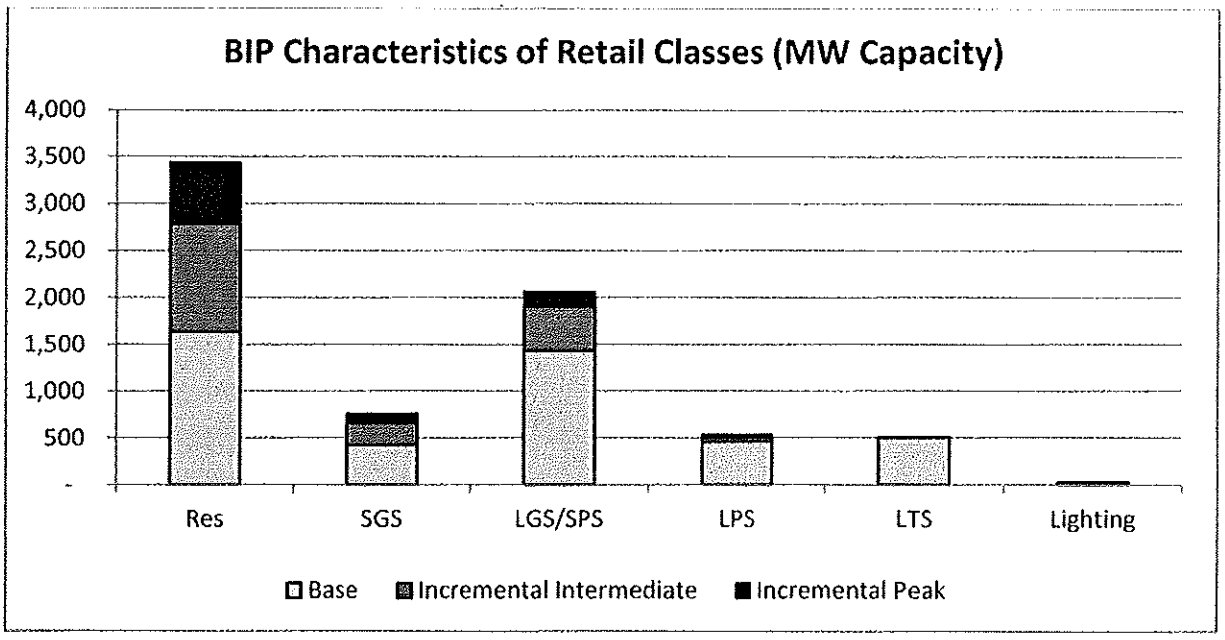
The relative value of the sum of each class's capacity-related costs assigned under each BIP component is the BIP Production-Capacity allocator. Table 4 below, provides the coincident peak for the normalized twelve months of class load. Ameren Missouri is generally a summer-peaking utility with three of the system's four highest monthly peaks occurring in the summer season (June through August).[18]

[16] The BIP Production – Capacity allocator is used to allocate both gross plant in service and accumulated depreciation reserve and other offsets to rate base.
[17] Because Ameren Missouri has investment in generation capacity that exceeds the peak load for class cost of services purposes, this additional portion of Ameren Missouri assets is not directly assigned when ordering the BIP components. However, the BIP Production-Capacity allocator is used to allocate cost responsibility for all of the return on Ameren Missouri investment in generation assets to the retail classes.
[18] The four highest system peaks are all within 90% of the system peak.

**Table 4**

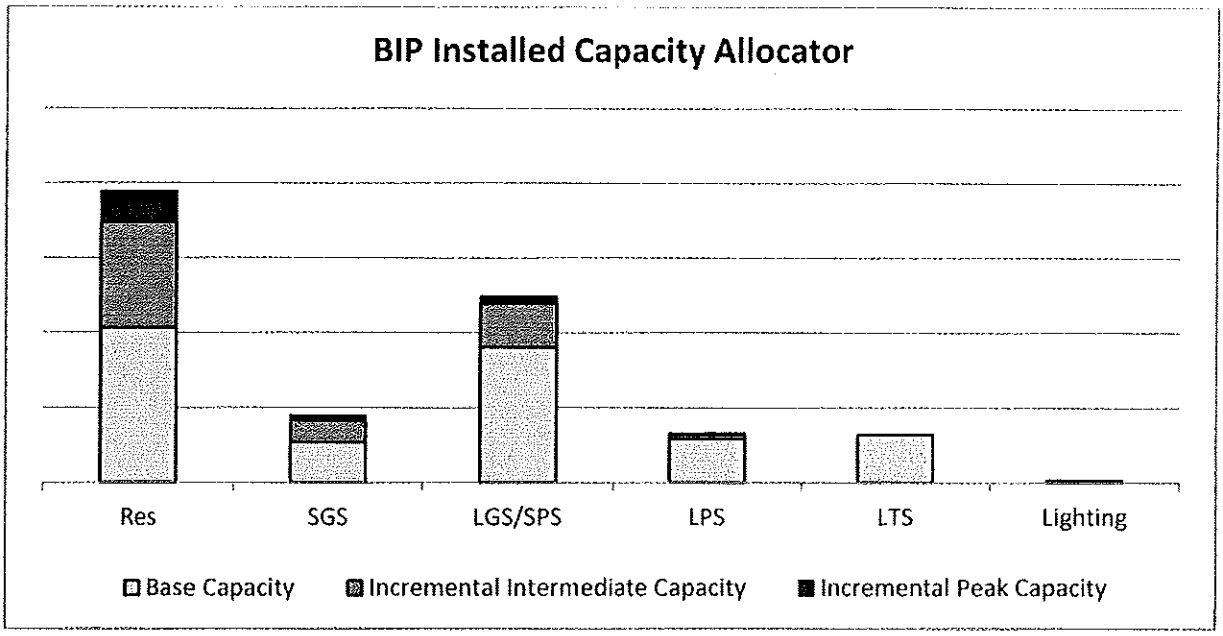
| System Peak @ Generation (kW) | | |
|---|---|---|
| Month | kW Peak | % of Peak |
| Jan-14 | 7,109,171 | 93.21% |
| Feb-14 | 6,606,808 | 86.62% |
| Mar-14 | 6,166,581 | 80.85% |
| Apr-14 | 5,070,504 | 66.48% |
| May-14 | 5,668,559 | 74.32% |
| Jun-14 | 7,020,036 | 92.04% |
| Jul-14 | 7,476,800 | 98.03% |
| Aug-13 | 7,627,028 | 100.00% |
| Sep-13 | 6,712,246 | 88.01% |
| Oct-13 | 5,203,813 | 68.23% |
| Nov-13 | 5,420,912 | 71.08% |
| Dec-13 | 6,359,071 | 83.38% |

The Production-Capacity allocation of net plant investment is based on the following class demands in each BIP component:




As can be seen comparing the BIP Characteristics of Retail Classes (above), to the BIP Installed Capacity Allocator (below), base capacity is relatively more expensive than intermediate capacity, which is relatively more expensive than peak capacity. Weighting the

capacity required by each class under each BIP component by the capacity cost of each BIP component results in the following allocation of cost responsibility to the retail classes:



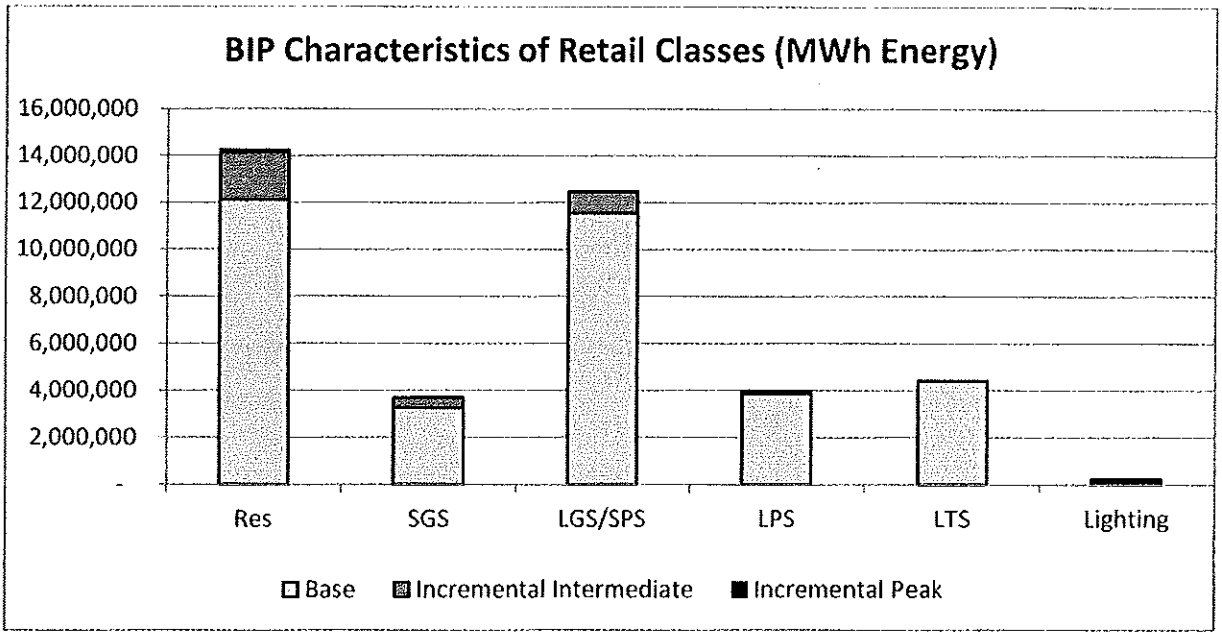

Staff also relied on the BIP method to determine the allocation of Production-Energy expenses to the base, intermediate, and peak portions of Ameren Missouri's load, based on the assignment of generating assets to each BIP component. The relative value of the cost of the energy to serve each class's base, intermediate, and peak energy requirements is the basis for the calculation of the BIP Production-Energy allocator. The BIP Production-Energy components are:

> 1) The Base Production-Energy expense is the capacity-weighted average cost of fuel for the plants that are assigned to the Base BIP component, multiplied by each customer class's energy usage in all hours that is less than that class's average demand.
> 2) The Intermediate Production-Energy expense is the capacity-weighted average cost of fuel for the plants that are assigned to the Intermediate BIP component, multiplied by each customer class's energy usage in all hours that is less than average of that class's 12 coincident peaks, but more than that class's average demand.
> 3) The Peak Production-Energy expense is the capacity-weighted average cost of fuel for the plants that are assigned to the Peak BIP component, multiplied by each customer class's energy usage in all hours that more than average of

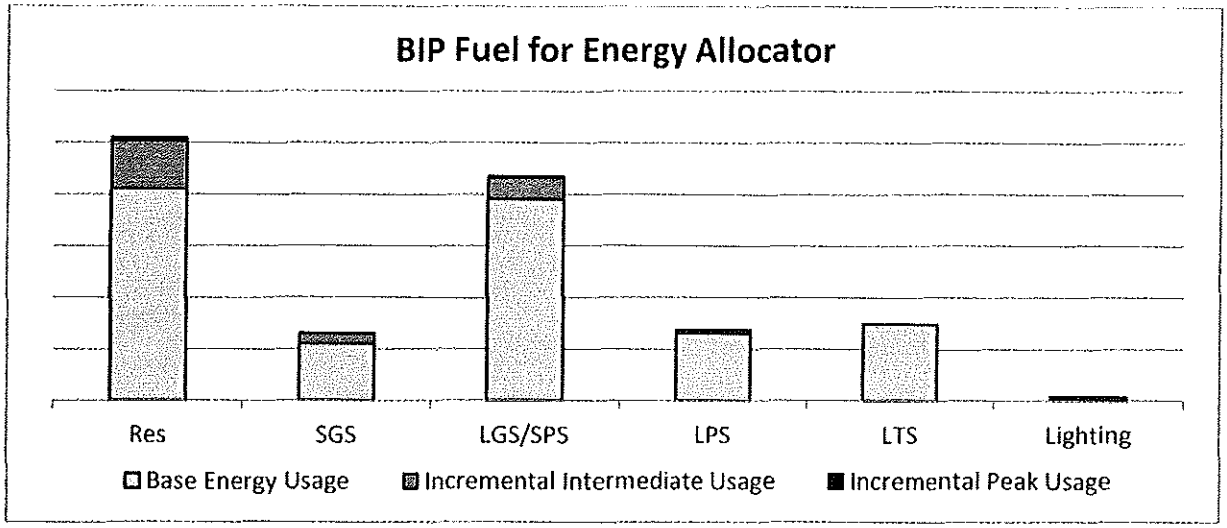
that class's 12 coincident peaks, but less than the average of that class's 4 coincident peaks.

The relative value of the sum of each class's fuel-expense calculated for each BIP component is the BIP Production-Energy allocator.

The Production-Energy allocation of fuel expense is based on the load of each class within each BIP component, provided below:




As can be seen comparing the BIP Characteristics of Retail Classes (above), to the BIP Fuel for Energy Allocator (below), base energy is relatively less expensive than intermediate energy, which is relatively less expensive than peak energy. Weighting the energy consumed by each class under each BIP component by the price of the fuel to generate a MWh of energy under each BIP component results in the following allocation of cost responsibility to the retail classes:

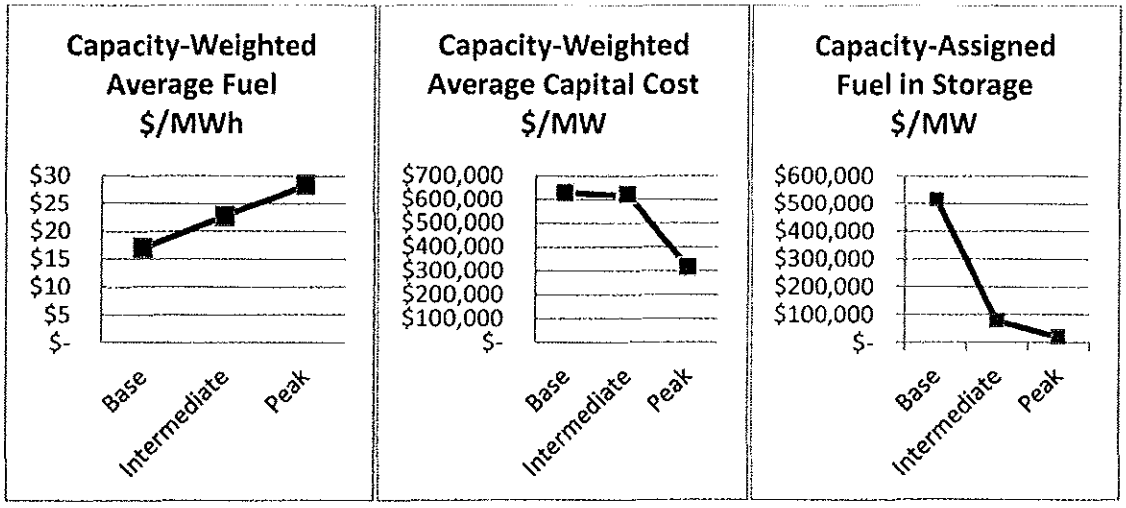



Staff's application of the BIP method takes into consideration the differences in the capacity/energy cost trade-off that exists across a company's generation mix, giving weight to both considerations. Because it reasonably allocates the investment and expenses of Ameren Missouri's generation fleet among the retail classes, Staff recommends using these BIP allocation factors to reasonably allocate the return on production related plant investment and production related expenses to the retail classes.

Staff also used the assignments of generating plant to BIP components to develop allocators for Ameren Missouri's production related operating and maintenance expense and fuel stored on site. This method expressly assigns the expenses of each plant to follow that plant. Production plant operating and maintenance expenses are caused by each of the generating plants. Staff found the level of expense for each plant assigned under the BIP components, and developed allocation factors to apply to all production-related O&M based on each customer class's assigned plant responsibility. Similarly, fuel stored at each plant is

associated with particular plants, so Staff has developed factors to allocate the fuel associated with particular plants with the plant allocated to each customer class.[19]

In general, base capacity is relatively expensive to own and operate, but produces relatively inexpensive energy.[20] In contrast, peak capacity is relatively inexpensive to operate, but produces relatively expensive energy.[21] Similarly, intermediate capacity is less expensive than base to own and operate, but more expensive than peak, and the cost of the energy produced by intermediate capacity is between that of base and peak.[22] Staff's Detailed BIP study reasonably balances the offsetting impacts of these competing factors on the estimation of each class's cost of service used to determine each class's relative cost of service. The relative values of each of these items are indicated in the graphs provided below.

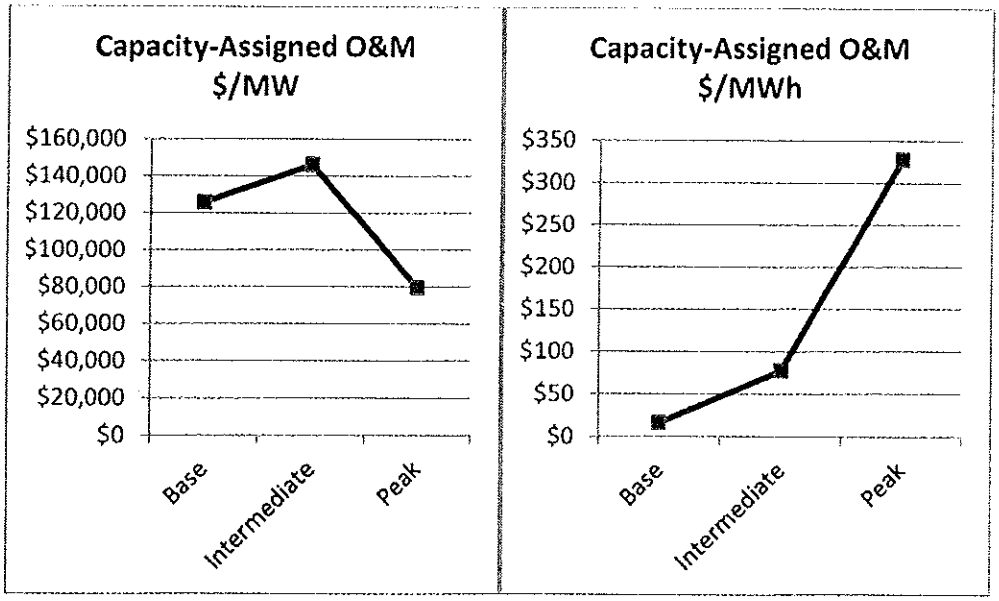



[19] As discussed below, Staff also recommends use of the BIP method to allocate Off-System Sales revenues to the retail classes, as an offset to cost of service.

[20] While the O&M costs of base plants are relatively high when viewed on a per-MW basis, since those plants produce relatively large amounts of energy each year, the per-MWh O&M cost of base generation is relatively low.

[21] Peak plant O&M costs are relatively low on a per-MW basis, but relatively high on a per-MWh basis, in that they produce relatively small amounts of energy each year.

[22] Similarly to the distortion of intermediate capacity costs caused by the rate impact of the Sioux scrubber, the O&M costs associated with intermediate plant are also higher than would be expected. Staff left these values unadjusted on the O&M allocator calculation, because the resulting O&M $/MWh shape is consistent with expectations.




*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## D. Allocation of Transmission Costs

The transmission system moves electricity, at a very high voltage, from generating plants over long distances to local service areas. Transmission costs consist of costs for high voltage lines and transmission substations, and labor to operate and maintain these facilities. Ameren Missouri's transmission investment and transmission costs comprise approximately 5% of the functionalized investment and costs Staff allocated to the customer classes. Ameren Missouri's transmission system consists of highly-integrated bulk power supply facilities, high voltage power lines, and substations that transport power to other transmission or distribution voltages. Staff allocated transmission investment and costs to the customer classes based on the class loads at the time of the 12 CP. Staff recommends the 12 CP allocation method for this purpose because, by including periods of normal use and intermittent peak use throughout all twelve months of the year, it takes into account the need for a transmission system that is designed both to transmit electricity during peak loads and to transmit electricity throughout the year.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## E. Allocation of Distribution Costs

The distribution system converts high voltage power from the transmission system into lower primary voltage and delivers it to large industrial complexes, and further converts it into even lower secondary voltage power which can be delivered into homes for lights and appliances. Distribution is the final link in the chain built to deliver electricity to customers' homes or businesses. A utility's distribution plant includes distribution substations, poles, wires, and transformers, as well as service and labor expenses incurred for the operation and maintenance of these distribution facilities. Voltage level is a factor that Staff considered when allocating distribution costs to customer classes. A customer's use or non-use of specific utility-owned equipment is directly related to the voltage level needs of the customer. All residential customers are served at secondary voltage; non-residential customers are served at secondary, primary, substation, or transmission level voltages. Only those customers in customer classes served at substation voltage or below, except for the LTS class, were included in the calculation of the allocation factor for distribution substations. Staff used each class's annual non-coincident peak (as measured at substation voltage) to allocate substation costs.

Staff allocated the costs of the primary distribution facilities on the basis of each customer class's annual non-coincident peak demand measured at primary voltage. All customers, except those served at transmission level, (i.e., primary and secondary customers), were included in the calculation of the primary distribution allocation factor, so that distribution primary costs were allocated only to those customers that used these facilities.

Staff allocated the costs of distribution secondary and line transformers on the basis of each class's annual-peak demand and on customer maximum demands. Consideration of load

diversity is important in allocating demand-related distribution costs because the greater the amount of diversity among customers within a class or among classes, the smaller the total capacity (and total cost) of the equipment required for the utility company to meet those customers' needs. Load diversity exists when the peak demands of customers do not occur at the same time. The spread of individual customer peaks over time within a customer class reflects the diversity of the class load. Therefore, when allocating demand-related distribution costs that are shared by groups of customers, it is important to choose a measure of demand that corresponds to the proper level of diversity. The following table summarizes the types of demand Staff used for allocating the demand-related portions of the various distribution function categories.

**Table 5**

| **Allocation of Demand-Related Distribution Facilities** | | |
|---|---|---|
| **Functional Category** | **Demand Measure** | **Amount of Diversity** |
| N/A | Coincident Peak | High |
| Substations | Class Peak | Moderate to High |
| Primary | Class Peak | Moderate to High |
| OH/UG Conduits/Conductors | Diversified Peak | Low to Moderate |
| Line Transformers | Diversified Peak | Low to Moderate |

Coincident-peak demand is "the demand of each customer class and each customer at the hour when the overall system peak occurs." Coincident-peak demand reflects the maximum amount of diversity because most customer classes are not at their individual class peaks at the time of the coincident peak. Class-peak demand, which is "the maximum hourly demand of all customers within a specific class," often does not occur at the same hour, i.e., does not coincide with, the system peak. Although not all customers peak at the same time, due to intra-class diversity, to achieve the class peak a significant percentage of the customers in the class will be at or near their peak. Therefore, class-peak demand will have less diversity than the class' load at the time of system peak.

"Diversified demand" is the weighted average of the class's customer-maximum demand and its annual maximum class-peak demand. As constructed, diversified demand has less diversity than the class peak, but more diversity than the customer-maximum demand. Customer-maximum demand has no diversity. It is defined as the sum of the annual-peak demand of each customer, whenever it occurs. If there is no sharing of equipment, there is no diversity.

Staff recommends allocating the costs of distribution secondary and line transformers on the basis of each class's annual-peak demand and on customer maximum demands. Only secondary customers served at the secondary voltage level were included in the calculation of the allocation factor, so that distribution secondary costs were allocated only to those customers that use these facilities.

*Staff Expert: Robin Kliethermes*

## F. Allocation of Customer Related Costs

Customer costs include labor expenses incurred for billing and customer services. Customer-related costs are costs necessary to make electric service available to the customer, regardless of the electric service utilized. Examples of such costs include meter reading, billing, postage, customer accounting, and customer service expenses.

Staff recommends allocating distribution service lines using each class's maximum daily demand at secondary voltage.[23] Staff recommends allocating meter costs using the

[23] Staff has typically allocated certain values such as property tax on the percent of each class's previously allocated net plant. However, regarding distribution service lines, the distribution service lines reserve balance is currently greater than the distribution service lines plant balance. This alignment results in a negative net plant value associated with distribution service lines. Because use of this allocator relying on a negative plant value would result in an unreasonable allocation of costs and the value of costs allocated is relatively large, Staff was concerned that use of the Net Plant Allocator would unreasonably allocate costs in this case in a manner that could impact the reliability of the overall costs. For this reason, Staff used each class's previously allocated percentage of gross plant for the allocation of costs typically allocated with the Net Plant Allocator. The Gross

same allocator that Ameren Missouri's used to allocate meter costs. This allocator is based on an Ameren Missouri study that weights the meter investment by class, and by the cost of the meter used to serve that class. Staff recommends using the same allocators that Ameren Missouri used for allocating meter reading costs, uncollectible accounts, and for allocating customer deposits. These three allocators are derived using Ameren Missouri's studies that directly assign the costs of meter reading, uncollectible accounts, and customer deposits to the customer classes. The allocators are the fraction of total costs of meter reading, uncollectible accounts and customer deposits assigned to each class, respectively. Staff allocated other customer service-related accounts on customer counts or according to Ameren Missouri's CCOS study.

*Staff Expert: Robin Kliethermes*

## G. Revenues

Operating revenues consist of (1) the revenue that the utility collects from the sale of electricity to Missouri retail customers ("rate revenue") and (2) the revenue the utility receives for providing other services ("other revenue"). Rate Revenues are also used in developing Staff's rate-design proposal and will be used to develop the rate schedules required to implement the Commission's ordered revenue requirement and rate design for Ameren Missouri in this case. The normalized and annualized class rate revenues in Staff's Cost of Service Revenue Requirement Report ("COS Report") filed December 5, 2014, were used in Staff's CCOS Study.

Other Electric Revenues were also allocated to the rate classes using an allocator that was weighted on both Production-Capacity and Production-Energy to properly return fuel

Plant Allocator results in allocation of costs that is not unreasonable, and the resulting allocation does not degrade the overall reliability of Staff's CCOS studies.

costs for off-system-sales to the classes that contributed those fuel costs. The majority of other electric revenues pertain to off-system sales ("OSS"). Positive off-system sales revenues result from dispatch of Ameren Missouri's generation fleet into the day-ahead, real-time, and ancillary services market to serve MISO system load. As described in the COS Report by Lisa Hanneken, day-ahead and real-time off-system sales revenues are a product of the market price in a given hour and the difference between Ameren Missouri's native load requirements and Ameren Missouri's dispatched generation in that hour.

As discussed above, all of Ameren Missouri's fuel and purchased power expenses are allocated to classes through the Production-Energy allocator. Those fuel costs include the fuel used to generate energy sold as off-system sales. It is necessary to compensate each class pro-rata for the share of fuel allocated to that class for off-system sale generation. To determine this amount, Staff found the percentage of total fuel and purchased power expense as modeled in the Staff fuel run that is related to off-system sales. Off-system sales revenues in an amount equal to the off-system sales fuel is allocated to the retail classes using the Production-Energy allocator. This compensates each class for the share of fuel and purchased power expense that were used to generate the off-system sales energy that were allocated to each class as discussed above.

The balance of off system-sales revenue is the off-system sales margin revenues for purposes of class cost-of-service allocation. Because this revenue is caused by the MISO dispatch of the Ameren Missouri generation capacity, it is appropriate to allocate these revenues to the retail classes consistent with the allocation of capacity costs, using the BIP Production-Capacity allocator.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## H. Allocation of Taxes

Taxes consist of real estate and property taxes, payroll tax expenses and income taxes. Real estate and property tax expenses are directly related to Ameren Missouri's original cost investment in plant, so these expenses are allocated to customer classes on the basis of the sum of the previously allocated production, transmission, distribution and general plant investment.

Payroll tax expenses are directly related to Ameren Missouri's payroll expenses, so these expenses are allocated to customer classes on the basis of previously allocated payroll expenses.

Staff calculated income taxes separately for each customer class. Each calculation recognizes the appropriate income tax deductions for each class, and calculates the income tax obligation of each customer class as a function of its taxable income. This has the effect of allocating income taxes based on class earnings.

*Staff Expert: Robin Kliethermes*

## I. Allocation of Energy Efficiency Costs

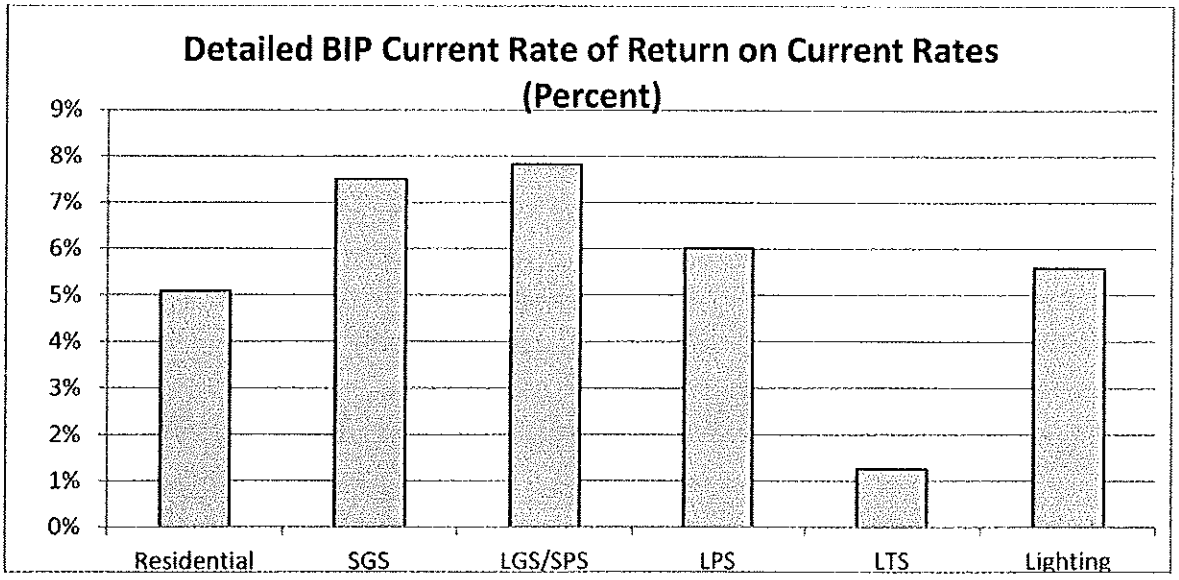
Energy efficiency programs before 2013 are classified as pre-MEEIA programs and allocated on the basis of direct costs associated with each customer class. These historical costs are included in rate base and amortized.

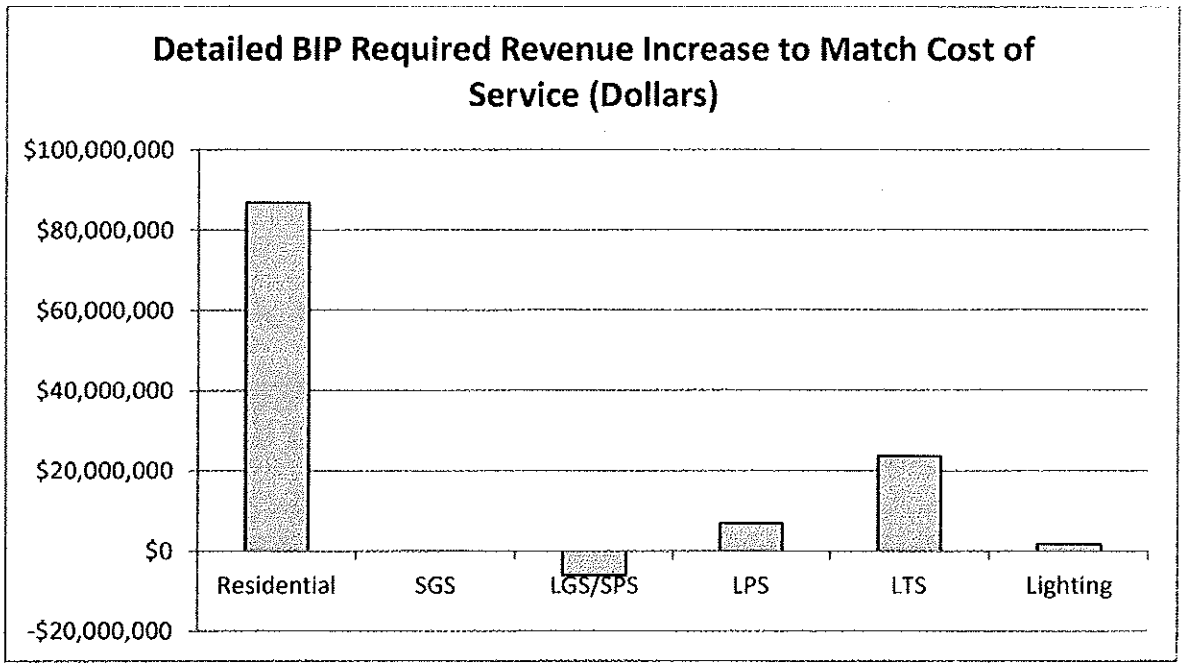
*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

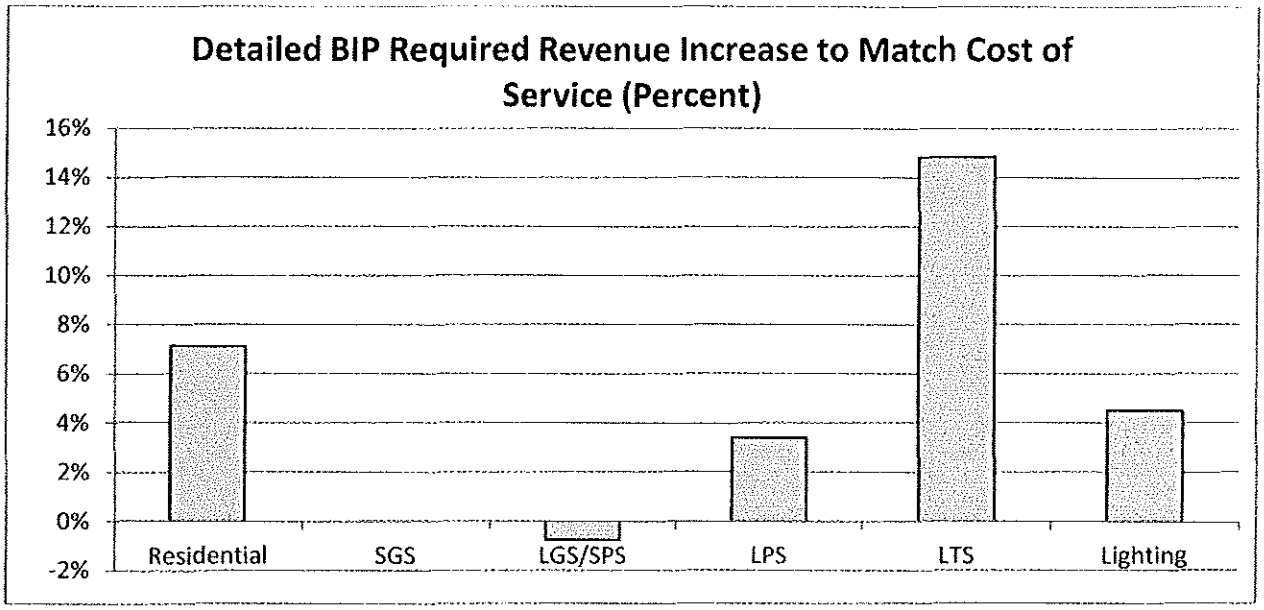
## J. Results of Detailed BIP Cost Study

The results of Staff's Detailed BIP Cost study indicate that the Residential and Large Transmission Service classes are contributing less than other classes to the cost of service. Provided below are the returns on rate base provided by each class using the updated cost of

service for each class from Staff's December 5, 2014 filing, and the revenues from current rates for each class calculated in that filing. That table is followed by the increases in dollars and percent for each class to exactly match its calculated cost of service. Staff's recommended revenue-neutral shifts are described in the Rate Design section of this Report.






*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## K. Alternative Market-Based Study

Ameren Missouri is a vertically integrated utility. As a vertically integrated utility, the Commission has historically allocated Ameren Missouri's production-related costs, expense, and revenues assuming those investments, expenses, and returns are caused by the load characteristics of the retail classes. During the hearings in Case No. EC-2014-0224 concerning the cost of providing service to Noranda, the Commission displayed interest in the potential disparity between these assumed cost-causations and the operation of Ameren Missouri within the MISO integrated energy market. Commissioner questions were also raised regarding the discrete cost of procuring energy to serve load similar to that which might occur under a retail-choice regulatory system.

In response to this interest, Staff has prepared a market-based production and transmission cost and revenue study to provide the Commission with information concerning the relationship between (1) the costs Ameren Missouri expends on acquiring energy through

the MISO market to serve its load,[24] (2) Ameren Missouri's obligations under MISO's capacity requirements, and (3) the net of the fixed costs of generation assets and the revenues Ameren Missouri receives for selling energy into the MISO market as dispatched by MISO.[25]

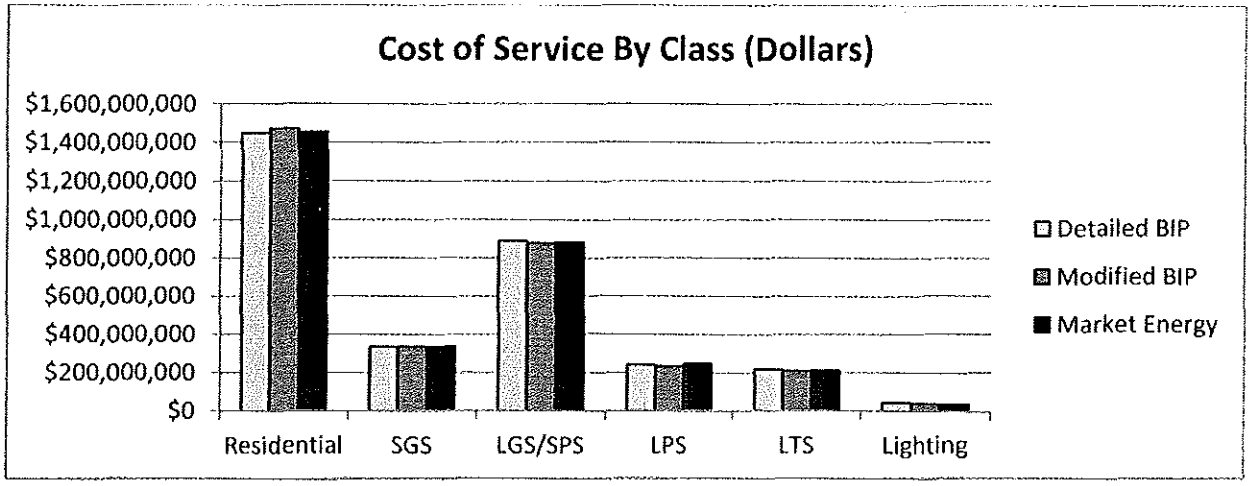
Staff's alternative market-based production study consists of a review of three years' of Ameren Missouri's day-ahead energy purchases to serve the retail classes. The annual average cost of energy to serve a given class is assigned directly to that class. While no separate normalizations are conducted, for purposes of this CCOS alternative study, it is assumed that the use of three-years' of data, averaged, will smooth most significant anomalies. Staff then applies an adder determined by multiplying the average annual energy usage of each class by an amount to reflect the cost to Ameren Missouri as a Load Serving Entity ("LSE") in MISO for the ancillary service associated with each MWh of energy purchased in the Day-Ahead market.

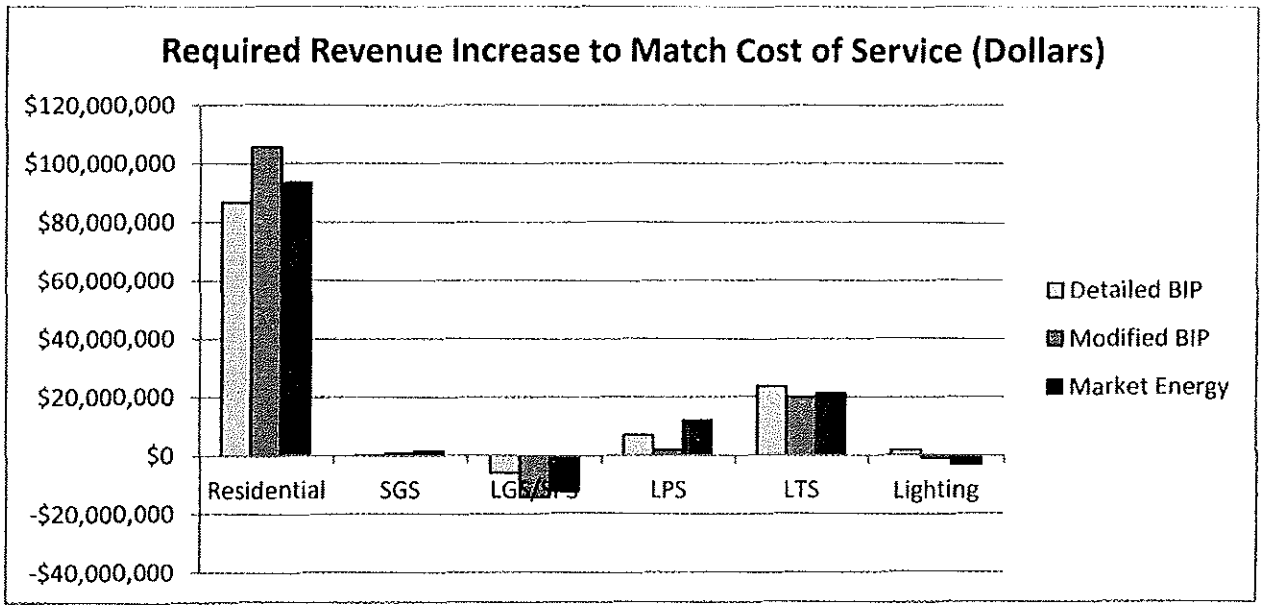
Staff used the class load at the time of Ameren system peak to allocate the remaining production and transmission-related expenses and revenues. This is appropriate under this alternative market study, in that the intent of the study is to segregate Ameren Missouri's costs as an LSE from Ameren Missouri's net revenues as an owner of generation and seller of energy into the MISO energy market. It is therefore appropriate to allocate the net cost of plant on the basis of the capacity requirements of each retail class, and it is appropriate that the net sales revenues follow the allocation of the generating facilities to the retail classes. Provided below is a visual comparison indicating the consistency of the results of (1) Staff's

[24] While this study is similar to the method used to calculate Ameren Missouri's wholesale energy cost to provide energy to Noranda in Case No. EC-2014-0224, Staff has not provided with this study the level of detail used in that case.

[25] To simplify this study, Staff considered only the Day-Ahead energy market, and a flat charge associated with net Ancillary Service expense. While Staff does allocate Ameren Missouri's total Production-related revenue requirement in this alternative study, it does not separately consider the hourly variation of ancillary service expenses and revenues, sales into other markets, bilaterals, transmission revenues and rights, or the Real-Time MISO market.

Detailed BIP study, (2) Staff's 2012-Modified BIP study, and (3) Staff's Alternative Market-Based cost study, and Table 6 provides the summary results of these studies:



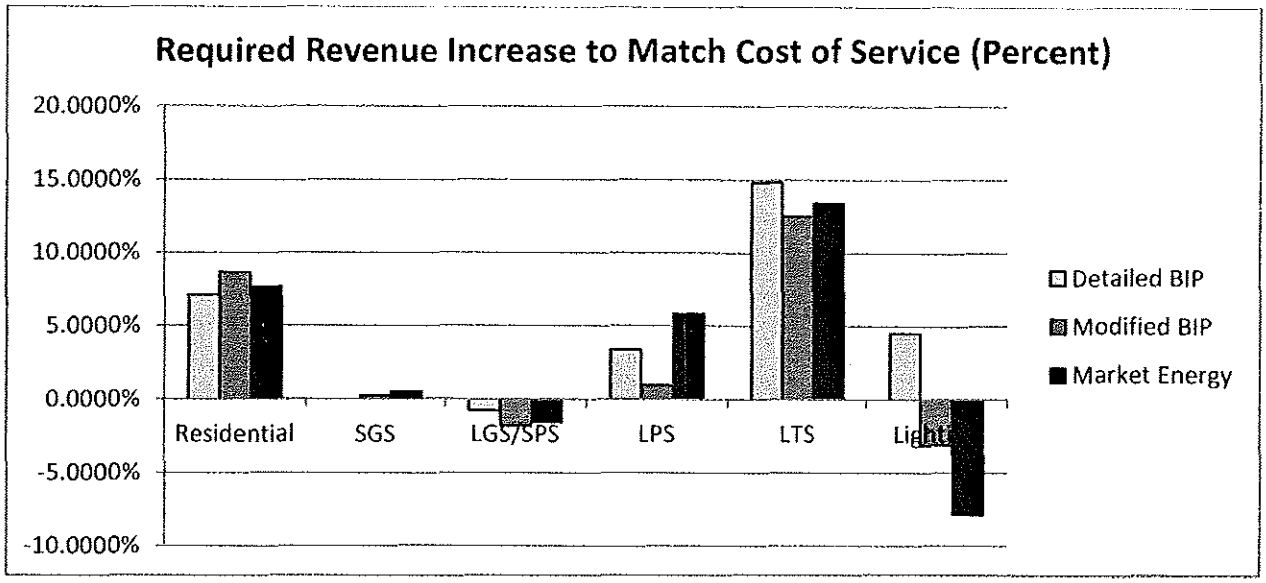



**Table 6**

| Comparison of Study Result Required Revenue Requirement Increase to Match Cost of Service | | | | | | |
|---|---|---|---|---|---|---|
| | Residential | SGS | LGS/SPS | LPS | LTS | Lighting |
| Detailed BIP | $86,896,941 | $16,574 | -$6,064,754 | $6,904,972 | $23,646,409 | $1,739,799 |
| | 7.1015% | 0.0055% | -0.7625% | 3.3887% | 14.8372% | 4.5134% |
| Modified BIP | $105,900,878 | $772,244 | -$14,279,143 | $1,990,477 | $19,943,553 | -$1,188,069 |
| | 8.6545% | 0.2566% | -1.7953% | 0.9769% | 12.5138% | -3.0821% |
| Market Study | $93,568,105 | $1,571,616 | -$12,236,815 | $11,894,852 | $21,370,676 | -$3,028,495 |
| | 7.6467% | 0.5222% | -1.5385% | 5.8376% | 13.4092% | -7.8565% |

*Staff Experts: Robin Kliethermes and Sarah Kliethermes*

## L. Staff's 2012-Modified-BIP Allocation Study

For purposes of assessing the reasonableness of the results of the factors developed in the detailed BIP described above, Staff also conducted a modified BIP study closely following the method used in Staff's Direct Class Cost of Service and Rate Design Report filed July 19, 2012, in Case No. ER-2012-0166. As indicated in the table above, the results of the two studies are very consistent.

*Staff Expert: Sarah Kliethermes*

### M. Study of Seasonal Energy Differential

Staff analyzed the production fuel cost per MWh by month that was found in Staff's fuel model. The monthly average system fuel cost per MWh is greater for the months in the summer season than the winter season.

*Staff Experts: Sarah Kliethermes and Robin Kliethermes*

## IV. Rate Design

Staff's rate design objectives in this case are to:

- Provide the Commission with a rate design recommendation based on each customer class's relative cost-of-service responsibility.
- Provide methods to implement in rates any Commission-ordered overall change in customer revenue responsibility.
- Retain, to the extent possible, existing rate schedules, rate structures, and important features of the current rate design that reduce the number of customers that switch rates looking for the lowest bill, and mitigate the potential for rate shock.

Staff's rate design recommendations in this case are based on a six-step process:

1. Based on CCOS results, Step 1 is to increase/decrease the current base retail revenue on a revenue-neutral basis to various classes of customers. The Ameren Missouri Residential and LTS classes should receive a positive 0.50% adjustment and the SGS and LGS/SPS classes should receive a negative adjustment of approximately 0.63%. (See Schedule BJF-D1.)

2. After having made the recommended revenue-neutral adjustments above, Step 2 is to assign directly to applicable customer classes the portion of the revenue increase/decrease that is attributable to Energy Efficiency ("EE") programs from pre-MEEIA program costs. The pre-MEEIA program costs consist of the program costs for increases/decreases in the revenue requirement associated with the amortization of pre-MEEIA program costs. (See Schedule BJF-D2 and Schedule BJF-D3.)

3. Step 3 is to determine the amount of revenue increase awarded to Ameren Missouri that is not associated with the EE revenue from Pre-MEEIA revenue requirement assigned in Step 2, by subtracting the total amount in Step 2 from the total increase awarded to Ameren Missouri. This amount will be allocated to customer classes as an equal percent of current base revenues after making the adjustment in Step 1. (See Schedule BJF-D1.)

4. Step 4 recommends that the Commission should order Ameren Missouri's rate schedules to be uniform for certain interrelationships among the non-residential rate

schedules that are integral to Ameren Missouri's rate design. The following features are uniform and should remain uniform: (a) the value of the customer charge will be uniform across rate schedules, with the customer charge on the SPS, LPS, and LTS rate schedules being the same; (b) the rates for Rider B voltage credits will be the same under all applicable rate schedules; (c) the rate for the Reactive Charge will be the same for all applicable rate schedules; and (d) the rate associated with Time-of-Day meter charge will be the same for all applicable non-residential rate schedules (LGS, SPS, LPS, and LTS).

5. Step 5 recommends that, based on CCOS results, the residential customer charge rate remain at the current charge of $8.00 per month.

6. Step 6 recommends that each rate component of each class be increased across-the-board for each class on an equal percentage after consideration of steps 1 through 5 above.

Staff also recommends:

1. Ameren Missouri proposes a residential low-income exemption for energy efficiency charges relating to the Missouri Energy Efficiency Investment Act ("MEEIA). Ameren Missouri's testimony outlines that the low-income exemption may save some low-income customers nearly $4.50 per month. The Staff is not opposed to the concept of a low-income exemption for qualified residential customers as defined in MEEIA statute 393.1075, RSMo. This means low-income residential customers will be exempt from Rider EEIC charges. Ameren Missouri's proposal does not have a revenue requirement impact in this current case but would allow for the concept in the next Rider Energy Efficiency Charge ("EEIC") filing.

2. Adopt Rider Fuel and Purchased Power Adjustment Clause ("FAC") tariff sheets consistent with Schedule MB-2.

3. To address Commission questions related to the Order Directing Consideration of a Certain Rate Design Questions. The Commission is interested in obtaining information and analysis as to whether rate design mechanisms should be established to promote stability or growth of customer levels in geographic locations where there is underutilization of existing infrastructure.

**Current Rate Schedules**

The residential rate schedule 1(M) consists of the following elements:

- Regular Service Rates
- Optional Time of Day rates
- Customer Charge – per month
- Low-Income Pilot Program Charge – per month per season

- Energy Charge – per kWh per season
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Program Charge – per kWh per season
- Energy Efficiency Investment Charge (Rider EEIC)

The non-residential, non-lighting rate schedules consist of the following rate groups and rate elements:

The Small General Service Rate schedule 2(M) consists of the following elements:

- Small General Service Rates
- Optional Time of Day Rates
- Customer Charge (Single or Three Phase Service) – per month
- Low-Income Pilot Program Charge – per month per season
- Summer Energy Charge – per kWh
- Winter Energy Charge – Base Energy Charge and Seasonal Energy Charge per kWh
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Program Charge – per kWh per season
- Energy Efficiency Investment Charge (Rider EEIC)

The Large General Service Rate schedule 3(M) consists of the following elements:

- Large General Service Rates
- Optional Time of Day Rates
- Customer Charge – per month per season
- Low-Income Pilot Program Charge – per month per season
- Summer Energy Charge – Hours of use per kW of billing demand - per kWh per season
- Winter Energy Charge – Base Energy Charge – Hours of Use per kW of base demand and seasonal energy charge per kWh
- Demand Charge – per kW of total billing demand per season
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Program Charge – per kWh per season
- Energy Efficiency Investment Charge (Rider EEIC)

The Small Primary Service Rate schedule 4(M) consists of the following elements:

- Small Primary Service Rates
- Optional Time of Day Rates
- Customer Charge – per month per season
- Low-Income Pilot Program Charge – per month per season
- Energy Charge – Hours of use per kW of billing demand - per kWh per season
- Demand Charge – per kW of total billing demand per season
- Reactive Charge – per kVar per season
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Program Charge – per kWh per season
- Energy Efficiency Investment Charge (Rider EEIC)

The Large Primary Service Rate schedule 11(M) consists of the following elements:

- Large Primary Service Rates
- Optional Time of Day Rates
- Customer Charge – per month per season
- Low-Income Pilot Program Charge – per month per season
- Energy Charge – per kWh per season
- Demand Charge – per kW of billing demand per season
- Reactive Charge – per kVar per season
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Program Charge – per kWh per season
- Energy Efficiency Investment Charge (Rider EEIC)

The Large Transmission Service Rate schedule 12(M) consists of the following elements:

- Large Transmission Service Rates
- Optional Time of Day Rates
- Customer Charge – per month per season
- Low-Income Pilot Program Charge – per month per season
- Energy Charge – per kWh per season
- Demand Charge – per kW of billing demand per season

- Reactive Charge – per kVar per season
- Energy Line Loss Rate – per kWh
- Fuel and Purchased Power Adjustment – per kWh
- Energy Efficiency Investment Charge (Rider EEIC)

The Lighting rate schedules are:

- Street and Outdoor Area Lighting 5(M) – Company owned
- Street and Outdoor Area Lighting 6(M) – Customer owned
- Municipal Street Lighting 7(M)
- Unmetered service
- Metered service
- Discounted rates for municipalities with franchise agreements
- Fuel and Purchased Power Adjustment – per kWh

**Important Rate Design Features**

Ameren Missouri's charges are determined by each customer's usage and the per unit rates that are applied to that usage. Within each rate schedule, demand and energy rates should continue to be seasonally differentiated (i.e., summer rates are higher than winter rates). The remaining rates (customer, facilities, reactive) should be constant year-round. Ameren's rate schedules should be uniform for certain interrelationships among the non-residential rate schedules that are integral to Ameren Missouri's rate design. Staff recommends that the following features maintain their existing uniformity:

- The amount of the customer charge be uniform across rate schedules, with the customer charges on the SPS, LPS, and LTS rate schedules being the same.
- The rates for Rider B voltage credits be the same under all applicable rate schedules.
- The rate for the Reactive Charge be the same for all applicable rate schedules.
- The value of the customer charge for Time-of-Day be uniform across rate schedules, with the customer charges on the LGS, SPS, LPS, and LTS rate schedules being the same.

The rate schedules should continue to reflect any cost difference associated with service at different voltage levels (i.e., losses and facilities' ownership by customers).

The customers who belong to the residential class and the lighting class are well defined. The remaining customers generally belong to one of five main rate groups based upon their load and cost characteristics. A typical customer in each of the rate groups can be described as follows:

- Small General Service: Applicable to secondary service. Summer demand does not exceed 100 kW.
- Large General Service: Applicable to secondary service. Summer demand exceeds 100 kW.
- Small Primary Service: Applicable to primary service. Summer demand exceeds 100 kW.
- Large Primary Service: Applicable to primary service. Billing demand no less than 5000 kW.
- Large Transmission Service: Applicable to transmission service. Billing demand no less than 5000 kW.

For its CCOS study, Staff broke the above rate groups into the four separate rate classes with the LGS and SPS classes combined into one rate class for purposes of the study. Staff combined the LGS and SPS rate classes for purposes of its CCOS study for the following reasons. First, both rate schedules serve non-residential customers with billing demands of at least 100 kW. Within this group, a customer may choose to take service at secondary voltage level under the LGS 3(M) rate schedule or at a primary voltage level under the SPS 4(M) rate schedule. The rate structures are identical, except that the rate levels on the SPS rate schedule have been adjusted for the loss differential between primary and secondary voltages and to account for customer provision of voltage transformation equipment. The Staff's CCOS study provided the investment and costs associated for Ameren Missouri to provide service to the Lighting class. Additionally, Staff included the MSD rate class

provision in its SGS class as the MSD only includes limited pumping station activity along the Mississippi River Levee.

*Staff Expert: Bradley J. Fortson*

## V. Fuel Adjustment Clause Tariff Sheet Changes

### Changes to FAC Tariff Sheet

Company witness Ms. Lynn Barnes filed exemplar Fuel Adjustment Clause tariff sheets attached to her direct testimony as Schedule LMB-3. Staff reviewed the exemplar tariff sheets and agrees with her redline changes with the exception of the Company's proposed Base Factor ("BF") winter and summer rates. Ms. Barnes' proposed BF winter and summer rates are pro-forma through December 31, 2015. Staff does not agree with the Company's proposed BF winter and summer rates as these rates are not known and measureable.

Based upon its independent analyses, Staff proposes the BF winter and summer rates be rebased to ** ____ ** per kWh and ** ____ ** per kWh, respectively, as of the test year March 31, 2014. See Schedule MJB-1.[26] Staff will true-up its proposed BF winter and summer rates in its True-up rebuttal testimony to be filed on March 17, 2015.

*Staff Expert: Matthew J. Barnes*

## VI. Residential Low-Income MEEIA Exemption

Ameren Missouri has proposed an exemption for Missouri Energy Efficiency Investment Act ("MEEIA") energy efficiency charges for low-income residential customers. Ameren Missouri's testimony outlines that the MEEIA low-income exemption may save some low-income customers nearly $4.50 per month based on kWh usage for each individual customer. Staff does not oppose or propose the concept of a low-income exemption for qualified residential customers.

[26] Schedule MJB-1 is part of Staff witness Lisa Ferguson's workpapers.



NP

MEEIA statute 393.1075, RSMo, subsection 6, outlines "that the Commission may reduce or exempt allocation of demand-side expenditures to low income classes, as defined in an appropriate proceeding, as a subclass of residential service." Even though there is not a low-income residential subclass, Ameren Missouri has a "Keeping Current" program which is a program originated in Case No. ER-2010-0036 designed to assist low-income customers pay off delinquencies and to encourage the elderly and/or disabled individuals to use air conditioning for their health and safety on the hottest days of the year. The "Keeping Current" program was continued through a Stipulation and Agreement approved by the Commission in Case No. ER-2012-0166, Ameren Missouri's last general rate proceeding. Ameren Missouri estimates that the low-income exemption would increase costs to the remaining residential customers by about $0.11 per month. If authorized by the Commission, the changes to the residential tariff will become effective June 1, 2015, through a Rider EEIC MEEIA filing.

*Staff Expert: Michael Stahlman*

## VII. Residential Time-of-Day Pilot

Ameren Missouri currently has a Time-of-Day rate option with 34 customers participating. Of those customers, 18 customers would have been better off on the standard rate design in 2013. Ameren Missouri proposes a new voluntary Residential Time-of-Day Pilot program to replace the existing residential time-of-day rate option it believes will be more attractive to many more residential customers. The new program is quite different than the existing time-of-day rate option.

The changes are outlined below:

1. Change the name of the new program to "Nights and Weekends" from "Time-of-Day."

2. The new peak period would only be in the summer period from 2 PM to 7 PM on weekdays, changed from peak time period of 10 AM – 10 PM weekdays for summer and winter periods.

3. The new program customer charge would be the same as standard rate of $8.00, changed from $16.81 for current time-of-day customer charge.

4. The new program would be limited to 5,000 customers, no self-generators, while the existing program is available to all residential customers. There are 34 customers on the current program.

5. The current summer rates are $0.1651/kWh for on-peak and $0.0676/kWh for off-peak. The new program summer rates proposed are $0.3021/kWh for on-peak and $0.0804/kWh for off-peak. The current winter rates are $0.0974/kWh for on-peak and $0.0482/kWh for off-peak. The new program winter rates proposed are first 750 kWh at $0.0877 per kWh and over 750 kWh at $0.0591 per kwh.

Staff will further address the specifics of the proposed program in rebuttal testimony, but has general concerns that some customers under the existing program may have higher bills than under standard rates. Staff would recommend that Ameren Missouri work with the existing time-of-day rate customers under the current program to ensure customers are fully informed of their options under all rate design options.

*Staff Expert: Michael Stahlman*

## VIII. Residential Customer Charge

Based on Staff's CCOS study results and rate design principles regarding rate simplicity, stability, and customer understandability, Staff recommends that the residential customer charge remain at the current charge of $8.00 per month.[27]

Customer-related costs are the costs necessary to make electric service available to the customer, regardless of the level of electric service utilized. Examples of such costs include monthly meter reading, billing, postage, customer accounting service expenses, as well as a

[27] Staff's CCOS study showed the cost causation to be recovered through a residential customer charge is $8.11

portion of the costs associated with the required investment in a meter, the service line ("drop"), and other billing costs. The costs included for recovery through the customer charge consist of the following:

- Distribution – services (investment and expenses)
- Distribution – meters (investment and expenses)
- Distribution – customer installations
- Customer deposit
- Customer meter reading
- Other customer billing expenses
- Uncollectible accounts (write-offs)
- Customer service & information expenses
- Sales expense
- Portion of income taxes

As mentioned in the allocation of customer-related costs report section, Staff recommends allocating distribution service lines using each class's maximum daily demand at secondary voltage. Staff recommends allocating meter costs using the same allocator that Ameren Missouri used to allocate meter costs. This allocator is based on an Ameren Missouri study that weights the meter investment by class, and by the cost of the meter used to serve that class. Also, Staff recommends using the same allocators that Ameren Missouri used for allocating meter reading costs, customer installations, uncollectible accounts, and for allocating customer deposits. These three allocators are derived using Ameren Missouri studies that directly assign the costs of meter reading, uncollectible accounts, and customer deposits to the customer classes. The allocators are the fraction of total costs of meter reading, uncollectible accounts and customer deposits assigned to each class, respectively.

The sum of the residential class's costs allocated to the customer charge determines a residential monthly customer charge sufficient to collect those costs from the customers

within the class. Based on Staff's CCOS study results, a residential customer charge of $8.00 per month is appropriate.

*Staff Expert: Robin Kliethermes*

## IX. Response to Commission Questions Related to Order Directing Consideration of a Rate Design Question.

**General Commission Question**

On October 20, 2014, in its *Order Directing Consideration of a Certain Rate Design Question,* the Commission stated that it "is interested in obtaining information and analysis as to whether rate design mechanisms should be established to promote stability or growth of customer levels in geographic locations where there is underutilization of existing infrastructure." The Commission directed Staff to file the results of its investigation as part of its direct testimony on rate design issues, scheduled to be filed on December 19, 2014. Also, the Commission noted that it was not the Commission's intent that Staff or any other party divert significant resources away from preparing other testimony in this case in order to provide the requested information. Staff takes this opportunity to offer its analysis and investigation to date.

**Staff Response to General Commission Question:**

To design and reasonably estimate the potential benefits and costs of such a rate design mechanism program, Staff supports the formation of a collaborative process with all interested stakeholders.

**Specific Commission Questions**

**1. Whether any such rate design mechanism should apply to residential, commercial, industrial customers and/or other rate classes, and whether it should apply to existing customers and/or new customers;**

**Staff response:**

There is a cost to administering any program that requires audit of eligibility. The more complex the eligibility requirements, the more likely the cost of administering the program would be larger than any financial benefit secured through the program. Because residential customers tend to have very low usage relative to other customer classes, the financial benefit of any given residential customer's participation would be fairly small. Any program designed to promote customer level stability or growth of the residential class would benefit from very easily defined and verifiable eligibility criteria to minimize the likelihood that the cost of administration exceeds the program benefit. Similarly, because standard residential service drops involve less-costly infrastructure than other customer classes, it is possible that there is very little "wiggle room" in designing a program to promote residential customer level stability or growth. . Finally, in existing Economic Development Riders ("EDR") and Economic Development and Retention Rider ("EDRR") programs, Staff has relied on both the impacted utility and a state or local economic development organization as a basis for application of a rate discount mechanism. Staff is concerned that it would be difficult to find an analogous organization to determine eligibility of residential customers. Absent these concerns, Staff knows of no reason that a rate design mechanism could not be applied to residential customers. Since commercial, industrial and/or other rate classes are typically larger, the administration costs of a reasonably designed program should not be an issue for these classes. In addition, many of the other classes are covered by existing programs that are further described in subsequent responses below.

Existing EDR and EDRR mechanisms are made available to both new or expanding customers and customers at risk of leaving the system. Except for concerns with verification of customer intent to leave the system absent a reliance on the impacted utility and a state or

local economic development organization, Staff knows of no reason that a rate design mechanism could not be applied to both new and existing customers.

**2. What geographic locations should be the subject of any such rate design mechanism;**

**Staff response:**

To promote stability or growth of customer levels in geographic locations where there is underutilization of existing infrastructure, Staff recommends that data be reviewed for Ameren Missouri's St. Louis Metro area to determine the utilization of existing infrastructure. In an attempt to determine if such data was available, Staff issued Data Request 442 to the Company. Staff and the Company discussed the availability of data to support the review and the effort that would be required to develop additional information. Based on that discussion, the Company provided its response to Data Request 442, which is attached as Highly Confidential Schedule DIB-2. Although other parties might require additional information that has not been provided in response to Staff Data Request 442, this data provides a good starting point to begin the determination of areas where infrastructure is underutilized. Staff would also note that a preliminary review of this data shows that some circuits in a given area are underutilized while others are not. The Company has designed some flexibility into its distribution system that allows for some switching between circuits so the utilization results are not unexpected and appear to be the result of switching that may have taken place to resolve a specific issue (such as an outage caused by an ice storm). Therefore, Staff suggests any review address the underutilization of the larger area, not the specific loading of a single circuit at a moment in time.

Given the information contained in Ameren Missouri's Response to Data Request 442, Staff proposes working with other parties in a collaborative process to determine circuits where customer growth is economically beneficial to the system and is desirable. It will be

difficult to complete this process in the context of the current rate case, so Staff recommends that this collaborative process be spun off to another docket that is either a working docket or a rate design docket. Since the current response provides results on a by-circuit basis, Staff is hopeful that zip-code based geographic areas could be identified where similar circuits are contiguous. Zip-code or other geographic identifiers more readily accessible to customers would improve any resulting program's transparency, deliverability, and promote ease of administration.

**3. Whether such a rate design mechanism should be available only at the discretion of the company;**

**Staff response:**

Depending on customer criteria used (particularly if a residential program is developed) the more objective the criteria applied, the less effort and expense will be expended on program administration. Staff would note that it does not currently possess the resources necessary to independently apply program criteria to applicants, nor to audit the utility's discretion in assessment of eligibility. The need to develop reasonable and verifiable criteria for eligibility would be particularly critical for a program open to existing customers.

Currently, each of the electric utilities in the state has an economic development rider program/programs. The tariff sheets implementing these riders are attached as Schedule SLK-1. Each of the existing utility economic development programs are described below:

- Ameren Missouri Economic Development and Retention Rider ("Rider EDRR").[28]
- The Applicability section of the EDRR outlines that "[t]he Company, at its sole discretion, shall determine whether an applicant or customer meets the requirements of this Rider and the acceptability of the information provided."[29] The required eligibility criteria include that the "customer must furnish to Company such documentation as deemed necessary by Company to verify customer's intent to select

[28] These Ameren Missouri programs are discussed in greater detail in Staff's Response to Question 8, below.
[29] Union Electric Company, MO. P.S.C. Schedule NO. 6, Sheet No. 86.

a viable electric supply option outside of Company's service area, including an affidavit stating customer's intent."

- Ameren Missouri Economic Re-Development Rider ("Rider ERR").
- The required eligibility criteria include that the rider is "[a]vailable, only at Company's option, to customers locating to previously vacant sites within the City of St. Louis and applying for electric service otherwise qualified for service under the Company's Service Classification 3(M) Large General Service rate, 4(M) Small Primary Service Rate, or 11(M) Large Primary Service Rate."[30]
- The Empire District Electric Company Economic Development Rider Schedule EDR.

The Applicability section of Empire's economic development program outlines that "[a]ll requests for service under this rider will be considered by the Company. Sufficient detailed information shall be provided, by the Customer, to enable the Company to determine whether a facility is qualified for the Rider."[31]

- Kansas City Power & Light Company has three active programs with one of the programs frozen. The first program is titled Economic Development Rider ("Schedule EDR Frozen"), the second program is titled Economic Development Rider ("Schedule EDR"), and the third program is titled Urban Core Development Rider ("Schedule UCD").

The Applicability sections of Kansas City Power & Light Company Schedule EDR Frozen and the Schedule EDR outline that "[a]ll requests for service under this Rider will be considered by the Company. Sufficiently detailed information shall be provided, by the customer, to enable the Company to determine whether a facility is qualified for the Rider."[32] Schedule UCD outlines that, "[t]he Company will review and must approve, on an individual project basis, the development plans of the construction, rehabilitation, or expansion of Customer's facilities to determine the qualification of Customer's projects under the provisions of this Rider."[33]

[30] Union Electric Company, MO. P.S.C. Schedule NO. 6, Sheet No. 87.
[31] The Empire District Electric Company, P.S.C. Mo. No. 5, Sheet No. 22.
[32] Kansas City Power & Light Company, P.S.C. MO. No. 7, Sheet Nos. 32A and 32F.
[33] Kansas City Power & Light Company, P.S.C. MO. No. 7, Sheet No. 41A.

- KCP&L Greater Missouri Operations Company has two active programs with one of the programs frozen. The first program is titled Economic Development Rider Electric Frozen and the second program is titled Economic Development Rider Electric.

The Applicability Sections of both of GMO's economic development programs outline that "[s]ufficiently detailed information shall be provided by the Customer to enable the Company to determine whether a facility is qualified for the Rider. Service under this Rider shall be evidenced by a contract between the Customer and the Company, a copy of which shall be submitted to the Commission Staff and Office of Public Counsel."[34]

**4. An analysis of appropriate eligibility criteria for any such rate design mechanism;**

**Staff response:**

Staff would expect that in the interest of program affordability and transparency, the most reasonable eligibility criteria would be the presence of an existing service drop (of sufficient size and in operable condition) on a circuit identified as (1) currently under-utilized in terms of number of service drops and (2) capable of greater-utilization in terms of available distribution capacity. Further refinement of criteria would benefit from discussion with Ameren Missouri and other interested parties through the collaborative process.

**5. Whether such a rate design mechanism promotes efficient utilization of the company's existing infrastructure;**

**Staff response:**

The goal in designing any mechanism would be to increase the utilization of the existing infrastructure. Thus, an appropriately designed mechanism to increase the utilization of under-utilized service would necessarily promote efficient utilization of existing infrastructure.

[34] KCP&L Greater Missouri Operations Company, P.S.C. MO. No. 1, Sheet Nos. 120 and 123.2

**6. How any such rate design mechanism may be reasonably related to the cost of serving eligible customers;**

**Staff response:**

An appropriate temporary reduction to the customer charge (or other rate components) of customers on under-utilized circuits – so long as marginal customer-related costs are met – would not be inconsistent with cost-of-service ratemaking principles. Applicable charges would still include Fuel Adjustment Charges ("FAC"), applicable Missouri Energy Efficiency Investment Act ("MEEIA") charges, and Pre-MEEIA charges unless opt-out provisions apply or are granted.

**7. Whether such a rate design mechanism is in the public interest;**

**Staff response:**

An appropriate temporary reduction to the customer charge (or other rate components) of customers on under-utilized circuits – so long as marginal customer-related costs are met – would not be inconsistent with cost-of-service ratemaking principles. So long as the net contribution above marginal costs from newly acquired customers does not exceed the net reduction to revenues received from existing customers, (assuming that maintenance and operational costs are properly considered), a properly designed mechanism would not be harmful to the public interest.

It is Staff's position that the Commission can grant a rate design mechanism if, upon consideration of all relevant factors, the Commission determines that the relief is in the public interest and is neither unduly preferential nor unduly discriminatory. The Commission uses traditional cost-of-service ratemaking to set just and reasonable rates. This is a two-step process. In the first step, the Commission determines the utility's revenue requirement, that is, the total amount of money that the ratepayers must provide to the utility in a year's time to

cover the cost of service. In the second step, rates are designed to recover the revenue requirement from the utility's customers, matching costs to cost-causers. Rate design is the method used to determine the rates to be charged to individual classes of customers. The allocation of rates among the various classes of service rests on questions of fact.

**8. An analysis of any significant similar rate design mechanisms in Missouri, currently or historically, including the existing Economic Re-Development Rider available to portions of the City of St. Louis, and their effectiveness; and**

**Staff Response:**

Staff promotes/supports economic development to the extent that a utility receives an amount above its marginal costs on sales of electricity to new or expanding customers, providing a contribution to cover fixed costs. A customer making an investment or relocating its operations is expected to provide system benefits and profits well beyond the life of any temporary incentive or promotion rate program. In 1991, Ameren Missouri had an economic development tariff called Rider Economic Development Rider ("EDR") that provided rate benefits to customers over a five-year period. This EDR Rider expired in March 2006.

Ameren Missouri's Rider EDR outlined certain criteria as defined below:

- Rider EDR provided for a 15% discount served under Ameren Missouri's service classification 3(M) Large General Service rate, 4(M) Small Primary Service rate, and 11(M) Large Primary Service rate.
- Rider EDR was only available to customers in conjunction with local, regional or state governmental activities where incentives had been offered.
- Rider EDR was limited to commercial and industrial facilities not involved in selling or providing goods and services.
- Customer needed at least 200 kW of billing demand.
- Customer needed to maintain a 55% or higher load factor.

In July 2006, Ameren Missouri proposed two new tariffs relating to economic development. The two new tariffs outline an Economic Development and Retention Rider ("EDRR") and an Economic Redevelopment Rider ("ERR"). The EDRR offers a discounted

rate to new or expanding industrial customers who can show they have an option to move out of Ameren Missouri's service territory to an area with lower rates. The ERR tariff provisions encourage redevelopment in defined areas within the City of St. Louis. Rider ERR's purpose is to encourage redevelopment in defined areas inside the City of St. Louis. The ERR targets areas that have lost industries but already contain extensive but underutilized electric infrastructure capable of serving additional load. The Commission approved the EDRR and ERR tariff provisions in Case No. ER-2007-0002, effective June 1, 2007. The EDRR and ERR tariff provisions are outlined in Ameren Missouri's electric service tariff, Sheet Nos. 86 through 87.5, included in the attached Schedule SLK-1.

Ameren Missouri's EDRR outlines certain criteria as defined below:

- Qualifications for load factor (55% or higher), demand (500 kW minimum size load) and industrial use.
- Requires incentives from local, regional, or state government to qualify.
- Revenues under discount must be "greater than the applicable incremental cost to provide electric service, as determined by the Company ensuring a positive contribution to fixed costs."
- Discount shall not be greater than 15% from applicable Large General Service 3(M), Small Primary Service 4(M), or Large Primary Service 11(M) rate classification. Rate classification Large Transmission Service 12(M) is not eligible.
- Term of discount must be 5 or fewer years.
- If customer fails to fulfill entire term of contract, all prior discounts must be repaid.

Since inception of Ameren Missouri's EDRR effective June 1, 2007, only one customer has signed up for the EDRR Rider. This customer began taking service under the EDRR contract in 2014, but has not yet elected to start receiving its contractual EDRR discount, so Staff is unable to draw any reasonable conclusions about the success of this program at this time.

Ameren Missouri's ERR outlines certain criteria as defined below:

- Must be used in conjunction with Tax Increment Financing ("TIF"), Enterprise Zone, Brownfield Tax Credits, etc.
- Rider ERR provisions are limited to those areas where sufficient distribution capacity exists without the need for significant additional investment from Ameren Missouri.
- Defined maps of areas eligible in St. Louis are part of the tariff at Sheets 87.2, 87.3, 87.4 and 87.5.
- Limited to loads that Ameren Missouri considers necessary to "utilize existing infrastructure in a manner which is beneficial to the local electric delivery system."
- Discount on facilities relocation fees.
- Additional discounts very similar in all respects to EDRR Rider.

Since inception of Ameren Missouri's ERR effective June 1, 2007, no customer has participated in the ERR Rider.

Historically, in Case No. EC-2002-1, a Commission approved *Stipulation and Agreement* outlined an Economic Development Fund.[35] It provided that Ameren Missouri would make an initial contribution of $5 million to a not-for-profit community development corporation to be known as the Ameren Community Development Corporation ("CDC"). Ameren Missouri contributed an additional $1 million to this program on June 30 of every year that the agreement was in effect (June 30, 2003; June 30, 2004; June 30, 2005 and June 30, 2006). These contributions were administered by the CDC as determined under Section 11 of the *Stipulation and Agreement.* The transactions resulting from establishing and operating this fund were recorded below-the-line and not treated as a regulated expense on Ameren Missouri books and records. Section 11 b outlined that "[a] collaborative committee of interested signatories will be established to develop the governance provisions of the CDC. . . . The collaborative committee of interested signatories will develop the format and frequency of regular reports regarding the status of this fund as well as a date for a final report respecting the fund. The final report of the collaborative committee will contain

[35] *Stipulation and* Agreement, Section 6.

recommendations regarding the future of this fund subsequent to June 30, 2006. (However, Ameren Missouri shall not be obligated to continue this funding after June 30, 2006.)" Attached is Schedule MSS-D2, which is the final Annual Report and Independent Audit for the Ameren CDC.[36]

The Ameren Missouri CDC was incorporated in November 2003 as an outcome of the 2002 Missouri electric rate settlement between the Missouri Public Service Commission and Ameren Missouri. Then Governor Bob Holden joined Missouri Public Service Commission Chair, Mr. Steve Gaw and Ameren Missouri President/CEO, Mr. Gary Rainwater in announcing the formation of a nine-member independent board of directors responsible for the administration and oversight of the $9 million economic development grant program. Ameren CDC was a Missouri Nonprofit Corporation governed by a board of directors consisting of nine directors from Ameren Missouri's service territory. Three members of the board of directors were appointed by the Governor of Missouri, three appointed by the Commission, and three appointed by Ameren Missouri. The final report summary outlined that applications represented a variety of development activities including support for small business start-up, building and machinery purchases, job training and public infrastructure expansion. The CDC board believed the CDC would serve as a model for effective partnerships in the future.

In July 1996, Kansas City Power & Light Company ("KCPL") implemented an experimental Urban Core Development Rider ("UCD"). The purpose of the UCD Rider is to encourage industrial and commercial businesses to develop within that portion of the Company's service territory which is bounded by the Missouri River on the North, Interstate 435 on the south and east, and State Line Road on the west. This area is known as the "Urban

[36] Case No. EC-2002-1, located in EFIS # 538 under EC20021xxxxx.

Core Development Area." In November 1998, KCPL removed the experimental status of the Rider making UCD a permanent and continual Rider. The facilities must have at least 30% of their capacity available in order for proposed projects to be considered for this Rider. KCPL will review and must approve, on an individual project basis, the development plans of the construction, rehabilitation, or expansion of customer facilities to determine the qualification of customer's projects. Service under this Rider shall be evidenced by a contract, with annual peak demand and load factor being 240 kW and 50%, respectively.

**9. An analysis of any similar rate design mechanisms in other states and their effectiveness.**

**Staff Response:**

Staff has been unable to identify any other United States jurisdictions that have implemented a geographically-based rate relief program for residential electric customers. At least one electric program in Nova Scotia appears to be geographically defined, and Staff identified "urban core" programs for some American water utilities.

*Staff Experts: Michael S. Scheperle, Sarah L. Kliethermes and Daniel I. Beck*

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

### AFFIDAVIT OF MATTHEW J. BARNES

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

Matthew J. Barnes, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 4/1; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Matthew J. Barnes
Matthew J. Barnes

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Susan L. Sundermeyer
Notary Public

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

### AFFIDAVIT OF DANIEL I. BECK

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

Daniel I. Beck, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 45-56; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Daniel I. Beck

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

# BEFORE THE PUBLIC SERVICE COMMISSION

# OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

## AFFIDAVIT OF BRAD J. FORTSON

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

Brad J. Fortson, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 35 - 41; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Brad J. Fortson

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

### AFFIDAVIT OF ROBIN KLIETHERMES

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

Robin Kliethermes, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in pages 5-23, 24-28, 29-35 + 43 S; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Robin Kliethermes

Subscribed and sworn to before me this 11th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

# BEFORE THE PUBLIC SERVICE COMMISSION

# OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

## AFFIDAVIT OF SARAH L. KLIETHERMES

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

Sarah L. Kliethermes, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in pages 5-23, 27-28, & 29-35; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Sarah L. Kliethermes

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

# BEFORE THE PUBLIC SERVICE COMMISSION

# OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

## AFFIDAVIT OF MICHAEL S. SCHEPERLE

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

Michael S. Scheperle, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 1-5 + 45-56; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Michael Scheperle
Michael S. Scheperle

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Susan L. Sundermeyer
Notary Public

# BEFORE THE PUBLIC SERVICE COMMISSION

# OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service | ) ) ) | Case No. ER-2014-0258 |

## AFFIDAVIT OF MICHAEL L. STAHLMAN

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

Michael L. Stahlman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 41 - 43; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Michael L. Stahlman

Subscribed and sworn to before me this 19th day of December, 2014

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

**Missouri Public Service Commission**
**Case No. ER-2014-0258**
**Rate Design**

**Illustrative Purposes Only**

| | Total Current Revenue | Pre-MEEIA Revenue | Step 1 Retail Revenue | Step 1 Revenue Shift | Adjusted Retail | Step 2 Pre-MEEIA Increase | Step 3 Retail Increase | Total Revenue Requirement | Percent Increase | Rev. Neutral |
|---|---|---|---|---|---|---|---|---|---|---|
| Res | $ 1,223,648,013 | $ 11,537,019 | $ 1,212,110,994 | $ 6,060,555 | $ 1,218,171,549 | $ (1,460,488) | $ 52,196,118 | $ 1,280,444,197 | 4.64% | 0.50% |
| SGS | $ 300,866,364 | $ 1,148,237 | $ 299,718,127 | $ (1,889,194) | $ 297,828,933 | $ (154,620) | $ 12,761,350 | $ 311,583,901 | 3.56% | -0.63% |
| LGS | $ 572,133,699 | $ 4,803,769 | $ 567,329,930 | $ (3,576,014) | $ 563,753,916 | $ (523,314) | $ 24,155,683 | $ 592,190,054 | 3.51% | -0.63% |
| SPS | $ 223,246,058 | $ 2,373,410 | $ 220,872,648 | $ (1,392,212) | $ 219,480,435 | $ (271,996) | $ 9,404,280 | $ 230,986,130 | 3.47% | -0.63% |
| LPS | $ 203,762,588 | $ 626,396 | $ 203,136,192 | $ - | $ 203,136,192 | $ (188,790) | $ 8,703,963 | $ 212,277,761 | 4.18% | 0.00% |
| LTS | $ 159,372,980 | $ - | $ 159,372,980 | $ 796,865 | $ 160,169,845 | $ - | $ 6,862,945 | $ 167,032,790 | 4.81% | 0.50% |
| Lighting | $ 38,547,547 | $ - | $ 38,547,547 | $ - | $ 38,547,547 | $ - | $ 1,651,682 | $ 40,199,229 | 4.28% | 0.00% |
| MSD | $ 73,018 | $ - | $ 73,018 | $ - | $ 73,018 | $ - | $ 3,129 | $ 76,147 | 4.28% | 0.00% |
| Total | $ 2,721,650,267 | $ 20,488,832 | $ 2,701,161,435 | $ (0) | $ 2,701,161,435 | $ (2,599,208) | $ 115,739,151 | $ 2,834,790,210 | 4.16% | 0.00% |

Retail Increase at Staff Mid-Point $ 115,739,151

Total Increase at Staff Mid-Point $ 113,139,943

**Ameren Missouri** **ILLUSTRATIVE PURPOSES ONLY**

**Case No. ER-2014-0258**

**Revenue Requirement for Energy Efficiency (Pre-MEEIA)**

## Energy Efficiency Calculation

| | |
|---|---|
| Current Revenue Requirement | $ 20,488,832 |
| Revenue Requirement - ER-2014-0258 | $ 17,889,624 |
| Additional Pre-MEEIA | $ (2,599,208) |

Staff Proposal worksheet

| Class | Pre-MEEIA Increase ER-2012-0166 (1) | Additional Pre-MEEIA | Current EE (see Below) | Total |
|---|---|---|---|---|
| Residential | $ 5,379,247 | $ (1,460,488) | $11,537,019.22 | $ 10,076,531 |
| Small General Service | $ 569,493 | $ (154,620) | $1,148,237.14 | $ 993,617 |
| Large General Service | $ 1,927,461 | $ (523,314) | $4,803,768.66 | $ 4,280,455 |
| Small Primary Service | $ 1,001,811 | $ (271,996) | $2,373,410.41 | $ 2,101,414 |
| Large Primary Service | $ 695,348 | $ (188,790) | $626,396.42 | $ 437,606 |
| Large Transmission Service | $ - | $ - | $ - | $ - |
| Total | $ 9,573,360 | $ (2,599,208) | $ 20,488,832 | $ 17,889,624 |

| Residential | kWh | Rate | Revenue |
|---|---|---|---|
| Summer kWh | 4,551,986,031 | $0.0012 | $5,462,383.24 |
| Summer Opt-out | 5,615 | -$0.0012 | -$6.74 |
| Winter kWh | 8,678,069,461 | $0.0007 | $6,074,648.62 |
| Winter Opt-out | 8,427 | -$0.0007 | -$5.90 |
| | | | $11,537,019.22 |

Case No. ER-2014-0258;Rate Design; Staff Weather Normalized;Res

| Small General Service | kWh | Rate | Revenue |
|---|---|---|---|
| Summer kWh | 1,190,356,181 | $0.0004 | $476,142.47 |
| Summer Opt-out | 1,466,560 | -$0.0004 | -$586.62 |
| Winter kWh | 2,245,940,370 | $0.0003 | $673,782.11 |

Case No. ER-2014-0258;Rate Design; Staff Weather Normalized;SGS

| | | | | |
|---|---|---|---|---|
| Winter Opt-out | 3,669,390 | -$0.0003 | -$1,100.82 | |
| | | | $1,148,237.14 | |
| | | | | |
| Large General Service | kWh | Rate | Revenue | |
| Summer kWh | 2,898,681,158 | $0.0008 | $2,318,944.93 | Case No. ER-2014-0258;Rate Design; |
| Summer Opt-out | 65,106,279 | -$0.0008 | -$52,085.02 | Staff Weather Normalized;LGS |
| Winter kWh | 5,182,708,242 | $0.0005 | $2,591,354.12 | |
| Winter Opt-out | 108,890,732 | -$0.0005 | -$54,445.37 | |
| | | | $4,803,768.66 | |
| | | | | |
| Small Primary Service | kWh | Rate | Revenue | |
| Summer kWh | 1,286,302,399 | $0.0009 | $1,157,672.16 | Case No. ER-2014-0258;Rate Design; |
| Summer Opt-out | 88,332,891 | -$0.0009 | -$79,499.60 | Staff Weather Normalized;SPS |
| Winter kWh | 2,321,525,465 | $0.0006 | $1,392,915.28 | |
| Winter Opt-out | 162,795,716 | -$0.0006 | -$97,677.43 | |
| | | | $2,373,410.41 | |
| | | | | |
| Large Primary Service | kWh | Rate | Revenue | |
| Summer kWh less Opt-out | 680,539,064 | $0.0004 | $272,215.63 | Case No. ER-2014-0258;Rate Design; |
| Winter kWh less opt-out | 1,180,602,649 | $0.0003 | $354,180.79 | Staff Weather Normalized;LPS |
| | | | $0.00 | |
| | | | $0.00 | |
| | | | $626,396.42 | |

(1) Per Final Rate Design in Case No. ER-2012-0166

**Ameren Missouri** **ILLUSTRATIVE PURPOSES ONLY**

**Case No. ER-2014-0258**

**Revenue Requirement for Energy Efficiency (Pre-MEEIA)**

| AMORTIZATIONS (1) | Annualized Amortization (1) | |
|---|---|---|
| Energy Efficiency Reg. Asset Amortization 9/2008 | $ 87,600 | Staff Amortization analysis |
| Energy Efficiency Reg. Asset Amortization 12/2009 | $ 952,560 | Staff Amortization analysis |
| Energy Efficiency Reg. Asset Amortization 2/2011 | $ 5,437,644 | Staff Amortization analysis |
| Energy Efficiency 7/2012 | $ 6,146,440 | Staff Amortization analysis |
| Energy Efficiency 6/2014 | $ 544,953 | Staff Amortization analysis |
| | $ - | |
| Total | $ 13,169,197 | |

| RATE BASE (2) | Amount (2) | |
|---|---|---|
| Asset | $ 44,760,356 | Rate Base Schedule |
| | $ - | |
| Total | $ 44,760,356 | |

**Effective Return and Income Tax Effect Calculation - ROE at 9.25%**

| | | |
|---|---|---|
| Total Pre-Tax Rate | 10.546% | Ameren Rate of Return - Tax weighted at Staff Mid-Point |

**Total Revenue Requirement**

| | | | |
|---|---|---|---|
| Amortization | $ | 13,169,197 | Calculation from above |
| Return plus Income tax (3) | $ | 4,720,427 | See footnote (3) |
| Total Revenue Requiremen | $ | 17,889,624 | |

(1) Staff Accounting schedules in Case No. ER-2014-0258 (Through True-Up). Income Statement Detail
(2) Staff Accounting schedules in Case No. ER-2014-0258(Through True-Up). Rate Base Schedule
(3) Rate Base * Total Pre-Tax Rate

# STAFF RATE DESIGN AND CLASS COST-OF-SERVICE REPORT

## Class Cost-of-Service and Rate Design Overview

A Class Cost of Service (CCOS) study is a detailed analysis where the costs incurred to provide utility service to a particular jurisdiction (e.g., Missouri retail) are assigned to customers, or customer classes, based on the manner in which the costs are incurred. An electric utility's power system is designed, constructed, and operated in order to meet the ongoing energy and load requirements of vast numbers of diverse customers. How and when customers utilize energy has a great bearing on the fixed and variable costs of service. Customer classes are groups of customers with similar electrical service characteristics. For proper cost assignment, the composite load of the system must be differentiated by the various customer classes in order to determine the proportional responsibilities of each customer class. In other words, the customers' load contributions to the total demand are a major cost driver. Staff's CCOS study generally follows the procedures described in Chapter 2 of the NARUC Manual. Staff produces an embedded cost study using historical information developed from data collected over the test year updated through the true-up date set in the case.

## Definitions and Fundamental Concepts of Electric CCOS and Rate Design

**Cost-of-Service:** All the costs that a utility prudently incurs to provide utility service to all of its customers in a particular jurisdiction.

**Cost-of-Service Study:** A study of total company costs, adjusted in accordance with regulatory principles (annualizations and normalizations), allocated to the relevant jurisdiction, and then compared to the revenues the utility is generating from its retail rates, off-system sales and other sources. The results of a cost-of-service study are typically

presented in terms of the additional revenue required for the utility to recover its cost-of-service or the amount of revenue over what is required for the utility to recover its cost-of-service.

**Class Cost-of-Service (CCOS) Study:** A Class Cost-of-Service study is where a utility's revenue requirement is allocated among the various rate classes of that utility. It is a quantitative analysis of the costs the utility incurs to serve each of its various customer classes. When Staff performs a CCOS study it performs each of the following steps: a) categorize or functionalize costs based upon the specific role the cost plays in the operations of the utility's integrated electrical system; b) classify costs by whether they are demand-related, energy-related, or customer-related; and c) allocate the functionalized/classified costs to the utility's customer classes. The sum of all the costs allocated to a customer class is the cost to serve[1] that class.

**Relationship between Cost-of-Service and Class Cost-of-Service:** The sum of all *class* cost-of-service in a jurisdiction is the cost-of-service of that jurisdiction. The purpose of a Cost-of-Service study is to determine what portion of a utility's costs are attributable to a particular jurisdiction. The purpose of a Class-Cost-of-Service study is to allocate the cost-of-service study costs to the customer classes in that jurisdiction.

**Cost allocation:** A procedure by which costs incurred to serve multiple customers or customer classes are apportioned among those customers or classes of customers.

**Cost Functionalization:** The grouping of rate base and expense accounts according to the specific function they play in the operations of an integrated electrical system. The most aggregated functional categories are production, transmission, distribution and

[1] The cost to serve a particular class is sometimes referred to as the cost-of-service for that class.

customer-related costs, but numerous sub-categories within each functional category are commonly used.

**Customer Class:** A group of customers with similar characteristics (such as usage patterns, conditions of service, usage levels, etc.) that are identified for the purpose of setting rates for electric service.[2]

**Rate Design:** (1) A process used to determine the rates for an electric utility once cost-of-service and CCOS is known; (2) Characteristics such as rate structure, rate values, and availability that define a rate schedule and provide the instructions necessary to calculate a customer's electric bill. Rates are designed to collect revenue to recover the cost to serve the class.

**Rate Design Study:** While a CCOS study focuses on customer class revenue responsibility, a rate design study focuses on how service is priced and billed to the individual customers within each class and to sending appropriate price signals to customers. The rate design process attempts to recover costs in each time period (such as summer/winter seasonal pricing, or peak/off-peak time-of-day pricing) from each rate component for each customer in a way that best approximates the cost of providing service and send appropriate price signals, e.g., costs are higher in the summer so rates are higher in the summer.

**Rate Schedule:** One or more tariff sheets that describe the availability requirements, prices, and terms applicable to a particular type of retail electric service. A customer class used in a class cost-of-service study may consist of one or more rate schedules.

[2] A customer class used in a class cost-of-service study may consist of one or more rate schedules.

**Rate Structure:** Rate structure is the composition of the various charges for the utility's products. These charges include:

> 1) customer charge: a fixed dollar amount per month irrespective of the amount of usage;
> 2) usage (energy) charges: a price per unit charged on the total units of the usage during the month; and
> 3) peak (demand) usage charge: a price per unit charge on the maximum units of the product taken over a short period of time (for electricity, usually 15 minutes or 30 minutes), which may or may not have occurred within the particular billing month.

More elaborate variations such as seasonal differentials (different charges for different seasons of the year), time-of-day differentials (different charges for different times during the day), declining block rates (lowest per-unit charges for higher usage), hours-use rates (rates which decline as the customer's hours of use – the ratio of monthly usage to maximum hourly usage – increases) are also possible. Different variations are used to send price signals to the customer.

**Rate Values (Rates):** The per-unit prices the utility charges for each element of its rate structure. Rate values are expressed as dollars per unit of demand (kilowatt), cents per unit of energy (kWh), etc.

**Tariff:** A document filed by a regulated entity with either a federal or state commission. It describes both the rate values (prices) the regulated entity will charge to provide service to its customers as well as the terms and conditions under which those rate values are applicable.

**Class Cost-of-Service Overview on Functionalization, Classification and Allocation**

The cost allocation process consists of three major parts: functionalization, classification and allocation.

## 1. Functionalization

The first step of a CCOS study is functionalization. Functionalization of costs involves categorizing plant investment and operation cost accounts by the type of function with which an account is associated. A utility's equipment investment and operations can be organized along the lines of the function (purpose) that each piece of equipment or task provides in delivering electricity to customers. The result of functionalization is the assignment of plant investment and expenses to the principal utility functions, which include:

1. Production
2. Transmission
3. Distribution
4. Customer

Electric power is produced at the generation station, transmitted some distance through high voltage lines, stepped down to secondary voltage and distributed to secondary voltage customers. Other customers (high voltage and primary voltage) are served from various points along the system.

In practice, each major Federal Energy Regulatory Commission (FERC) account is assigned to the functional area that causes the cost. This assignment process is called functionalization. Some costs cannot be directly attributed to a single functional area, and are shared between functions -- these costs are refunctionalized to more than one functional area, with the distribution of costs between functions based upon some relating factor.[3] As an example, it is reasonable to assume that social security taxes are directly related to payroll costs so that these taxes can be assigned to functions in the same manner as payroll costs. In this case, the ratio of labor costs assigned to the various functional categories becomes the factor for distributing social security taxes between functional groups.

[3] The costs in the FERC account are distributed based on a relationship of the distributed cost to a function rather than all the costs in that account being associated to a particular function.

Yet other costs can be clearly attributed to providing service to a particular class of customers, and these costs can be directly assigned to that customer class. Special studies are undertaken by the utility to determine the assignment of costs to customer classes. An example of a direct assignment is the assignment of the cost of transmission equipment used only by a large customer on a particular rate schedule to the rate class associated with that rate schedule.

Functionalized costs are then subdivided into measurable, cost-defining service components. Measurable means that data is available to appropriately divide costs between service components. Cost-defining means that a cost-causing relationship exists between the service component and the cost to be allocated. Functionalized costs are often divided into customer-related costs and demand-related costs. In addition, some functionalized costs can be classified on the basis of the voltage level at which the customer receives electric service.

**2. Classification**

The second step of a CCOS study is to separate the functionalized costs into classifications based on the components of utility service being provided. Classification is a means to divide the functionalized, cost-defining components into a: 1) customer component, 2) demand component, and 3) an energy component for rate design considerations. The January 1992 edition of the NARUC Manual references customer-related, demand-related, and energy-related cost components for all distribution plant and operating expense accounts, other than for substations and street lighting.

Customer-related costs are the costs to connect the customer to the electrical system and to maintain that connection. Examples of such costs include meter reading expense, billing expense, postage expense, customer accounting expense, customer service expense,

and certain distribution costs (plant, reserve, and operating and maintenance expenses). The customer components of the distribution system are those costs necessary to make service available to a customer.

Demand-related costs are rate base investment and related operating and maintenance expenses associated with the facilities necessary to supply a customer's service requirements during periods of maximum, or peak, levels of power consumption each month. The major portion of demand-related costs consists of generation and transmission plant and the non-customer-related portion of distribution plant. Demand-related costs are based on the maximum rate of use (maximum demand) of electricity by the customer. In addition, some demand-related investment and costs can be classified on the basis of voltage level at which the customer receives electric service.

Energy-related costs are those costs related directly to the customer's consumption of electrical energy (kilowatt-hours) and consist primarily of fuel, fuel handling, a portion of production plant maintenance expenses and the energy portion of net interchange power costs.

### 3. Allocation

The third step of performing a CCOS study is called allocation. After the costs have been functionalized and classified, the next step in a CCOS study is to allocate costs to the customer classes. This process involves applying the allocation factors developed for each class to each component of rate base investment and each of the elements of expense specified in the jurisdictional cost of service study. The allocation factors or allocators determine the results of this process. The aggregation of such cost allocations indicates the total annual revenue requirement associated with serving a particular customer class. Allocation factors are chosen that will reasonably distribute a portion of the functionalized costs to each

customer class on the basis of cost causation. Allocation factors are typically ratios that represent the fraction of total units (e.g., total number of customers; total annual energy consumption) that are attributable to a certain customer class. These ratios are then used to calculate the fraction of various cost categories for which a class is responsible.

**Calculation of Class Net Income and Rate of Return**

The operating revenues of each customer class minus its total operating expenses determined through the functionalization, classification and allocation process provide the resulting net income to the utility of each class. The net operating income divided by the allocated rate base of each class will indicate the percentage rate of return being earned by the utility from a particular customer class.

TABLE 4-16

CLASS ALLOCATION FACTORS AND ALLOCATED PRODUCTION PLANT REVENUE REQUIREMENT USING THE 12 CP AND 1/13TH WEIGHTED AVERAGE DEMAND METHOD

| Rate | Demand Allocation Factor - 12 CP MW (Percent) | Demand-Related Production Plant Revenue Requirement | Average Demand (Total MWH) Allocation Factor | Energy-Related Production Plant Revenue Requirement | Total Class Production Plant Revenue Requirement |
|---|---|---|---|---|---|
| DOM | 32.09 | 314,111,612 | 30.96 | 25,259,288 | 339,370,900 |
| LSMP | 38.43 | 376,184,775 | 33.87 | 27,629,934 | 403,814,709 |
| LP | 26.71 | 261,492,120 | 31.21 | 25,455,979 | 286,948,099 |
| AG&P | 2.42 | 23,723,364 | 3.22 | 2,629,450 | 26,352,815 |
| SL | 0.35 | 3,389,052 | 0.74 | 600,426 | 3,989,478 |
| TOTAL | 100.00 | 978,900,923 | 100.00 | 81,575,077 | $1,060,476,000 |

Notes: Using this method, 12/13ths (92.31 percent) of production plant revenue requirement is classified as demand-related and allocated using the 12 CP allocation factor, and 1/13th (7.69 percent) is classified as energy-related and allocated on the basis of total energy consumption or average demand.

Some columns may not add to indicated totals due to rounding.

## C. Time-Differentiated Embedded Cost of Service Methods

Time-differentiated cost of service methods allocate production plant costs to baseload and peak hours, and perhaps to intermediate hours. These cost of service methods can also be easily used to allocate production plant costs to classes without specifically identifying allocation to time periods. Methods discussed briefly here include production stacking methods, system planning approaches, the base-intermediate-peak method, the LOLP production cost method, and the probability of dispatch method.

### 1. Production Stacking Methods

*Objective:* The cost of service analyst can use production stacking methods to determine the amount of production plant costs to classify as energy-related and to determine appropriate cost allocations to on-peak and off-peak periods. The basic

principle of such methods is to identify the configuration of generating plants that would be used to serve some specified base level of load to classify the costs associated with those units as energy-related. The choice of the base level of load is crucial because it determines the amount of production plant cost to classify as energy-related. Various base load level options are available: average annual load, minimum annual load, average off-peak load, and maximum off-peak load.

***Implementation:*** In performing a cost of service study using this approach, the first step is to determine what load level the "production stack" of baseload generating units is to serve. Next, identify the revenue requirements associated with these units. These are classified as energy-related and allocated according to the classes' energy use. If the cost of service study is being used to develop time-differentiated costs and rates, it will be necessary to allocate the production plant costs of the baseload units first to time periods and then to classes based on their energy consumption in the respective time periods. The remaining production plant costs are classified as demand-related and allocated to the classes using a factor appropriate for the given utility.

An example of a production stack cost of service study is presented in Table 4-17. This particular method simply identified the utility's nuclear, coal-fired and hydroelectric generating units as the production stack to be classified as energy-related. The rationale for this approach is that these are truly baseload units. Additionally, the combined capacity of these units (4,920.7 MW) is significantly less than either the utility's average demand (7,880 MW) or its average off-peak demand (7,525.5 MW); thus, to get up to the utility's average off-peak demand would have required adding oil and gas-fired units, which generally are not regarded as baseload units. This method results in 89.72 percent of production plant being classified as energy-related and 10.28 percent as demand-related. The allocation factor and the classes' revenue responsibility are shown in Table 4-17.

## 2. Base-Intermediate-Peak (BIP) Method

The BIP method is a time-differentiated method that assigns production plant costs to three rating periods: (1) peak hours, (2) secondary peak (intermediate, or shoulder hours) and (3) base loading hours. This method is based on the concept that specific utility system generation resources can be assigned in the cost of service analysis as serving different components of load; i.e., the base, intermediate and peak load components. In the analysis, units are ranked from lowest to highest operating costs. Those with the lower operating costs are assigned to all three periods, those with intermediate running costs are assigned to the intermediate and peak periods, and those with the highest operating costs are assigned to the peak rating period only.

TABLE 4-17

CLASS ALLOCATION FACTORS AND ALLOCATED PRODUCTION PLANT REVENUE REQUIREMENT USING A PRODUCTION STACKING METHOD

| Rate Class | Demand Allocation Factor - 3 Summer & 3 Winter Peaks (%) | Demand-Related Production Plant Revenue Requirement | Energy Allocation Factor (Total MWH) | Energy-Related Production Plant Revenue Requirement | Total Class Production Plant Revenue Requirement |
|---|---|---|---|---|---|
| DOM | 36.67 | 39,976,509 | 30.96 | 294,614,229 | 334,590,738 |
| LSMP | 35.50 | 38,701,011 | 33.87 | 322,264,499 | 360,965,510 |
| LP | 25.14 | 27,406,857 | 31.21 | 296,908,356 | 324,315,213 |
| AG&P | 2.22 | 2,420,176 | 3.22 | 30,668,858 | 33,089,034 |
| SL | 0.47 | 512,380 | 0.74 | 7,003,125 | 7,515,505 |
| TOTAL | 100.00 | 109,016,933 | 100.00 | 951,459,067 | $1,060,476,000 |

Note: This allocation method uses the same allocation factors as the equivalent peaker cost method illustrated in Table 4-12. The difference between the two studies is in the proportions of production plant classified as demand- and energy-related. In the method illustrated here, the utility's identified baseload generating units -- its nuclear, coal-fired and hydroelectric generating units -- were classified as energy-related, and the remaining units -- the utility's oil- and gas-fired steam units, its combined cycle units and its combustion turbines -- were classified as demand-related. The result was that 89.72 percent of the utility's production plant revenue requirement was classified as energy-related and allocated on the basis of the classes' energy consumption, and 10.28 percent was classified as demand-related and allocated on the basis of the classes' contributions to the 3 summer and 3 winter peaks.

Some columns may not add to indicated totals due to rounding

There are several methods that may be used for allocating these categorized costs to customer classes. One common allocation method is as follows: (1) peak production plant costs are allocated using an appropriate coincident peak allocation factor; (2) intermediate production plant costs are allocated using an allocator based on the classes' contributions to demand in the intermediate or shoulder period; and (3) base load production plant costs are allocated using the classes' average demands for the base or off-peak rating period.

In a BIP study, production plant costs may be classified as energy-related or demand-related. If the analyst believes that the classes' energy loads or off-peak average

demands are the primary determinants of baseload production plant costs, as indicated by the inter-class allocation of these costs, then they should also be classified as energy-related and recovered via an energy charge. Failure to do so -- i.e., classifying production plant costs as demand-related and recovering them through a $/KW demand charge -- will result in a disproportionate assignment of costs to low load factor customers within classes, inconsistent with the basic premise of the method.

## 3. LOLP Production Cost Method

LOLP is the acronym for loss of load probability, a measure of the expected value of the frequency with which a loss of load due to insufficient generating capacity will occur. Using the LOLP production cost method, hourly LOLP's are calculated and the hours are grouped into on-peak, off-peak and shoulder periods based on the similarity of the LOLP values. Production plant costs are allocated to rating periods according to the relative proportions of LOLP's occurring in each. Production plant costs are then allocated to classes using appropriate allocation factors for each of the three rating periods; i.e., such factors as might be used in a BIP study as discussed above. This method requires detailed analysis of hourly LOLP values and a significant data manipulation effort.

## 4. Probability of Dispatch Method

The probability of dispatch (POD) method is primarily a tool for analyzing cost of service by time periods. The method requires analyzing an actual or estimated hourly load curve for the utility and identifying the generating units that would normally be used to serve each hourly load. The annual revenue requirement of each generating unit is divided by the number of hours in the year that it operates, and that "per hour cost" is assigned to each hour that it runs. In allocating production plant costs to classes, the total cost for all units for each hour is allocated to the classes according to the KWH use in each hour. The total production plant cost allocated to each class is then obtained by summing the hourly cost over all hours of the year. These costs may then be recovered via an appropriate combination of demand and energy charges. It must be noted that this method has substantial input data and analysis requirements that may make it prohibitively expensive for utilities that do not develop and maintain the required data.

TABLE 4-18

SUMMARY OF PRODUCTION PLANT
COST ALLOCATIONS USING DIFFERENT COST OF SERVICE METHODS

| | 1 CP METHOD | | 12 CP METHOD | | 3 SUMMER & 3 WINTER PEAK METHOD | | ALL PEAK HOURS APPROACH | | AVERAGE AND EXCESS METHOD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total |
| DOM | $ 369,461,692 | 34.84 | $ 340,287,579 | 32.09 | $ 388,925,712 | 36.67 | $ 340,747,311 | 32.13 | $ 386,682,685 | 36.46 |
| LSMP | 394,976,787 | 37.25 | 407,533,507 | 38.43 | 376,433,254 | 35.50 | 384,043,376 | 36.21 | 369,289,317 | 34.82 |
| LP | 261,159,089 | 24.63 | 283,283,130 | 26.71 | 266,582,600 | 25.14 | 299,737,319 | 28.26 | 254,184,071 | 23.97 |
| AG&P | 34,878,432 | 3.29 | 25,700,311 | 2.42 | 23,555,089 | 2.22 | 28,970,743 | 2.73 | 41,218,363 | 3.89 |
| SL | 0 | 0.00 | 3,671,473 | 0.35 | 4,978,544 | 0.47 | 6,977,251 | 0.66 | 9,101,564 | 0.86 |
| Total | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.0 | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.0 | $1,060,476,000 | 100.0 |

| | EQUIVALENT PEAKER COST METHOD | | BASE AND PEAK METHOD | | 1 CP AND AVERAGE DEMAND METHOD | | 12 CP AND 1/13th AVERAGE DEMAND METHOD | | PRODUCTION STACKING METHOD | |
|---|---|---|---|---|---|---|---|---|---|---|
| Rate Class | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total | Revenue Req't. ($) | Percent of Total |
| DOM | $ 340,657,471 | 32.12 | $ 3350,522,360 | 33.05 | $ 354,381,313 | 33.42 | $ 339,370,900 | 32.00 | $ 334,590,738 | 31.55 |
| LSMP | 362,698,678 | 34.20 | 382,505,016 | 36.07 | 381,842,722 | 36.01 | 403,814,709 | 38.08 | 360,965,510 | 34.04 |
| LP | 317,863,510 | 29.97 | 293,007,874 | 27.63 | 286,764,179 | 27.04 | 286,948,099 | 27.06 | 324,315,213 | 30.58 |
| AG&P | 32,021,813 | 3.02 | 27,868,280 | 2.63 | 34,623,156 | 3.36 | 26,352,815 | 2.48 | 33,089,034 | 3.12 |
| SL | 7,232,529 | 0.68 | 6,572,470 | 0.62 | 2,864,631 | 0.27 | 3,989,478 | 0.38 | 7,515,505 | 0.71 |
| Total | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.00 | $1,060,476,000 | 100.00 |

# Schedule DIB-2

# Is Deemed

# Highly Confidential

# In Its Entirety

# Schedule MJB-1

# Is Deemed

# Highly Confidential

# In Its Entirety

MEMORANDUM

To: Tom Voss
Warner Baxter
Richard Mark

From: Mike Kearney, Economic Development Dept.

Date: April 29, 2009

Re: AmerenCDC: Final Report

Gentlemen,

I am pleased to provide you with a copy of the final Annual Report and Independent Audit for the Ameren Community Development Corporation (AmerenCDC).

Throughout the past year, the AmerenCDC board of directors worked to bring the economic development grant program (as stipulated in the 2002 Missouri Electric Rate Settlement) to a smooth and successful conclusion. As good stewards of available resources, the nonprofit organization exceeded AmerenUE's $9 million commitment by distributing a total of $9,275,400 to 74 grant recipients representing development projects throughout the AmerenUE service territory. I invite you to read more about project successes and grant distributions in the enclosed Executive Summary (Section I) and accompanying slide presentation (Section III).

I believe the results of the AmerenCDC program speaks clearly to AmerenUE's commitment to "deliver" customer value to our service area communities. I am happy to respond to questions you may have.

cc: K. Foss
S. Kidwell
G. Suggett
M. Forck
T. Byrne ✓

COPY

# AMEREN *Community Development Corporation*

March 30, 2009

Mr. Thomas Voss
President & CEO
AmerenUE
1901 Chouteau Avenue
St. Louis, MO 63103

Dear Tom:

On behalf of the Ameren Community Development Corporation (AmerenCDC), I am pleased to submit the final **Annual Report and Independent Audit** for your review. Throughout the year, the AmerenCDC has built upon its success by making significant contributions to the Missouri economy. Since its incorporation in 2003, as part of a settlement between the Missouri Public Service Commission and Union Electric Company (d/b/a AmerenUE), the AmerenCDC board of directors has dutifully executed its responsibility for administering an independent economic development grant program aimed at promoting business growth and job creation within the Missouri electric service territory of AmerenUE. I would like to share with you the highlights of our success in 2008.

- The AmerenCDC fulfilled its intended mission of distributing $9.0 million in available funds to qualified economic development projects in Missouri, as defined by AmerenUE's commitment to the Missouri Public Service Commission.
- As a result of its stewardship of resources, the AmerenCDC exceeded the level of commitment by distributing a total of **$9,275,400** in funding to **74 recipients** representing economic development opportunities throughout the AmerenUE electric service territory.
- The hallmark of the program's success was its open and competitive grant making process, whereby the board of directors employed rigorous review of the 457 grant applications over the course of seven grant cycles.
- The AmerenCDC program helped to achieve remarkable economic success for Missouri communities. The 74 grant projects helped **leverage over $253.6 million** in new investment within the state of Missouri resulting in an estimated **2,235 direct new jobs** and the **retention of approximately 2,798 direct jobs**. These projects represented investments in public infrastructure, small business assistance, advanced technology and the purchase of machinery/equipment for manufacturing processes.

With its mission complete, the AmerenCDC board of directors took action on March 27, 2009 to dissolve the community development corporation in accordance with its bylaws. As we approach the end of this organization, members of the AmerenCDC board of directors wish to extend our collective thanks and appreciation to all who have made this program possible. We applaud the public-private partnership between AmerenUE and the Missouri Public Service Commission for creating and funding this progressive economic development tool. We also commend AmerenUE and its Economic Development Department for its leadership and support in implementing the work of the AmerenCDC. Together, we have helped make a positive difference toward promoting the economic health and viability of Missouri communities.

Sincerely,

Dr. Blanche M. Touhill
President, AmerenCDC


# 2008 Annual Report

## Annual Meeting
## March 27, 2009

Ameren Community Development Corporation

Annual Report

Table of Contents

# I

# Executive Summary

## 2008 ANNUAL REPORT
## Ameren Community Development Corporation

Since 2003, the Ameren Community Development Corporation (AmerenCDC) has effectively executed its mission of providing financial support for projects designed to stimulate economic development and job growth within the Missouri electric service territory of Union Electric Company (d/b/a AmerenUE). Throughout this process, the AmerenCDC board of directors conducted its work with high regard for the trust placed on it by public and private stakeholders, while maintaining the highest level of integrity for its grant making practices and policies. As the AmerenCDC grant program comes to a close, the 2008 Annual Report serves as an opportunity to celebrate the program's success and honor all who have made this innovative development tool an effective resource for promoting the economic health and viability of Missouri communities.

The AmerenCDC was incorporated in November of 2003 as an outcome of the 2002 Missouri Electric Rate Settlement between the Missouri Public Service Commission and AmerenUE. Incorporation was quickly followed by a joint press event, whereby then-Governor Bob Holden joined Missouri Public Service Commission Chair, Mr. Steve Gaw and AmerenUE President/CEO, Mr. Gary Rainwater in announcing the formation of a nine member independent board of directors responsible for the administration and oversight of the $9 million economic development grant program. After a brief period to organize the board's administrative policies and grant making procedures, the AmerenCDC rolled out its first competitive economic development grant program in late 2004. This program was followed by five additional competitive application cycles between 2005 and 2007. In total, the community development corporation received 457 grant applications representing over $124.3 million in funding requests (Average Dollar Request: $272,061) from throughout the AmerenUE electric service area. Applications represented a variety of development activities including support for small business start up, building and machinery purchase, job training and public infrastructure expansion. The benchmark of success in each application cycle can be directly attributed to the openness of the process and the fair and comprehensive evaluation of each and every applicant proposal.

With each application cycle, the board of directors followed a rigorous and consistent review process including staff qualification and documentation of each request, individual board member evaluation and screening, eventually leading to full board discussion and deliberation on all projects. Grants were given to those projects that demonstrated creative approaches to development, helped leverage additional public-private investment and to those having a well-defined implementation plan with proposed objectives and strategies. Upon completion of the program in late 2008, the AmerenCDC awarded grants to 74 projects for a total dollar distribution of **$9,275,400** (Average Dollar Awarded: $125,343). As the attached slide presentation demonstrates the grants had significant impact on the entire AmerenUE electric service territory.

The 74 grant recipients represented public, private and non-profit entities from throughout the diverse geography of AmerenUE's Missouri electric service territory. Combined, these grants, in excess of $9.2 million, helped leverage over $253.6 million in new investment in the state of Missouri and resulted in an estimated 2,235 direct new jobs and the retention of approximately 2,798 direct jobs. Based upon the composite analysis of all grant cycles, approximately 62% of the successful projects were for building acquisition, construction/rehabilitation and the purchase of new production equipment. The balance was for support of business operations, loan programs, infrastructure extension and community social services. Perhaps most important, these noteworthy development projects have helped to sustain Missouri's economy beyond the initial one-year deployment and in most cases, these recipients continue to sustain business growth for Missouri.

The 2008 goals and objectives for the AmerenCDC were clearly outlined by its board of directors- ***to provide for an orderly conclusion of the grant program, distribute remaining resources to qualified projects and fulfill all obligations to stakeholders prior to fully winding down operations.*** To this end, staff worked with grant recipients to fulfill project closeout reports and to seek return of grant dollars for those projects that were not successful in implementing the agreed upon scope of work. From January to early Fall, 2008, the AmerenCDC staff successfully secured the return of $100,000 from the City of DeSoto (Project #II05-24) and an additional $100,000 from the Middle Mississippi River Terminal (Project #II06-21). The board of directors, working with staff, quickly mobilized to redistribute the balance of grant funds to other qualified projects. In order to complete this task, board members agreed to return to the 2007 grant cycle in an effort to identify potential pending projects that did not receive grant awards. In November, 2008, the board approved funding for five projects in the total amount of $188,400. These award distributions have been made and are being deployed for project implementation. The AmerenCDC will continue to monitor these and all grant projects to ensure final closeout in accordance with board policies.

In June of 2008, the AmerenCDC received refunds from the U.S. Treasury and the Missouri Department of Revenue in the amounts of $714,346.16 and $114,171.00 respectively. These funds were deposited in the AmerenCDC account at UMB Bank. Upon board approval, the AmerenCDC made payment on August 22, 2008 to AmerenUE (d/b/a Union Electric) for repayment of an outstanding note in the amount of $919,575.00. As business came to a close in 2008, preparations were being made to employ Brown, Smith, Wallace LLC to complete an audit of 2008 financial statements and to provide counsel and preparation of the final year-end tax return.

As the board reflects on the work accomplished over the past five years there are many people and organizations to thank for their contributions to the success of the Ameren Community Development Corporation. First and foremost, credit goes to the public-private partnership responsible for creating the unique structure of the organization. The AmerenCDC represents the first public utility community development corporation created in the state of Missouri and would not have been possible without the collaboration of the State of Missouri, the Missouri Public Service Commission and

AmerenUE. The board applauds these progressive organizations and believes the AmerenCDC will serve as a model for effective partnerships in the future. Also, the AmerenCDC would like to acknowledge the special role that AmerenUE played in the successful implementation of the program. In addition to providing the financial commitment of $9 million to establish the development organization, it has provided staffing and general counsel support through its Economic Development Department to assist with grant program administration. Those contributions are acknowledged and appreciated by the AmerenCDC board of directors. Finally, the success of the AmerenCDC would not have been possible without the contributions and dedication of its board of directors who were responsible for the distribution of grant funds, as well as fiduciary management of the organization. The program's success is directly attributed to the efforts of these individuals. A list of current board members is affixed to this annual report for future reference. As a body, the AmerenCDC board of directors is confident that its stakeholders will be pleased with the success of this program along with the integrity of its management.

Respectfully submitted,

Steve Sullivan
Secretary
Ameren Community Development Corporation

Harold Crumpton, Board Member and Chair-Banking & Funding Committee
Doyle Privett, Board Member
Rev. Sammie Earl Jones, Board Member
Vitilas "Veto" Reid, Board Member
Robert M. Robuck, Board Member and Treasurer
Betty Sims, Board Member
Steve Sullivan, Board Member

Approved: March 27, 2009

# II

# Ameren Community Development Corporation Board Listing

**Ameren Community Development Corporation**
**Board of Directors**

Blanche M. Touhill
(President)

Steve Sullivan
(Secretary)

Robert M. Robuck
(Treasurer)

Harold Crumpton
(Chair, Banking & Funding Committee)

Reverend Sammie Earl Jones

Doyle Privett

Vitilas "Veto" Reid

Betty Sims

*Legal Counsel*:

Joe Bednar
ArmstrongTeasdale LLP

*Staff Support:*

Mike Kearney
Manager, Economic Development
Ameren Services

# III

# AmerenCDC Final Grant Distribution Analysis – All Cycles

# AmerenCDC – Economic Development Grant Awards

Final Grant Distribution Analysis
All Cycles
2004 through 2008

Ameren CDC

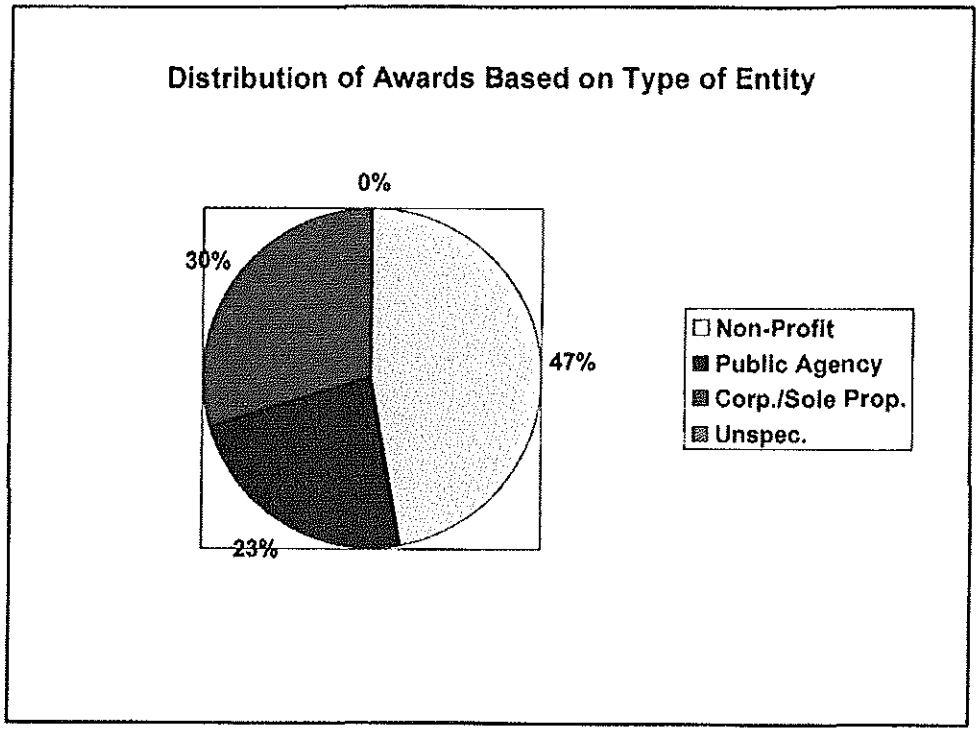
# AmerenCDC – Composite Report Award Statistics

| | |
|---|---|
| Applications Received | 457 |
| Total Dollars Requested | $124,331,958 |
| Average Dollar Request | $272,061 |
| Projects Funded | 74 |
| Total Dollars Awarded | $9,275,400 |
| Total Investment by Funded Projects | $253,619,029 |
| Average Dollar Award | $125,343 |
| # of Direct Jobs to be Created* | 2,235 |
| # of Direct Jobs to be Retained* | 2,798 |

Note: *Job counts based on application data; Ameren Econ. Dev. staff continues to monitor final job creation and retention results

# AmerenCDC – Composite Report Distribution of Awards Based on Type of Entity

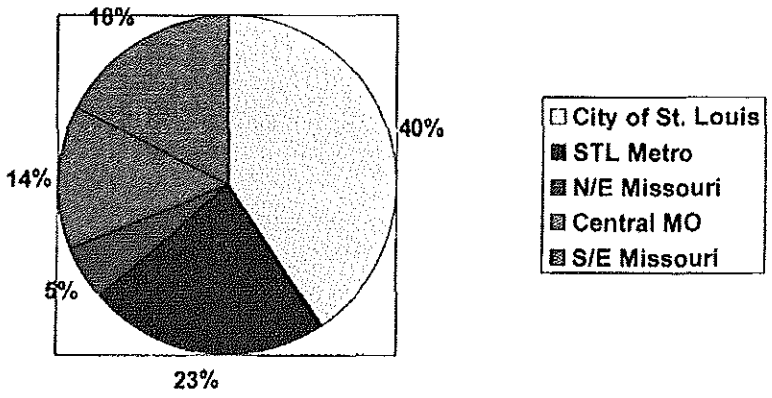
| | | |
|---|---|---|
| Non-Profit Agency | 35 | $3,365,400 |
| Public Agency | 17 | $2,720,000 |
| Corp./Sole Proprietor | 22 | $3,190,000 |
| **Total** | **74** | **$9,275,400** |



# AmerenCDC – Composite Report
# Grant Award Geographic Distribution

| | | |
|---|---|---|
| City of St. Louis | 30 | $2,795,000 |
| STL Metro | 17 | $2,820,000 |
| N/E Missouri | 4 | $515,000 |
| Central Missouri | 10 | $1,755,000 |
| Southeast Missouri | 13 | $1,390,000 |
| **TOTAL** | **74** | **$9,275,400** |

**Grant Award Geographic Distribution**

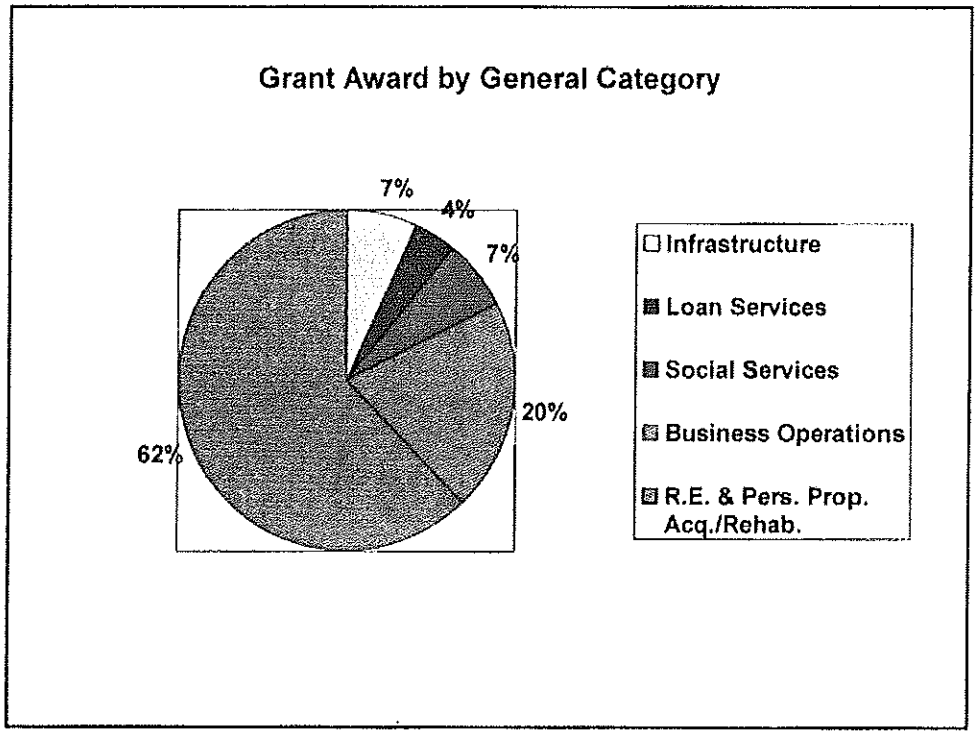


## AmerenCDC – Composite Report
## Grant Award by Type of Request

| | | |
|---|---|---|
| Start-Ups | 17 | $1,955,000 |
| Expansion/Retention | 44 | $5,332,000 |
| New Location | 7 | $1,125,000 |
| Combination | 4 | $338,400 |
| Other | 2 | $525,000 |
| **TOTAL** | **74** | **$9,275,400** |

## AmerenCDC – Composite Report
## By General Category

| | | |
|---|---|---|
| Infrastructure | 5 | $780,000 |
| Loan Services | 3 | $450,000 |
| Social Services | 5 | $350,000 |
| Business Operations | 15 | $986,400 |
| R.E. & Personal Property Acquisition/Rehab. | 46 | $6,709,000 |
| **TOTAL** | **74** | **$9,275,400** |


Grant Award by General Category
7%
4%
7%
20%
62%
Infrastructure
Loan Services
Social Services
Business Operations
R.E. & Pers. Prop. Acq./Rehab.

# IV

# Grant Award Information – All Cycles

AmerenCDC
Grant Award Information - All Cycles

| Project Title | Name of Applicant | Location of Project | Total Project Budget | Final Award | # of Direct/Indirect Jobs Created | # of Direct/Indirect Job Retained |
|---|---|---|---|---|---|---|
| | | 2004 Grant Cycle | | | | |
| **City of Jefferson - Cole County** - Rail spur construction to assist location of new manufacturing facility | City of Jefferson - Cole County | Jefferson City | $17,709,750 | $400,000 | 50/0 | 0/0 |
| **Iron County Commission** Establish critical care hospital in Iron County | Iron County Commission | Pilot Knob | $10,219,000 | $200,000 | 50/120 | 0/0 |
| **Companion Bakehouse** - Create community bakehouse in Delmar Loop in response to business growth | Companion Bakehouse | University City | $2,520,687 | $250,000 | 21/0 | 57/0 |
| **Curators-UMSL Information Technology** - Establish info. tech. incubator to support twelve start-up businesses | Curators-UMSL | St. Louis | $5,000,000 | $530,000 | 0/500 | 0/0 |
| **NEMO Manufacturing** - Assist business expansion of contract manufacturer of electronic circuit boards | NEMO Manufacturing | LaGrange | $827,116 | $150,000 | 15/0 | 6/0 |
| **Ranken Technical College** - Ranken CDC to construct four new homes by technical carpentry students | Ranken Technical College | St. Louis | $792,800 | $75,000 | 35/0 | 62/0 |
| **City of Park Hills** - Replacement of aging railroad line that serves Glass Group, Inc. | City of Park Hills | Park Hills | $96,250 | $80,000 | 100/0 | 560/0 |
| **Pauwels Transformers, Inc.** - Plant expansion for manufacturing operation | Pauwels Transformers, Inc. | Washington | $6,930,000 | $250,000 | 52/0 | 26/0 |
| **Technology Entrepreneur Center** - Implement Phase II of Info. Technology small business incubator | Technology Entrepreneur Center, Inc. | St. Louis | $445,780 | $140,000 | 0/50 | 10/0 |
| **St. Louis Development Corporation** - Combine lending resources with tailored support to small business in City of St. Louis | St. Louis Development Corporation | St. Louis | $1,000,000 | $100,000 | 0/30 | 0/0 |
| **SLCEC - Wellston Redevelopment** - Gap funding to complete remediation and site prep for Wellston Industrial Park | SLCEC - Wellston Redevelopment | St. Louis County | $7,781,156 | $275,000 | 0/230 | 0/0 |
| | | 2005 Cycle 1 | | | | |
| Advanced Technology Center Expansion Project | City of Mexico | Mexico | $1,985,700 | $180,000 | 4/100 | 0/0 |
| Center for the Acceleration of African American Business | St. Louis Black Leadership Roundtable | Wellston Enterprise Center | $65,000 | $35,000 | 3/unspec. | 0/0 |
| Career Readiness Certification | UMSL-Regional Center for Education & Work | North St. Louis City & County; St. Charles County; Fenton | $5,322,866 | $100,000 | 0/800 | 0/0 |
| CET Building III | Center for Emerging Technologies | St. Louis City | $300,000 | $100,000 | 250/425 | 0/0 |
| Facility Upgrade/Reopening | Warrenton Copper, LLC | Truesdale | $5,272,255 | $200,000 | 30/0 | 0/0 |

AmerenCDC
Grant Award Information - All Cycles

| Project Title | Name of Applicant | Location of Project | Total Project Budget | Final Award | # of Direct/Indirect Jobs Created | # of Direct/Indirect Job Retained |
|---|---|---|---|---|---|---|
| Focused Growth Program and Loan Fund | St. Louis Minority Business Council | St. Louis | $1,055,000 | $250,000 | 99/0 | 990/0 |
| Expansion of Biomedical Research Facilities | St. Louis University | St. Louis | $66,400,000 | $100,000 | 30/0 | 200/0 |
| Public Warehouse Complex | S/E MO Regional Port Authority | Scott City | $1,046,000 | $200,000 | 94/0 | 0/0 |
| St. Louis Regional Automotive Partnership | St. Louis Regional Automotive Partnership | St. Louis and St. Charles Counties | $185,000 | $90,000 | 0/100 | 0/1400 |
| Louisiana Industrial Park Business Expansion | Pike County Development Authority | Louisiana | $1,281,659 | $200,000 | 25/0 | 54/0 |
| S/E Innovation Center - Business Incubator | Missouri Research Corporation | Cape Girardeau | $1,467,562 | $200,000 | 20/0 | 10/0 |
| | | 2005 Cycle 2 | | | | |
| Schell & Kampeter, DBA Diamond Pet Foods | Diamond Pet Food Treat Facility | Meta, MO | $2,500,000 | $125,000 | 15/0 | 0/0 |
| Stepstone Productions | High Definition Upgrade | St. Louis | $214,000 | $100,000 | 5/0 | 26/0 |
| Cape Girardeau Public Schools Foundation/Cape Girardeau Career & Technology Center | Career Center Expansion | Cape Girardeau | $1,500,000 | $150,000 | 0/15 | 0/75 |
| Brown Company of Moberly, LLC | DaimlerChrysler RT Program | Moberly | $6,635,000 | $250,000 | 55/0 | 0/0 |
| Iron County Commission | Iron County Critical Access Hospital | Pilot Knob | $11,150,000 | $100,000 | 170/0 | 50/0 |
| City of DeSoto on behalf of the Industrial Development Authority | DeSoto Industrial Park Water & Sewer Extension | DeSoto | $474,713 | $100,000 | 12/0 | 2.5/0 |
| Performance Tool LLC | Performance Tool Manufacturing Facility | Moberly | $259,000 | $75,000 | 2-3/0 | 0/0 |
| Ranken Technical College | North City Revitalization and Job Creation Project: Homes 35 to 38 | St. Louis | $905,340 | $75,000 | 32/0 | 72/0 |
| St. Louis Minority Business Council | Virtual Information Community (VIC) | St. Louis | $243,000 | $113,000 | 1/133 (3 years) | 0/0 |
| Small Business Synergy Corporation dba EDC of St. Charles County | Fostering 21st Century Entrepreneurship through Education/Training and Technological/Infrastructure Enhancements at our Small Business Incubator | St. Peters | $250,000 | $90,000 | unknown/100 | 1000/0 |
| Grace Hill Settlement House | Rennovation of Grace Hill's Business Development Center | St. Louis | $288,603 | $117,000 | 0/90 | 0/0 |
| | | 2006 Cycle I | | | | |
| Business Expansion & Relocation | DAC, Inc. | Washington, MO | $3,600,000 | $200,000 | 50 | 0 |
| Center for the Acceleration of African American Business | St. Louis Black Leadership Roundtable | St. Louis, MO | $131,000 | $50,000 | 3 | 0 |
| St. Francois County Incubator Project | Southeast MO Regional Planning & Economic Development Commission | Bonne Terre, MO | $600,000 | $100,000 | 10 | 0 |
| CET Building III | Center for Emerging Technologies | St. Louis, MO | $300,000 | $100,000 | 250* | 0 |
| The Little Engine That Could | Whittle Toy Company, Inc. | Louisiana, MO | $722,000 | $125,000 | 35 | 26 |
| TEC BUILD-OUT Program | Technology Entrepreneur Center, Inc. | St. Louis, MO | $174,000 | $42,000 | 23 | 25 |
| Little Angel Learning Academy | Marlin R. Washington | St. Louis, MO | $1,368,557 | $100,000 | 23 | 0 |
| GMT-900 Auxiliary Seals | GDX Automotive | New Haven, MO | $2,240,960 | $250,000 | 50 | 74 |
| Medicaid Medical Transportation Administration | Abbott Ambulance, Inc. | St. Louis, MO | $221,745 | $100,000 | 72 | 0 |
| Pemiscot County Memorial Behavioral Health Services | Pemiscot County Memorial Hospital | Hayti, MO | $353,339 | $50,000 | 6 | 0 |
| Woolworth Building and Theater Project | Grand Center, Inc. | St. Louis, MO | $10,299,000 | $250,000 | 52 | 0 |

AmerenCDC
Grant Award Information - All Cycles

| Project Title | Name of Applicant | Location of Project | Total Project Budget | Final Award | # of Direct/Indirect Jobs Created | # of Direct/Indirect Job Retained |
|---|---|---|---|---|---|---|
| Missouri Fabricated Products Plant Retention and Expansion | Missouri Fabricated Products Company | Caruthersville, MO | $1,400,000 | $300,000 | 90 | 40 |
| Focused Growth Program (FGP) Expansion Plan | St. Louis Minority Business Council | St. Louis, MO | $882,000 | $100,000 | 100 Indirect | 0 |
| | | **2006 Cycle 2** | | | | |
| Melton Machine & Control Company Buidling Expansion | Melton Machine & Control Company | Washington, MO | $2,500,000 | $175,000 | 20 | 0 |
| MERS/Goodwill Call Center Startup | MERS/Goodwill Industries, Inc. | St. Louis, MO | $280,413 | $50,000 | 33 | 0 |
| Distribution Center Rehab & Renovation | Triad Catalog Co. LLC d/b/a Soft Surroundings | Mexico, MO | $2,500,000 | $150,000 | 34 | 70 |
| OVCS Relocation and Retention Project | Ozark Valleys Community Services, Inc. | Pilot Knob, MO | $22,510 | $20,000 | 0 | 51 |
| Alexandria River Port Extension | Middle Mississippi River Terminal, Inc. | Alexandria, MO | $885,000 | $100,000 | 5/20 | 0 |
| Upgrade technology to access healthcare transportation in rural MO with Routematch software | Express Medical Transporters, Inc. | St. Louis, MO | $809,890 | $100,000 | 55 | 0 |
| North City Revitalization and Job Creation Project: Homes 39 to 42 | Ranken Community Development Corporation | St. Louis, MO | $754,940 | $50,000 | 29 | 0/72 |
| Better Family Life Cultural Center & Museum | Better Family Life, Inc. | St. Louis, MO | $4,189,578 | $75,000 | 20 | 0 |
| New Northside Family Life Center Capacity Building Project | New Northside Family Life Center | St. Louis, MO | $1,774,616 | $100,000 | 15 | 38 |
| Expansion of Mid-South Wire Manufacturing Operations to Scott City, MO | Mid-South Wire Co. | Scott City, MO | $3,000,000 | $150,000 | 20 | 0 |
| Excelsior Mfg. & Supply Corp.-Brookfield Expansion | Brookfield Industrial Development Authority | Brookfield, MO | $750,000 | $175,000 | 43 | 35 |
| Manufacturing Skills Institute of St. Charles County | EDC of St. Charles County dba Partners for Progress | St. Charles, MO | $217,228 | $75,000 | 0/125 | 0 |
| | | **2007 Grant Cycle** | | | | |
| Caring with Compassion: The Power to Employ -- The Commitment to Care | St. Andrew's Resources for Seniors - at home division | St. Louis, MO | $105,800 | $60,000 | 0/40 | 0/0 |
| Building Acquisition and Renovation | Project, Inc. | St. Louis, MO | $1,577,812 | $150,000 | 17/0 | 145/0 |
| Excelsior Springs Medical Center Outpatient and Wellness Clinic | Excelsior Springs Medical Center | Excelsior Springs, MO | $9,401,818 | $100,000 | 10/0 | 0/0 |
| Project Trigger | Continental Sprayers International, Inc. | St. Peters, MO | $11,122,000 | $100,000 | 40/0 | 220/0 |
| Center for the Acceleration of African-American Business | St. Louis Black Leadership Roundtable | St. Louis, MO | $355,250 | $25,000 | 3/25 | 3/0 |
| Metropolitan Building/Hyatt Place Hotel | Grand Center, Inc. | St. Louis, MO | $33,471,050 | $100,000 | 102/130 | 0/0 |
| Innovate St. Louis Venture Mentoring Service | Innovate St. Louis | St. Louis, MO | $261,576 | $100,000 | 3/25 | 0/0 |
| One World Neighborhood Café | Center for Women in Transition | St. Louis, MO | $199,500 | $65,000 | 25/0 | 18/0 |
| CONS Movers | Michael Anders Prison Ministry | St. Louis, MO | $328,120 | $100,000 | 22/0 | 0/0 |
| Pemiscot County Port Authority Rail Spur Extension to Bootheel Biodiesel LLC Plant | Pemiscot County Port Authority | Caruthersville, MO | $207,500 | $50,000 | 25/0 | 0/0 |

AmerenCDC
Grant Award Information - All Cycles

| Project Title | Name of Applicant | Location of Project | Total Project Budget | Final Award | # of Direct/Indirect Jobs Created | # of Direct/Indirect Job Retained |
|---|---|---|---|---|---|---|
| NCMRA Runway Extension and Tower Relocation | North Central Missouri Regional Airport Authority | Brookfield, MO | $2,871,050 | $50,000 | 25/0 | 0/0 |
| Cowrie Shell Initiative - Asset Building Center | Center for Faith Based Consulting and Community Empowerment | Hayti Heights, MO | $122,072 | $50,000 | 25/0 | 0/0 |
| Plant Purchase, Expansion, and Modernization | American Plastics Group, Inc. | Union, MO | $4,250,000 | $150,000 | 50/0 | 10/0 |
| Acquire Manufacturing Equipment | Global Advanced Manufacturing, LLC | St. Louis, MO | $500,000 | $100,000 | 15/0 | 0/10 |
| | | 2008 Grant Cycle | | | | |
| St. Francois County Incubator Project | S/E MO Regional Planning & EDC | Bonne Terre, MO | $555,000 | $40,000 | 0/10 | 0/0 |
| Women's Textile and Entrepreneurship Program | International Institute of St. Louis | St. Louis, MO | $151,740 | $38,400 | 0/39 | 0/0 |
| CONS Movers | Michael Anders Prison Ministry | St. Louis, MO | $328,120 | $30,000 | 22/0 | 0/0 |
| Sparks Fabrication & Sheet Metal Manufacturing | Sparks Maintenance Contracting/Heating & Cooling | Bowling Green, MO | $225,071 | $40,000 | 20/0 | 10/0 |
| Trades Training Center and Small Business Incubator | St. Patrick Center | St. Louis, MO | $5,955,000 | $40,000 | 0/125 | 0/0 |
| | | TOTAL | **$253,619,029** | **$9,275,400** | | |

# V

# Sampling of Grant Correspondence

**Malik Ahmed**
Founder/Chief Executive Officer



BETTER FAMILY LIFE, INC.
NATIONAL HEADQUARTERS
724 North Union Boulevard
St. Louis, Missouri 63108
Telephone 314-367-3440
Fax 314-367-1414
www.betterfamilylife.org

December 26, 2007

Michael Kearney
Ameren CDC
1901 Chouteau, Mail 350
St. Louis 63103

Dear Mr. Kearney:

Better Family Life, Inc. (BFL) is in receipt of the $75,000.00 donation from Ameren for BFL's Cultural Center & Museum. We are indeed grateful for your encouragement and confidence in our work. It is our belief that when citizens of the community take full advantage of BFL programs that are relevant to their situation, it will enable them to become self-sufficient, build a stable home life and become better citizens. This donation further represents your commitment of support for Better Family Life's efforts to serve the community, continue providing a holistic array of programs and build the BFL Cultural Center & Museum, which is scheduled to open by September 2008.

We believe that our region could grow and develop in new and creative ways as a result of the partnership between Ameren and Better Family Life. We look forward to working to strengthen our partnership by creating win/win opportunities.

Once again, thank you for your support and know that Better Family Life will not waiver in its dedication to uplift the community.

Sincerely,

Malik Ahmed
Chief Executive Officer
Better Family Life, Inc.

cc: DeBorah Ahmed, Sr. Vice President Cultural Programs &
Cultural Center & Museum

Building Permanent, Positive Change
1983-2008
St. Patrick Center
25 Years

January 8, 2009

Mr. Michael S. Kerney
Manager, Economic Development
Ameren CDC
1901 Chouteau Ave., Code 350
St. Louis, MO 63103

Dear Mike,

Thank you and everyone at Ameren Corporation for this most generous grant in the amount of $40,000. Your award could not have come at a better time.

Although St. Patrick Center completed the facilities for Project BEGIN in October, partnerships with businesses that will provide job-skills training had to be established. Now that many of those are in place, we are ready to implement GED preparation classes that will position our clients to pursue career advancements or college educations.

Mike, I want you to know that we at St. Patrick Center take the Ameren CDC award as an indicator of this initiative's potential. You see, we believe that if Ameren recognizes BEGIN's future impact on the community and its disadvantaged residents, others in the community cannot help but follow suit!

Most gratefully,

Jan Rasmussen
*Chief Development Officer*
*314-802-0683*

Dear Mike,
Thank you so much! I hope you can find time to visit and see the BEGIN Project. I know you will be amazed.

Keeping St. Louis in Business
SLDC
ST. LOUIS DEVELOPMENT CORPORATION

Francis G. Slay
*Mayor*

Rodney Crim
*Executive Director*

Suite 1200
1015 Locust Street
St. Louis, MO 63101
(314) 622-3400
(314) 259-3435-TDD
Fax (314) 231-2341

February 5, 2008

Michael Kearney
Ameren Community Development Corporation
1901 Choteau Avenue
St. Louis, MO 63103

Re: AmerenCDC Grant Report

Dear Michael:

Attached is the status report for the Ameren Technical Assistance Grant Program that St. Louis Development Corporation is funding through Ameren's Community Development Program. As you can see we have approved/funded six projects.

The businesses supported were evaluated thoroughly and will contribute tremendously to the community and the economy. These businesses reflect the different markets that we are currently attracting in the city. They are a diverse group of minority and women business owners.

Our selection process evaluates the ability of the owners and the business plan of the business. We have engaged those businesses that were not able to take on any additional debt, but were able to submit a plan that would position their individual businesses for growth. We anticipate the rest of the funds be expended before the end of next quarter.

We appreciate the support of the Ameren Community Development Corporation. This type of program has been extremely beneficial to the businesses that were assisted. If there are questions regarding our report please feel free to call Ericca Willis at (314) 622-3400 extension 308.

Sincerely,

Rodney Crim
Executive Director

GRAND CENTER ART LIFE

634 N. GRAND BLVD
SUITE 10A
ST. LOUIS, MO 63103

314.533.1884 TEL
314.533.3345 FAX
WWW.GRANDCENTER.ORG

THE INTERSECTION OF
ART AND LIFE™

November 20, 2008

Mr. Michael S. Kearney
Economic Development Department
Ameren Services
P.O. Box 66149 (MC 350)
St. Louis, MO 63166-6149



Dear Mike:

On behalf of the Grand Center Board of Directors, thank you for Ameren's generous support of Grand Center through the AmerenCDC grants of $250,000 for the Woolworth Theatres and $100,000 for the Metropolitan Building. Per your request, I am providing you with a final report on the Woolworth project and an interim report on the Metropolitan project.

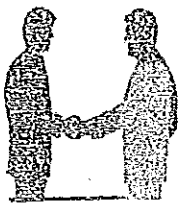
I am happy to report that the Woolworth Building has re-opened as the Big Brothers Big Sisters' new headquarters and the Kranzberg Arts Center including Craft Alliance's Grand Center studios. This building, which has been vacant since1993, will once again be alive and bustling with hundreds of staff affiliated with numerous organizations. We trust that you and your colleagues will join us to celebrate the Grand Opening of the Kranzberg Arts Center on December 11. An invitation detailing the event will arrive within a few days.

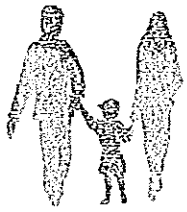
On the subject of the Metropolitan project, as with many physical development projects, a firm timeline and completion date can be difficult to provide. The market conditions and the failure of Pyramid Construction presented us with a setback, with which we are still dealing. We hope to be able to provide good news and a progress report in the near future.

Again, thank you for Ameren CDC's commitment to Grand Center, Inc. and the St. Louis Community. Your support significantly contributes to the economic revitalization of the Grand Center District and to its economic and cultural impact on the City of St. Louis and the Region. I look forward to working with you again.

Sincerely,

Vincent C. Schoemehl, Jr.
President and CEO





NEW NORTHSIDE FAMILY LIFE CENTER
5939 Goodfellow Boulevard
Saint Louis, Missouri 63147
(314) 381-5730

December 4, 2008

Ameren Community Development Corporation
Attn: Michael S. Kearney
PO Box 66149, MC 350
St. Louis, MO 63166

Dear Mr. Kearney,

First of all we would like thank you and your organization for awarding us the grant of $100,000 in 2006.

Because of the funds received we were able to purchase a bus to help with our transportation to various Conference Center Events and Daycare field trips for the students. We were also able to cover many of the activities of the Marketing Director.

Unfortunately the grant did not allow us to cover all expenses, but it did allow us to cover a major portion of it. We hope and pray we would qualify for future grants to help fund other community programs we have coming up for 2009.

Thanking you again and we look forward to doing business with you in the future.

Sincerely,

Bishop Willie J. Ellis, Jr.
President/CEO

attachment

*Bishop Willie James Ellis, Jr., President/CEO*

# AMEREN COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

**DECEMBER 31, 2008**

BROWN SMITH WALLACE LLC
1050 N. LINDBERGH BOULEVARD ST. LOUIS, MO 63132 PH 314.983.1200 FX 314.983.1300 WWW.BSWLLC.COM

A MEASURABLE DIFFERENCE™

# Independent Auditors' Report

To the Manager and Members
Ameren Community Development Corporation
St. Louis, Missouri

We have audited the accompanying statement of assets, liabilities and equity - cash basis of Ameren Community Development Corporation as of December 31, 2008, and the related statement of revenues, expenses and changes in equity- cash basis for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ameren Community Development Corporation as of December 31, 2008, and the results of its operations for the year then ended on the basis of accounting described in Note A.

The accompanying financial statements have been prepared assuming that Ameren Community Development Corporation will continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty (see Note A, Nature of Operations).

Brown Smith Wallace, L.L.C.

March 11, 2009

# AMEREN COMMUNITY DEVELOPMENT COMPANY

## Statement of Assets, Liabilities and Equity - Cash Basis

December 31, 2008

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 12,657 |
| **TOTAL ASSETS** | $ | 12,657 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Liabilities (Note C) | $ | - |
| Equity | | 12,657 |
| **TOTAL LIABILITIES AND EQUITY** | $ | 12,657 |

The accompanying notes are an integral part of these financial statements.

# AMEREN COMMUNITY DEVELOPMENT COMPANY

## Statement of Revenues, Expenses and Changes in Equity - Cash Basis

Year ended December 31, 2008

| | | |
|---|---|---|
| **Revenues:** | | |
| Dividend income | $ | 8,737 |
| Grant refunds | | 200,000 |
| Income tax refunds | | 828,518 |
| Total revenues | | 1,037,255 |
| **Expenses:** | | |
| Grant disbursements | | 188,400 |
| Debt payments to related party | | 919,575 |
| Professional fees | | 12,031 |
| Bank fees | | 1,006 |
| Total expenses | | 1,121,012 |
| **Excess of Expenses over Revenues** | | (83,757) |
| **Equity, beginning of year** | | 96,414 |
| **Equity, end of year** | $ | 12,657 |

The accompanying notes are an integral part of these financial statements.

# AMEREN COMMUNITY DEVELOPMENT CORPORATION

## Notes to Financial Statements – Cash Basis

December 31, 2008

### Note A - Summary of Operations and Significant Accounting Policies

#### Nature of Operations

Ameren Community Development Corporation (Ameren CDC) is a Missouri Corporation that began operations November 14, 2003. Ameren CDC provides funding in the form of grants to promote economic development and job growth within the electric service territory in Missouri of Union Electric Company d/b/a AmerenUE. The nature of this organization is such that the Ameren CDC will dissolve when all monies are distributed. As of December 31, 2008, Ameren CDC's remaining funds were being held for administrative costs only. Ameren CDC is expected to dissolve during the 2009 year. Any remaining outstanding debts are expected to be paid by AmerenUE.

#### Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and cash disbursements basis of accounting. Under that basis, the only assets recognized are cash and investments, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of loan obligations and expenses unpaid at the date of the financial statements are not included in these financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and temporary investments in money market mutual funds with a maturity of three months or less.

The Company's cash and cash equivalents are on deposit with one major domestic financial institution. At times, bank deposits may be in excess of federally insured limits.

#### Revenue

Ameren CDC receives its revenue from AmerenUE. AmerenUE was required by the Missouri Public Service Commission to contribute $5,000,000 in 2002 and $1,000,000 each year, 2003 through 2006 to Ameren CDC for grants to promote economic development and job growth within the electric service territory in Missouri of Union Electric Company d/b/a AmerenUE. There were no additional contributions during 2008.

**Note A - Summary of Operations and Significant Accounting Policies (Continued)**

**Grants**

Grants are recorded and expensed when paid. Ameren CDC shall award no less than $2,700,000 in the form of grants during the years 2004 through 2006 so long as it has received sufficient applications that satisfy the qualifications and criteria established for such awards. Grants selected for 2008 were taken from the 2007 grant cycle applicants; no new grant cycle was completed during 2008. Grants disbursed during 2008 totaled $188,400.

There were two rescissions of grants totaling $200,000, due to grantees not fulfilling their obligations stated in the grant agreement.

**Income Taxes**

Ameren CDC is a cash basis regular corporation, whereby Ameren CDC records no income tax expense until the tax is paid. Therefore, there is no provision for federal or state income tax expense in these financial statements (See note C). During 2008, Ameren CDC received $828,518 from state and federal tax refunds.

**Note B - Related Party Transactions**

The funding source of all Ameren CDC contributions is AmerenUE, a related party. During the year ended December 31, 2008, AmerenUE made no contributions and was no longer required to do so. In March 2006, AmerenUE paid Ameren CDC's income taxes due for the 2005 year (see note C).

As required by corporate policy, the Ameren CDC board member abstained from voting for awards to companies in which they hold a position as a board or committee member. No 2008 grants were awarded to grantees with a common board member as Ameren CDC.

**Note C - Promissory Note**

In May 2006, AmerenUE issued an interest free promissory note to Ameren CDC in return for paying $1,542,185 in income taxes due for the 2005 Ameren CDC taxable income. The agreement had maturity date of December 31, 2008. In 2008, Ameren CDC paid off the remaining $919,575 promissory note balance using state and federal income tax refunds as well as investment income. Any additional taxes are expected to be nominal and will be paid by AmerenUE.

# Schedule SLK-1

- Union Electric Company, MO. P.S.C. Schedule NO. 6, Sheet No. 86
- Union Electric Company, MO. P.S.C. Schedule NO. 6, Sheet No. 87
- The Empire District Electric Company, P.S.C. Mo. No. 5, Sheet No. 22
- Kansas City Power & Light Company, P.S.C. MO. No. 7, Sheet Nos. 32A and 32F
- Kansas City Power & Light Company, P.S.C. MO. No. 7, Sheet No. 41A
- KCP&L Greater Missouri Operations Company, P.S.C. MO. No. 1, Sheet Nos. 120 and 123.2

## RIDER EDRR

## ECONOMIC DEVELOPMENT AND RETENTION RIDER

### PURPOSE

The purpose of this Economic Development and Retention Rider is to encourage new industrial and commercial development in Company's service territory and to retain existing load where possible.

### AVAILABILITY

Electric service under this Rider is only available, at Company's option, to customers currently served by or considering service from the Company where other viable electric supply options outside of Company's service area have been offered. Customer must be currently served, or qualify for service, under the Company's Service Classifications 3(M) Large General Service Rate, 4(M) Small Primary Service Rate, or 11(M) Large Primary Service Rate. Electric service under this Rider is only available in conjunction with local, regional, or state governmental economic development activities where incentives have been offered and accepted by customer who is requesting service to locate new or expanding facilities in the Company's service area or whose exit from the Company's service area is imminent.

### APPLICABILITY

The qualifying load under this Rider shall be the entire load of a new customer, the incremental new load of an existing customer, or the portion of an existing customer's load for which exit from the Company's service area is imminent. In addition, the qualified load must meet the following criteria for consideration under this Rider:

1. The annual load factor of the customer's qualifying load is reasonably projected to equal or exceed fifty-five percent (55%) during the entire term of application of this Rider.
2. The average monthly peak demand of the customer's qualifying load is, or is reasonably projected to be, at least 500 kW during each contract year under this Rider.
3. The availability of this Rider shall be limited to industrial and commercial facilities not involved in selling or providing goods and/or services directly to the general public.

As a condition for service under this Rider, customer must furnish to Company such documentation as deemed necessary by Company to verify customer's intent to select a viable electric supply option outside of Company's service area, including an affidavit stating customer's intent.

The Company, at its sole discretion, shall determine whether an applicant or customer meets the requirements of this Rider and the acceptability of the information provided.

FILED
Missouri Public
Service Commission
ET-2013-0546, JE-2013-0

## RIDER EDRR

## ECONOMIC DEVELOPMENT AND RETENTION RIDER (Cont'd.)

### APPLICABILITY (Cont'd.)

Service under this Rider shall be evidenced by a contract between the customer and the Company, which shall be submitted within ten days of execution to the Commission for informational purposes. The terms of the contract shall be held in confidence by the Commission, the customer or its agent, and the Company.

### INCENTIVE PROVISIONS

The customer shall enter into a contract with the Company specifying the nature of the service to be provided, the discounts from standard tariffs to be applied, the term of the contract, and such other terms and conditions of service as are lawful and mutually agreeable. Revenues to be received from customer over the term of the contract shall be greater than the applicable incremental cost to provide electric service, as determined by the Company, ensuring a positive contribution to fixed costs. In no case shall the terms of the contract represent more than a 15% discount from otherwise applicable tariffs, before tax additions, nor shall the term of the contract extend more than five (5) years. If customer fails to fulfill the entire term of the contract, any agreed upon discounts shall become void and shall be repaid by customer.

### TERM

This Rider shall immediately become void, and the Company shall have no further obligations or liabilities hereunder, if any term or terms of this Rider are determined to be discriminatory or otherwise unlawful by a court of competent jurisdiction.

FILED
Missouri Public
Service Commission
ET-2013-0546; JE-2013-0

## RIDER ERR

## ECONOMIC RE-DEVELOPMENT RIDER

### PURPOSE

The purpose of this Economic Re-Development Rider is to encourage re-development of certain sites in the Company's service territory. Projects eligible for service under this Rider shall provide socio-economic benefits to the areas in which they locate as well as provide the Company with more efficient utilization of Company's existing infrastructure.

### AVAILABILITY

Available, only at Company's option, to customers locating to previously vacant sites within the City of St. Louis and applying for electric service otherwise qualified for service under the Company's Service Classification 3(M) Large General Service Rate, 4(M) Small Primary Service Rate, or 11(M) Large Primary Service Rate. All Terms and Conditions of Company's tariffs shall apply to the service supplied to customer, except as modified by this Rider.

Availability of this Rider is subject to the following limitations:

1. Project shall have an estimated average monthly peak demand of at least 500 kW during each contract year under this Rider.
2. The Rider is available only for projects on sites that are within the designated areas of the City of St. Louis and defined on maps contained in this Rider.
3. This Rider is available for eligible load associated with an existing premises served or previously served by Company, provided the premises is either unoccupied or otherwise dormant (e.g. vacant land and/or buildings) for a minimum period of one hundred-eighty (180) days.
4. Electric service under this Rider is only available in conjunction with Federal, State, Regional or Local governmental economic development activities such as, but not limited to, Tax Increment Financing ("TIF"), Empowerment and Enterprise Zone incentives, brownfield tax credits, new market tax credits, etc., where these incentives have been offered and accepted by customer who is requesting service to locate new or expanding facilities within the aforementioned sites.
5. Service under this Rider is limited to loads, which in the Company's sole judgment, utilize existing infrastructure in a manner which is beneficial to the local electric service delivery system.
6. This Rider is not available to a successor customer that results merely from load shifted from one location on Company's system to a qualifying site, unless approved by Company.

FILED
Missouri Public
Service Commission
ET-2013-0546; JE-2013-0

## RIDER ERR

## ECONOMIC RE-DEVELOPMENT RIDER (Cont'd.)

### INCENTIVE PROVISIONS

1. Facilities and Relocation Charges

   In the presence of physical conflicts associated with any new construction or expansion of customer's premises or electrical load, Company may, at its sole discretion, upon customer's request, relocate any distribution facilities to a right-of-way acceptable to Company on or off customer's premises, following the payment by customer of the Company's estimated net cost of relocating its distribution facilities. The net relocation cost chargeable to customer may be offset in part by an amount not to exceed 50 percent (50%) of any net annual revenue estimated to be derived from customer's premises, and not utilized in meeting the Company's tariff provisions governing extensions to non-residential customers.

2. Discount from Standard Tariff

   The customer shall enter into a contract with the Company specifying the character of the service to be provided and such other terms and conditions of service as are mutually agreeable. Customers meeting the criteria established in this tariff shall be eligible for a 15% discount from otherwise applicable base rate tariff charges, before application of taxes. Application of this discount provision is limited to customers whose average annual peak demand is at least 500 kW and whose annual load factor exceeds 55%. The discount shall remain in effect for up to 60 months and is not available for customers which are residential or retail in nature.

### TERMS AND CONDITIONS

Customers participating in this Rider will be ineligible for participation in any other economic development, economic retention, or similar tariff of the Company.

Maps showing the locations qualifying for consideration under this Rider, subject to Company approval, are attached and part of this Rider.

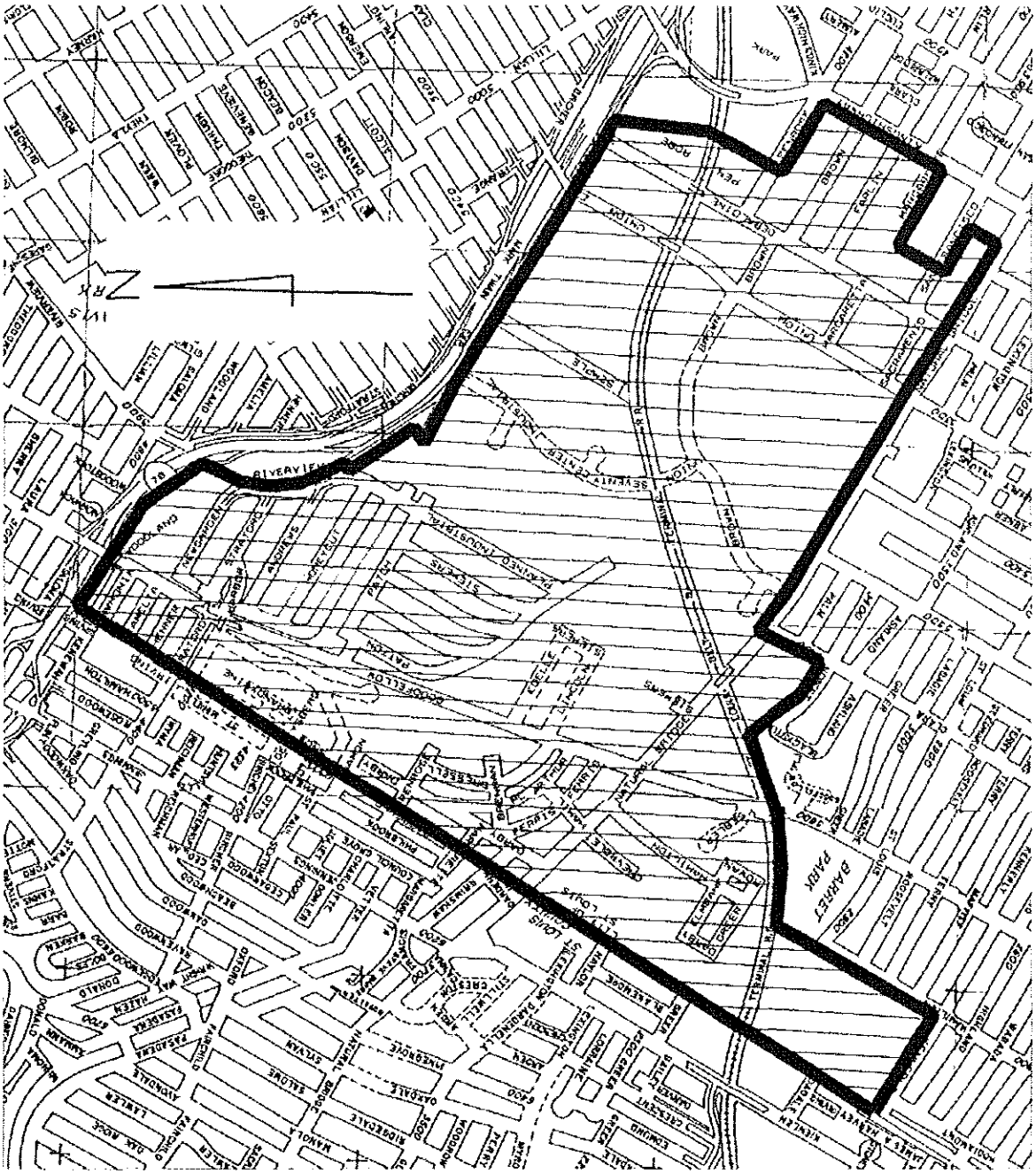
Notwithstanding the above, this Rider shall immediately become void, and the Company shall have no further obligations or liabilities hereunder, if any term or terms of this Rider are determined to be discriminatory or otherwise unlawful by a court of competent jurisdiction.

FILED
Missouri Public
Service Commission
ET-2013-0546; JE-2013-0

RIDER ERR

ECONOMIC RE-DEVELOPMENT RIDER (Cont'd.)

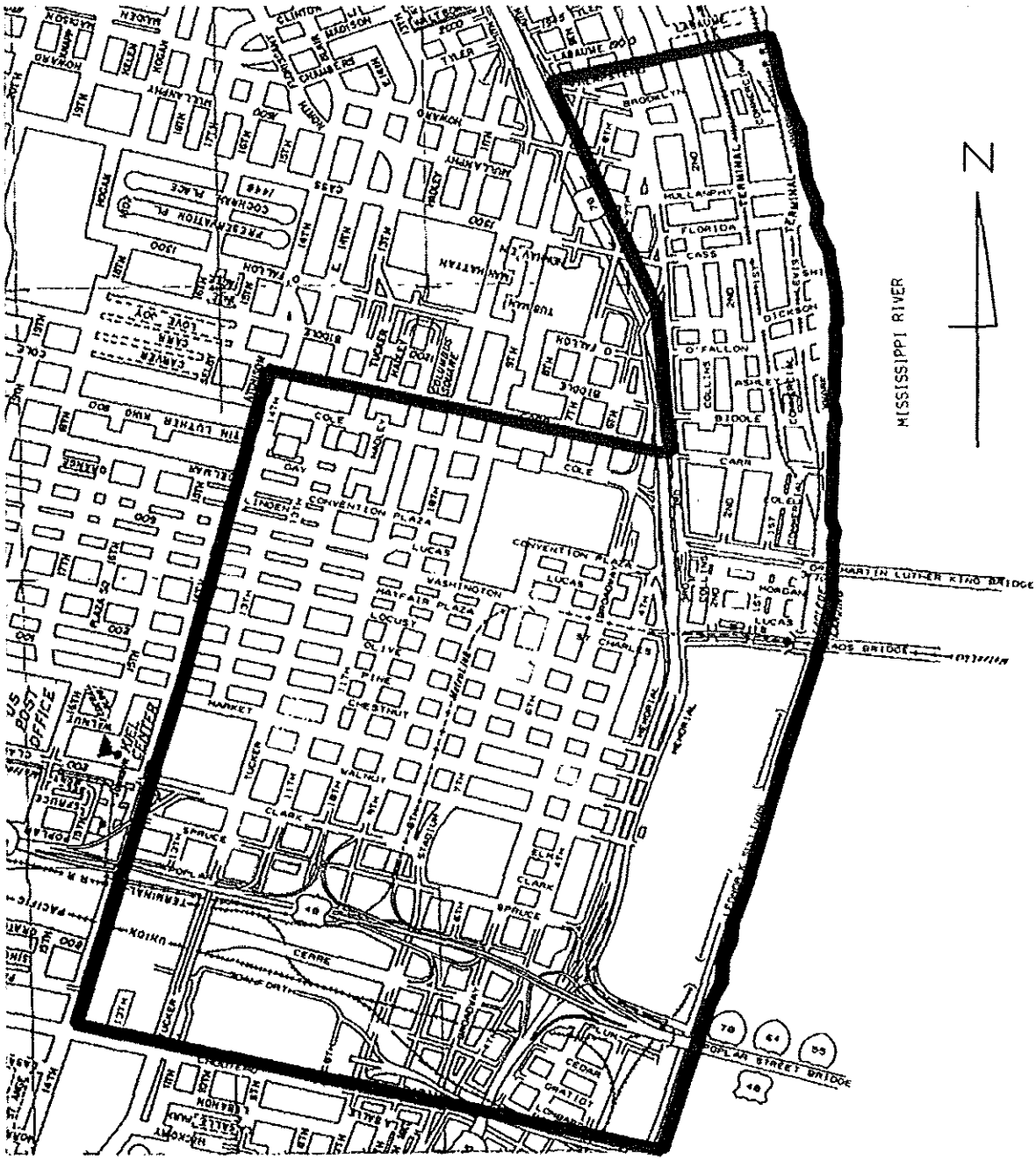
City of St. Louis, Missouri:



RIDER ERR

ECONOMIC RE-DEVELOPMENT RIDER (Cont'd.)

City of St. Louis, Missouri:

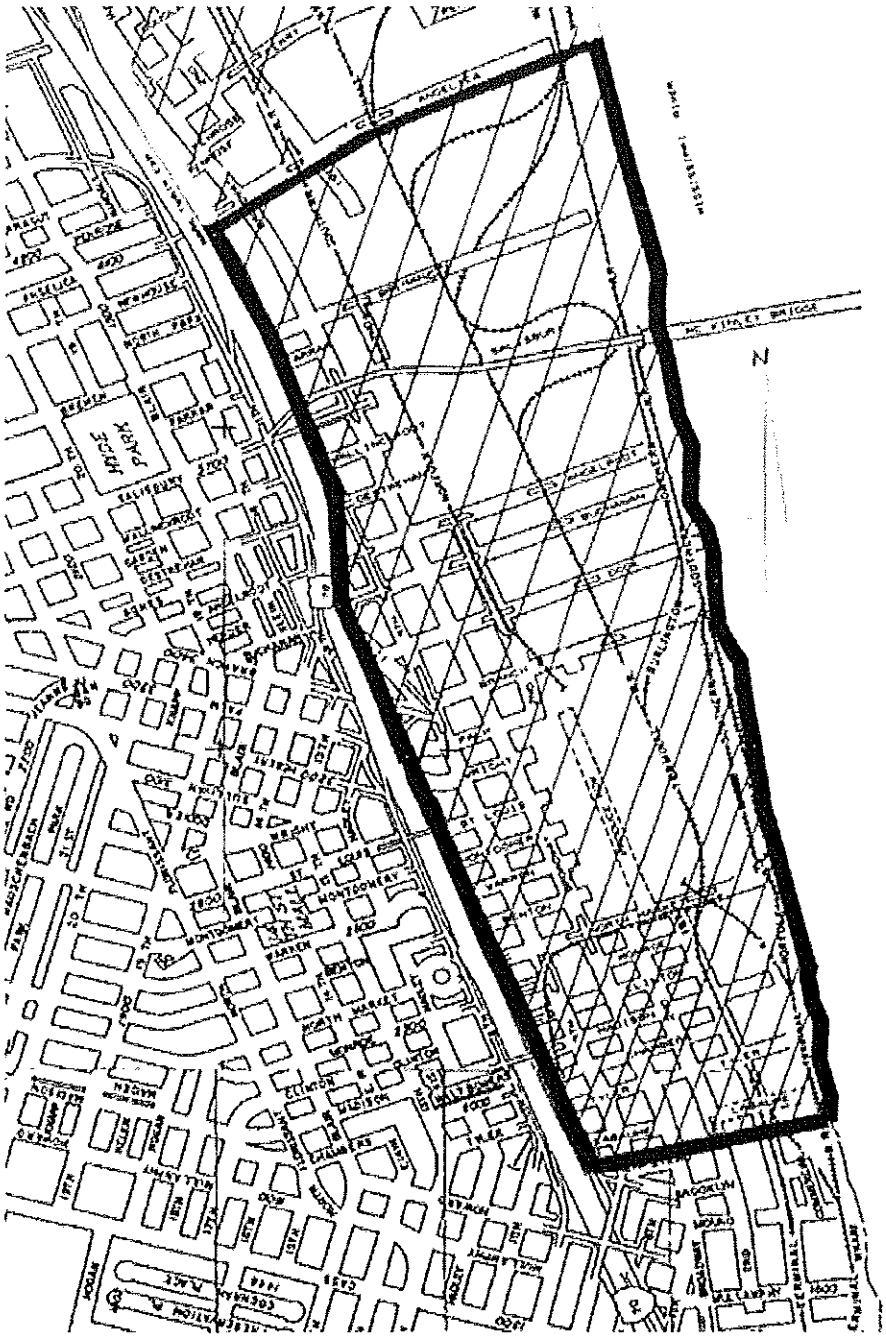



FILED
Missouri Public
Service Commission
ET-2013-0546; JE-2013-0

RIDER ERR

ECONOMIC RE-DEVELOPMENT RIDER (Cont'd.)

City of St. Louis, Missouri:



FILED
Missouri Public
Service Commission
ET-2013-0546; JE-2013-0

RIDER ERR

ECONOMIC RE-DEVELOPMENT RIDER (Cont'd.)

City of St. Louis, Missouri:

ECONOMIC DEVELOPMENT RIDER
SCHEDULE EDR

**Purpose:**
The purpose of the Economic Development Rider is to encourage industrial and commercial business development in Missouri.

**Availability:**
Electric service under this rider is only available in conjunction with local, regional and state governmental economic development activities where incentives have been offered and accepted by the Customer after the effective date of this rider to locate new facilities or expand existing facilities in the Company's Missouri service area. For purposes of this rider, new facilities shall be defined as a Customer's facility that has not received electric service in the Company's Missouri service area within the last twelve (12) months. Electric service under this rider is only available to a Customer otherwise qualified for service under the Company's GP, TEB, LP or ST rate schedules, and willing to enter into a contract for service for a minimum term of five (5) years.

The availability of this rider shall be limited to industrial and commercial facilities not involved in selling or providing goods and services directly to the general public.

**Applicability:**
The rider is applicable to new facilities or the additional separately metered facilities meeting the above availability criteria and the following two applicability criteria:

1. The annual load factor of the new Customer or additional facility is reasonably projected to equal or exceed an annual load factor of fifty (50) percent within two (2) years of the date the Customer first receives service under this Rider. The projected annual Customer load factor shall be determined by the following relationship:

PAE / PCD X HRS

Where:
PAE = Projected Annual Energy (kWh)
HRS = Hours in year (8760)
PCD = Projected Customer Non-coincident Demand

If the above load factor criterion is not met, the Company may consider the following other factors when determining qualification for the rider:
a. The creation of seventy-five (75) or more new permanent full-time jobs;

2. The peak demand of the new or additional facility is reasonable projected to be at least three-hundred (300) kW within two years of the date the Customer first received service under this rider.

All requests for service under this rider will be considered by the Company. Sufficiently detailed information shall be provided, by the Customer, to enable the Company to determine whether a facility is qualified for the Rider. Service under this rider shall be evidenced by a contract between the Customer and the Company, which shall be submitted to the Commission.

ECONOMIC DEVELOPMENT RIDER
SCHEDULE EDR

**Incentive Provisions:**

1. Revenue Determination:
   The pre-tax revenues under this rider shall be determined by reducing otherwise applicable charges, associated with the GP, TEB,LP or ST rate schedules, by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease. All other billing, operational and related provision of the aforementioned rate schedules shall remain in effect.

   Bills for separately metered service to existing Customers, pursuant to the provision of this rider, will be calculated independently of any other service rendered to the Customer at the same or other locations.

2. Shifting of Existing Load:
   For Customers with existing facilities at one or more locations in the Company's Missouri service area, this rider shall not apply to the service previously provided at any other Company delivery point within the last twelve (12) months. Failure to comply with this provision may result in termination of service under this rider.

**Termination:**

Failure of the Customer to meet any of the applicability criteria of this rider, used to qualify the Customer for acceptance on the rider, within two years of the date service under this rider begins, may lead to termination of service under this rider.

ECONOMIC DEVELOPMENT RIDER
SCHEDULE EDR

**Form of Contract:**

This Agreement is entered into as of this _____ day of _____ 20__, by and between Empire District Electric Company (Company) and _____ (Customer).

Witnesseth:

Whereas, Company has on file with the Public Service Commission of the State of Missouri (Commission) a certain Economic Development Rider (Rider), and:

Whereas, Customer is a new Customer, or has acquired additional separately metered facilities within the Company's service territory, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new facilities or additional separately metered facilities (Facilities) satisfied the Availability and Applicability provisions of the Rider, and:

The Company and Customer agree as follows:

1. Service to the Customer's Facilities located at (address) _____, (city) _____, (state) _____, (county) _____ shall be pursuant to the Rider, all other applicable tariffs, and the Company's General Rules and Regulations applying to electric service, as may be in effect from time to time and filed with the Commission.

2. Customer further acknowledged that this Agreement is not assignable voluntarily by Customer, but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law.

3. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Rider shall be retained by the Company, and shall be subject to inspection and disclosure under Chapters 383 and 393, RSMo 2011, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, the Company shall notify Customer of any request for inspection or disclosure, and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.

4. This Agreement shall be governed in all respects by the laws of the State of Missouri (regardless of conflict of laws provisions), and by the orders, rules and regulations of the Commission they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights jurisdiction, power or authority vested in it by law.

In witness whereof, the parties have signed this Agreement as of the date first above written.

Empire District Electric Company _____ (Customer)

By_____ By_____

## ECONOMIC DEVELOPMENT RIDER
## Schedule EDR (FROZEN)

**PURPOSE:**

The purpose of this Economic Development Rider is to encourage industrial and commercial business development in Missouri.

**AVAILABILITY:**

Electric service under this Rider is only available in conjunction with local, regional and state governmental economic development activities where incentives have been offered and accepted by the Customer to locate new facilities or expand existing facilities in the Company's Missouri service area. For purposes of this Rider, a new facility shall be defined as a Customer's facility that has not received electric service in the Company's combined service area within the last twelve (12) months. Electric service under this Rider is only available to a Customer otherwise qualified for service under the Company's SGS, MGS, LGS, LPS, SGA, MGA or LGA rate schedules. Electric service under this Rider is not available in conjunction with service provided pursuant to any other special contract agreements.

The availability of this Rider shall be limited to industrial and commercial facilities not involved in selling or providing goods and services directly to the general public. Customers receiving service under this Rider must qualify under the criteria of this Rider or have been served under the superseded Rider on December 31, 1991. This Rider is not available to those Customers who have an EDR contract which has an effective date after the effective date of this tariff.

**APPLICABILITY:**

The Rider is applicable to new facilities or the additional separately metered facilities meeting the above availability criteria and the following two applicability criteria:

1. The annual load factor of the new Customer or additional facility is reasonably projected to equal or exceed the Company's annual system load factor within two (2) years of the date the Customer first receives service under this Rider. The projected annual Customer load factor shall be determined by the following relationship:

**ECONOMIC DEVELOPMENT RIDER**
**Schedule EDR (FROZEN)** **(continued)**

**APPLICABILITY: (Continued)**

$$\frac{PAE}{PCD * HRS}$$

where:
PAE = Projected Annual Energy (kWh)
HRS = Hours in year (8760)
PCD = Projected Customer Demand coincident with Company System Peak Demand.

If the above load factor criterion is not met, the Company may consider the following other factors when determining qualification for the Rider:

a. The creation of 100 or more new permanent full-time jobs;
b. Capital investment of $500,000 or more.

2. The peak demand of the new or additional facility is reasonably projected to be at least two-hundred (200) kW within two years of the date the Customer first receives service under this Rider.

All requests for service under this Rider will be considered by the Company. Sufficiently detailed information shall be provided, by the Customer, to enable the Company to determine whether a facility is qualified for the Rider. Service under this Rider shall be evidenced by a contract between the Customer and the Company, which shall be submitted to the Commission.

## ECONOMIC DEVELOPMENT RIDER
## Schedule EDR (FROZEN) (continued)

**INCENTIVE PROVISIONS:**

1. Revenue Determination:
The pre-tax revenues under this Rider shall be determined by reducing otherwise applicable charges, associated with the SGS, MGS, LGS, LPS, SGA, MGA, or LGA rate schedules, by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease. All other billing, operational and related provisions of the aforementioned rate schedules shall remain in effect. The reductions under this Rider shall not apply to service rendered to the Customer during the three (3) months beginning with the first regular meter reading occurring on or after June 1 of each year.

   Bills for separately metered service to existing Customers, pursuant to the provisions of this Rider, will be calculated independently of any other service rendered to the Customer at the same or other locations.

2. Shifting of Existing Load:
For Customers with existing facilities at one or more locations in the Company's combined service area, this Rider shall not be applicable to service provided at any other delivery point prior to receiving service under this Rider. Failure to comply with this provision may result in termination of service under this Rider.

3. Local Service Facilities:
The Company will not require a contribution in aid of construction for standard facilities installed to serve the Customer if the expected revenues from the new load are determined to be sufficient to justify the required investment in the facilities.

**TERMINATION:**

Failure of the Customer to meet any of the applicability criteria of this Rider, used to qualify the Customer for acceptance on the Rider, within two (2) years of the date service under this Rider begins, may lead to termination of service under this Rider.

**ECONOMIC DEVELOPMENT RIDER**
**Schedule EDR (FROZEN)** **(continued)**

FORM OF CONTRACT

This Agreement is entered into as of this _____ day of _____, 200_, by and between Kansas City Power & Light Company (Company) and _____ (Customer).

WITNESSETH:

Whereas, Company has on file with the Public Service Commission of the State of Missouri (Commission) a certain Economic Development Rider (Rider), and;

Whereas, Customer is a new Customer, or has acquired additional separately metered facilities within the Company's service territory, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new facilities or additional separately metered facilities (Facilities) satisfied the Availability and Applicability provisions of the Rider, and;

Whereas, Customer wishes to take electric service from the Company, and the Company agrees to furnish electric service to the Customer under this Rider and pursuant to all other applicable tariffs of the Company;

The Company and Customer agree as follows:

1. Service to the Customer's Facilities located at (address) _____, (city) _____, (state) _____, (county) _____shall be pursuant to the Rider, all other applicable tariffs, and the Company's General Rules and Regulations Applying to Electric Service, as may be in effect from time to time and filed with the Commission.

2. Customer acknowledges that the rate reductions provided by the Rider do not apply to service rendered to the customer during the three (3) months beginning with the first regular meter reading occurring on or after June 1 of each year.

3. Customer further acknowledges that this Agreement is not assignable voluntarily by Customer, but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law.

**ECONOMIC DEVELOPMENT RIDER**
**Schedule EDR (FROZEN)** **(continued)**

FORM OF CONTRACT (continued)

4. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Rider shall be retained by the Company, and shall be subject to inspection and disclosure under Chapters 386 and 393, RSMo 1986, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, Company shall notify Customer of any request for inspection or disclosure, and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.

5. This Agreement shall be governed in all respects by the laws of the State of Missouri (regardless of conflict of laws provisions), and by the orders, rules and regulations of the Commission as they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights jurisdiction, power or authority vested in it by law.

In witness whereof, the parties have signed this Agreement as of the date first above written.

Kansas City Power & Light Company

By _____

_____
Customer

By _____

## ECONOMIC DEVELOPMENT RIDER
## Schedule EDR

**PURPOSE:**

The purpose of this Economic Development Rider is to encourage industrial and commercial business development in Missouri and retain existing load where possible. These activities will attract capital expenditures to the State, diversify the Company's customer base, create jobs and serve to improve the utilization efficiency of existing Company facilities.

**AVAILABILITY:**

Electric service under this Rider is only available in conjunction with local, regional and state governmental economic development activities where incentives have been offered and accepted by the Customer to locate new facilities, expand existing facilities, or retain existing facilities in the Company's service area. The qualifying load under this Rider shall be the entire load of a Customer's new facilities, the incremental new load of an existing Customer, or the portion of an existing Customer's load for which exit from the Company's service area is imminent. For purposes of this Rider, a new facility shall be defined as a Customer's facility that has not received electric service in the Company's service area within the last twelve (12) months. Electric service under this Rider is only available to a Customer otherwise qualified for service under the Company's MGS, LGS, LPS, MGA or LGA rate schedules. Electric service under this Rider is not available in conjunction with service provided pursuant to any other Special Contract Service tariff agreements.

This Rider is not available for customers shifting loads between either KCP&L Greater Missouri Operations Company ("GMO") or Kansas City Power & Light Company ("KCP&L"), unless the customer's search and consideration for moving includes viable electric supply options in other electric utility service territories. In such cases, the Company will verify the availability of such supply options and Customer's intent prior to making the Rider available to the Customer.

The availability of this Rider shall be limited to industrial and commercial facilities which are not in the business of selling or providing goods and/or services directly to the general public.

**APPLICABILITY:**

The Rider is applicable to new or existing facilities meeting the above availability criteria and the following two applicability criteria:

1. The annual load factor of the new Customer facility or expanded facility is reasonably projected to equal or exceed a fifty-five percent (55%) annual load factor within two (2) years of the date the Customer first receives service under this Rider. The Customer must maintain an annual load factor of 55% or greater in years three (3) through five (5) of the service under this Rider to continue to be eligible for the incentive provisions. The projected annual Customer load factor shall be determined by the following relationship:

**ECONOMIC DEVELOPMENT RIDER**
**Schedule EDR** **(continued)**

**APPLICABILITY: (Continued)**

$$\frac{PAE}{PCD * HRS}$$

where:
PAE = Projected Annual Energy (kWh)
HRS = Hours in year (8760)
PCD = Projected Customer Peak Demand

If the above load factor criterion is not met, the Company may consider the following other factors when determining qualification for the Rider:

a. 100 or more new permanent full-time jobs created or percentage increase in existing permanent full-time jobs;
b. Capital investment of $5 million or more
c. Additional Off-peak Usage

Any of the above alternate factors considered will be documented as part of the approval process. Revenues to be received from a Customer over the term of the contract shall be greater than the applicable incremental cost to provide electric service, as determined by the Company pursuant to Sheet Nos. 32I and 32J, ensuring a positive contribution to fixed costs.

2. The peak demand of the new or additional facility is reasonably projected to be at least two-hundred (200) kW within two years of the date the Customer first receives service under this Rider. The Customer must maintain at least two-hundred (200) kW in years three (3) through five (5) of the service under this Rider to continue to be eligible for the incentive provisions.

All requests for service under this Rider will be considered by the Company. Sufficiently detailed information and documentation shall be provided by the Customer to enable the Company to determine whether a facility is qualified for the Rider.

In the case of retention of an existing Customer, as a condition for service under this Rider, Customer must furnish to Company such documentation (e.g. Influencing factors and a comparison of the rates and other economic development incentives) as deemed necessary by Company to verify the availability of a viable electric supply option outside of KCP&L's service territory and Customer's intent to select this viable electric supply option. Customer must also furnish an affidavit stating Customer's intent to select this viable electric supply option unless it is able to receive service under this Rider.

**ECONOMIC DEVELOPMENT RIDER**
**Schedule EDR** **(continued)**

In the case of shifting of a customer's load between GMO and KCP&L, Customer must furnish to Company such documentation (e.g. Influencing factors and a comparison of the rates and other economic development incentives) as deemed necessary by Company to verify Customer's intent and the availability of a viable electric supply option outside of the service territories of GMO and KCP&L. Customer must also furnish an affidavit stating Customer's intent to select this viable electric supply option unless it is able to receive service under this Rider.

Service under this Rider shall be evidenced by a contract between the Customer and the Company, which shall be submitted along with supporting documentation to the Commission, Commission Staff in the Energy Unit and the Office of Public Counsel. In the case of a Customer locating a new facility in KCP&L's service territory or expanding an existing facility in KCP&L's service territory, the contract will contain a statement that the Customer would not locate new facilities in KCP&L's service territory or expand its existing facilities in KCP&L's service territory but for receiving service under this Rider along with other incentives.

**INCENTIVE PROVISIONS:**

1. Revenue Determination:
The pre-tax revenues under this Rider shall be determined by reducing otherwise applicable charges, associated with the, MGS, LGS, LPS, , MGA, or LGA rate schedules, by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease unless provision #3 below applies. If elected by the Customer and approved by the Company before the EDR contract is executed, the Company may determine to alter the application of the discount percentages over the course of the five (5) years not exceeding 100% total and not exceed 30% in any single year. The selected discount percentage cannot change once signed as part of the contract. All other billing, operational and related provisions of the aforementioned rate schedules shall remain in effect.

   Bills for separately metered (or measured) service to existing Customers, pursuant to the provisions of this Rider, will be calculated independently of any other service rendered to the Customer at the same or other locations.

2. Shifting of Existing Load:
For Customers with existing facilities at one or more locations in the Company's service area, this Rider shall not be applicable to service provided at any other delivery point prior to receiving service under this Rider. Failure to comply with this provision may result in termination of service under this Rider.

3. Beneficial Location of Facilities:
If the Company determines at the time of the approval of the EDR that loads under this Rider utilize existing infrastructure in a manner which is beneficial to the local electric service delivery system, an additional incentive of up to 10% reduction during the 6th year can be applied to the pre-tax charges associated with the Customer's rate schedule. Documentation supporting the approval of this provision including relevant circuit utilization information will be provided with the contract and other supporting documentation submitted to the Commission, Commission Staff in the Energy Unit and Office of Public Counsel for information purposes. This provision does not apply for the retention of Customers.

4. Positive Contribution:
Revenues to be received from a Customer over the term of the contract shall be greater than the applicable incremental cost to provide electric service, as determined by the Company pursuant to Sheet Nos. 32I and 32J, ensuring a positive contribution to fixed costs.

5 Separately Measured Service:
For facilities contracting under this Rider due to expansion, the Company may install metering equipment necessary to measure load subject to this Rider. The Company reserves the right to make the determination of whether such load will be separately metered or sub-metered. If the Company determines that the nature of the expansion is such that either separate metering or sub-metering is impractical or economically infeasible, the Company will determine, based on historical usage, what portion of the Customer's load in excess of the monthly baseline, if any, qualifies as new load eligible for this Rider.

**TERMINATION:**

Failure of the Customer to meet any of the applicability criteria of this Rider, used to qualify the Customer for acceptance on the Rider shall lead to termination of service under this Rider.

**INCREMENTAL COST ANALYSIS:**

As confirmation that revenues received from Customers under this Schedule are expected to be sufficient to cover the Company's increased costs to serve such Customers, the Company shall provide to the Commission, Commission Staff in the Energy Unit and Office of Public Counsel an analysis of the Company's incremental cost of service in a format set forth in Sheet No. 32J. This analysis shall be provided at the time of the Company's triennial and annual updates filed under the Commission's Chapter 22 Electric Utility Resource Planning Rules.

This analysis shall be performed utilizing an hourly production cost simulation model such as Midas or equivalent along with current estimates of the market value of capacity. The incremental costs shall include the estimated cost of serving a 10 MW incremental retail electric customer load at varying load factors. The incremental cost shall include the impact of such retail load on the Company's purchased power costs, fuel costs, incremental capacity costs and wholesale sales. This analysis shall generally be forward looking, covering the current calendar year and subsequent four (4) calendar years and include the impact of the Company's view of forward wholesale energy market prices.

# KANSAS CITY POWER & LIGHT COMPANY

Schedule SLK-1-23

P.S.C. MO. No. 7 ☒ Original Sheet No. 32J
☐ Revised

Cancelling P.S.C. MO. No. ____ ☐ Original Sheet No. ____
☐

For Missouri Retail Service Area

**INCREMENTAL ANNUAL COST PER KWH:**

KCP&L Incremental Cost Analysis Study by Load Factor
(per procedure documented in KCP&L 32I and GMO 123.4)

| Load Factor | | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
|---|---|---|---|---|---|---|---|---|---|---|
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |

October 19, 2013

DATE OF ISSUE: October 9, 2013
ISSUED BY: Darrin R. Ives
Vice President, Regulatory Affairs

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Kansas City, Mo. FILED
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Service Commission
ER-2014-0031 YE-2014-0167

FORM NO. 13 P. S. C. MO. No. 7 First { ~~Original~~ Revised } SHEET No. 41

Cancelling P. S. C. MO. No. 7 { Original ~~Revised~~ } SHEET No. 41

KANSAS CITY POWER & LIGHT COMPANY
Name of Issuing Corporation or Municipality

For Missouri Retail Service Area
Community, Town or City



## URBAN CORE DEVELOPMENT RIDER
## Schedule UCD



**PURPOSE:**

The purpose of this Rider is to encourage industrial and commercial businesses to develop within that portion of the Company's service territory which is bounded by the Missouri River on the north, Interstate 435 on the south and east, and State Line Road on the west. The area described above shall hereinafter be known as the "Urban Core Development Area".

**AVAILABILITY:**

Electric service under this Rider is only available in conjunction with local, regional, and state governmental economic development activities where incentives have been offered and accepted to locate or expand existing facilities in the Urban Core Development Area.

This Rider is available:

A. To Customers who locate in a new facility and effect and maintain two (2) or more permanent full-time job positions within the Urban Core Development Area. For the purpose of this Rider, a new facility shall also be defined as an existing facility within the Urban Core Development Area that has not received electric service within the last twelve (12) months.

B. To Customers who expand existing facilities, or locate in rehabilitated existing facilities and effect and maintain the addition of two (2) or more permanent full-time job positions within the Urban Core Development Area, and where the amount of expenditure for such expanded or rehabilitated facilities shall be not less than ten (10) percent of the pre-expansion or pre-rehabilitation assessed value of such existing facilities.

C. To Customers who expand existing facilities, or locate in rehabilitated existing facilities within the Urban Core Development Area, and where the amount of expenditure for such expansion or rehabilitation of facilities shall be not less than twenty-five (25) percent of the pre-expansion or pre-rehabilitation assessed value of such existing facilities.





KCPL Form 861H002 (Rev 1/97)

DATE OF ISSUE October 8, 1998 (month day year) DATE EFFECTIVE November 10, 1998 (month day year)

ISSUED BY J. S. Latz (name of officer) Senior Vice President (title) 1201 Walnut, Kansas City, Mo. (address)

FORM NO. 13 P. S. C. MO. No. 7 First { ~~Original~~ Revised } SHEET No. 41A

Cancelling P. S. C. MO. No. 7 { Original ~~Revised~~ } SHEET No. 41A

KANSAS CITY POWER & LIGHT COMPANY
Name of Issuing Corporation or Municipality

For Missouri Retail Service Area
Community, Town or City



## URBAN CORE DEVELOPMENT RIDER
Schedule UCD (continued)



**AVAILABILITY: (continued)**

This Rider is available only to those Customers currently served or otherwise qualified for service under the Company's SGS, MGS, LGS, I.PS, SGA, MGA, and LGA schedules, including those Customers selling or providing goods and services directly to the public.

Electric service under this Rider is also available in conjunction with other applicable riders with the exception of Economic Development Rider, Schedule EDR. Customer cannot qualify for both the Urban Core Development Rider and the Economic Development Rider, Schedule EDR for the same project.

**APPLICABILITY:**

Customer must complete a written application for service under this Rider within the availability period and supply detailed information prior to making a decision regarding its location in new facilities or its expanded or rehabilitated facilities.

The Company will review and must approve, on an individual project basis, the development plans of the construction, rehabilitation, or expansion of Customer's facilities to determine the qualification of Customer's projects under the provisions of this Rider. In addition the Company will assess the availability of its distribution facilities in the area of the proposed project. These facilities must have at least 30% of their capacity available in order for the proposed project to be considered for this Rider. Documentation of the Company's review will be retained for a period of five years.

Once a Customer has qualified for the incentive provisions of this Rider for an approved project, and subsequently moves or transfers this project to another location within the Urban Core Development Area, only the remaining eligible incentive provisions of the initial project, subject to 30% capacity availability, may be transferred to the moved or transferred project. No new incentive provisions will be available.





KCPL Form 661H002 (Rev 1/97)

DATE OF ISSUE October 8, 1998 (month / day / year) DATE EFFECTIVE November 10, 1998 (month / day / year)

ISSUED BY J. S. Latz (name of officer) Senior Vice President (title) 1201 Walnut, Kansas City, Mo. (address)

FORM NO. 13 P. S. C. MO. No. 7 First { ~~Original~~ Revised } SHEET No. 41B

Cancelling P. S. C. MO. No. 7 { Original ~~Revised~~ } SHEET No. 41B

KANSAS CITY POWER & LIGHT COMPANY
Name of Issuing Corporation or Municipality

For Missouri Retail Service Area
Community, Town or City



**URBAN CORE DEVELOPMENT RIDER**
**Schedule UCD**



(continued)

**APPLICABILITY: (continued)**

The Company will examine each application for service under this Rider. The incentive provisions for each individual Customer's project will not exceed the annual Urban Core Development Rider incentive associated with a Customer served on the Company's SGS, MGS, LGS, LPS, SGA, MGA, or LGA schedules and whose annual peak demand and load factor are 240 kW and 50%, respectively.

Service under this Rider shall be evidenced by a contract, as shown on Sheet 41C and 41D, between the Customer and the Company. All such contracts shall be furnished to the Commission Staff and the Office of the Public Counsel, and shall be subject to the Commission's jurisdiction. The terms and conditions of these contracts shall not bind the Commission for ratemaking purposes.

**INCENTIVE PROVISIONS:**

Revenue Determination:

The pre-tax revenues under this Rider from electric service to Customers' facilities qualifying under paragraphs A and B of the Availability section of this Rider shall be determined by reducing otherwise applicable charges associated with the applicable commercial or industrial rate schedules by 25% during the first contract year, 20% during the second contract year, 15% during the third contract year, 10% during the fourth contract year, and 5% during the fifth contract year. After the fifth contract year, this incentive provision shall cease. All other billing, operational and related provisions of the aforementioned rate schedules shall remain in effect.

The pre-tax revenues under this Rider from electric service to Customers' facilities qualifying under paragraph C of the Availability section of this Rider shall be determined by reducing otherwise applicable charges associated with the commercial or industrial rate schedules by 10% per year during a five year contract period. After the fifth contract year, this incentive provision shall cease. All other billing, operational and related provisions of the aforementioned rate schedules shall remain in effect.

**TERMINATION:**

Failure of the Customer to meet any of the availability/applicability criteria of this Rider used to qualify the Customer for acceptance on the Rider within two (2) years of the date service under this Rider begins, or failure of the Customer to comply with the job position criteria (if applicable) at all times during the third through fifth contract years, may lead to termination of service under this Rider. If service is not terminated, the Company will maintain adequate documentation as to why service was not terminated.



KCPL Form 661H002 (Rev 1/97)

DATE OF ISSUE October 8, 1998 (month day year) DATE EFFECTIVE November 10, 1998 (month day year)

ISSUED BY J. S. Latz (name of officer) Senior Vice President (title) 1201 Walnut, Kansas City, Mo. (address)

**URBAN CORE DEVELOPMENT RIDER**
**Schedule UCD** **(continued)**

**FORM OF CONTRACT**

This Agreement is entered into as of this __ day of _____, 19_, by and between Kansas City Power & Light Company (Company) and _____, (Customer).

**WITNESSETH:**

Whereas, Company has on file with the Public Service Commission of the State of Missouri (Commission) a certain Urban Core Development Area Rider, and;

Whereas, Customer is a new Customer, a Customer who has rehabilitated or expanded an existing facility, or has acquired additional facilities within the Urban Core Development Area, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new, rehabilitated, or expanded facilities (Facilities) satisfy the Availability and Applicability provisions of the Urban Core Development Area Rider, and;

Whereas, Customer wishes to take electric service from the Company, and the Company agrees to furnish electric service to the Customer under the Urban Core Development Area Rider and pursuant to all other provisions of the tariff of the Company;

The Company and Customer agree as follows:

1. Service to the Customer's Facilities located at (address) _____, (city) _____, (state) _____, (county) _____ shall be pursuant to the Urban Core Development Area Rider, all other provisions of the Company's rate schedules and General Rules and Regulations Applying to Electric Service, as may be in effect from time to time and filed with the Commission.

2. Customer further acknowledges that this Agreement is not assignable voluntarily by Customer, but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law.

3. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Urban Core Development Area Rider shall be retained by the Company, and shall be subject to inspection and disclosure under Chapters 386 and 393, RSMo 1986, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, Company shall notify Customer of any request for inspection or disclosure, and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.

FORM NO. 13 P. S. C. MO. No. 7 First ~~Original~~ Revised SHEET No. 41D

Cancelling P. S. C. MO. No. 7 Original ~~Revised~~ SHEET No. 41D

KANSAS CITY POWER & LIGHT COMPANY
Name of Issuing Corporation or Municipality

For Missouri Retail Service Area
Community, Town or City



**URBAN CORE DEVELOPMENT RIDER**
**Schedule UCD**



(continued)

**FORM OF CONTRACT (Continued)**

4. This Agreement shall be governed in all respects by the laws of the State of Missouri (regardless of conflict of law provisions), and by the orders, rules and regulations of the Commission as they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights, jurisdiction, power or authority vested to it by law.

In witness whereof, the parties have signed this Agreement as of the date first above written.

KANSAS CITY POWER & LIGHT COMPANY

_____

By

KCPL Form 661H002 (Rev 1/97)



DATE OF ISSUE October 8, 1998 (month day year) DATE EFFECTIVE November 10, 1998 (month day year)

ISSUED BY J. S. Latz (name of officer) Senior Vice President (title) 1201 Walnut, Kansas City, Mo. (address)

# ECONOMIC DEVELOPMENT RIDER
# ELECTRIC (FROZEN)

## PURPOSE

The purpose of this Economic Development Rider is to encourage industrial and commercial development and thereby increase economic development opportunities in the Company's service area.

## AVAILABILITY

Electric service under this Rider is available to certain customers otherwise qualified for service under the Company's Large General Service or the Company's Large Power Service rates that also meet the criteria stated herein on a first come, first serve basis as determined by the execution of the contract specified herein. The availability of this Rider shall be limited to qualified customers not involved in selling or providing goods and services directly to the general public. The Company will consider all requests for service under this Rider; however, requests will not be accepted for new or expanded facilities under construction or otherwise committed to operation prior to the first effective date of this Rider. Electric service under this Rider is not available in conjunction with service provided pursuant to any other special contract agreements. This Rider is not available to those Customers who have an EDR contract which has an effective date after the effective date of this tariff.

## APPLICABILITY

Sufficiently detailed information shall be provided by the Customer to enable the Company to determine whether a facility is qualified for the Rider. Service under this Rider shall be evidenced by a contract between the Customer and the Company, a copy of which shall be submitted to the Commission Staff and Office of Public Counsel.

## CRITERIA

Upon the election of the Customer and acceptance by the Company, the provisions of this Rider are applicable to new industrial and commercial customers and to the new facilities of existing industrial and commercial customers who expand operations and who meet the following criteria:

1. Annual kW Demand Criterion: The peak demand of the new customer or additional facilities is reasonably projected to be at least two hundred (200) kW within two (2) years of the new customer or separately measured facilities expansion first receiving service from Company. The new or expanding customer and Company will mutually agree upon a capacity expansion plan to be defined in the electric service agreement.

2. Load Factor Criterion: The annual load factor of the new customer or additional facilities is reasonably projected to exceed fifty-five percent (55%) within two (2) years of the new customer or additional separately measured facilities commencing service under this Rider. The customer must maintain an annual load factor exceeding fifty-five percent (55%) or greater in years three (3) through five (5) of the Rider to continue to be eligible for the incentive provisions. The customer's annual load factor will be reviewed each year on the anniversary of the commencement date of the EDR.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC (FROZEN)

CRITERIA (Continued)

The annual load factor of the customer shall be determined by the following relationship.

$$\frac{\text{Annual Energy (kWh)} / \text{Hours in Year}}{\text{Maximum Summer Monthly Demand}}$$

The maximum summer monthly demand is defined as the actual measured demand of the new Customer or facilities during the four (4) summer months of June through September.

3. The new or additional facility receives local, regional or state governmental incentives.

INCENTIVE PROVISIONS

1. Rate Discount: Prior to taxes, the Customer's net monthly bill, calculated in accordance with the applicable rate schedules, will be discounted by thirty percent (30%) during the first (1st) contract year, twenty-five percent (25%) during the second (2nd) contract year, twenty percent (20%) during the third (3rd) contract year, fifteen percent (15%) during the fourth (4th) contract year, and ten percent (10%) during the fifth (5th) contract year. After the fifth (5th) contract year, this incentive provision shall cease.

2. Minimum Bill: The minimum monthly bill will be the charge for the minimum monthly Reserved Capacity of two hundred (200) kW pursuant to the applicable rate schedule. Other provisions of the applicable rate schedule which describe the calculation of Reserve Capacity and Billing Capacity apply. After the fifth (5th) contract year, this provision shall cease.

3. Local Service Facilities: The Company will not require an additional facilities or line extension charge for facilities installed to serve the customer if the Company's analysis of expected revenues from the new load on an ongoing basis is determined to be sufficient to justify the required investment in the facilities.

4. Separately Measured Service: Bills to existing Customers, pursuant to the provisions of this or other locations.

5. Shifting of Existing Load: For Customers with existing facilities at one (1) or more locations in the Company's service area, this Rider shall not be applicable to service provided at any other delivery point prior to receiving service under this Rider. Customer is prohibited from shifting loads from those locations already existing in the Company's service area to qualify for this Rider or to receive benefits from this Rider.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC (FROZEN)

TERM

The Company may file to freeze the availability of this Rider with respect to new loads at any time following one (1) year from the effective date of this tariff. Any Customer receiving service under the Rider on the date it is suspended may continue to receive the benefits of the incentive provisions herein through the remaining period of the Customer's contract.

TERMINATION

Failure of the Customer to meet or maintain any of the applicable criteria of this Rider, used to qualify the Customer for acceptance on the Rider, within the two (2) year period commencing with the date service under this Rider begins, may lead to termination of service under this Rider.

OTHER PROVISIONS

Service under this Rider shall be subject to all other applicable tariffs and the Company's general rules and regulations applying to electric service as the same may change from time to time as provided by law.

**FORM OF CONTRACT**

This Agreement is entered into as of this _____day of _____, 20_____, by and between Aquila, Inc., d/b/a Aquila Networks (Company) and _____ (Customer).

WITNESSETH:

Whereas, Company has on file with the Public Service Commission of the State of Missouri (Commission) a certain Economic Development Rider (Rider), and;

Whereas, Customer is a new Customer, or has acquired additional separately measured facilities within the Company's service territory, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new facilities or additional separately measured facilities (Facilities) satisfied the Availability and Applicability provisions of the Rider, and;

Whereas, Customer wishes to take electric service from the Company, and the Company agrees to furnish electric service to the Customer under this Rider and pursuant to all other applicable tariffs of the Company;

The Company and Customer agree as follows:

1. Service to the Customer's Facilities shall be pursuant to the Rider, all other applicable tariffs, and the Company's General Rules and Regulations Applying to Electric Service, as may be in effect from time to time and approved by the Commission.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC (FROZEN)

**FORM OF CONTRACT (Continued)**

2. Customer acknowledges that this Agreement is not assignable voluntarily by Customer, but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law so long as the successor continues to meet the criteria of the Rider.

3. Customer will furnish additional information, as requested by the Company, to assure the continued eligibility for service under the Rider. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Rider shall be retained by the Company, and shall be subject to inspection and disclosure under Chapters 386 and 393, RSMo 1986, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, Company shall notify Customer of any request for inspection or disclosure, and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.

4. This Agreement shall be governed in all respects by the laws of the State of Missouri (regardless of conflict of laws' provisions), and by the orders, rules and regulations of the Commission, as they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights jurisdiction, power or authority vested in it by law.

In witness whereof, the parties have signed this Agreement as of the date first above written.

Aquila Networks
a division of
Aquila, Inc.

_____
Customer

By _____ By _____

October 19, 2013

# ECONOMIC DEVELOPMENT RIDER
# ELECTRIC

## PURPOSE

The purpose of this Economic Development Rider is to encourage industrial and commercial business development in Missouri and retain existing load where possible. These activities will attract capital expenditures to the State, diversify the Company's customer base, create jobs, and serve to improve the utilization efficiency of existing Company facilities.

## AVAILABILITY

Electric service under this Rider is only available in conjunction with local, regional and state governmental economic development activities where incentives have been offered and accepted by the Customer to locate new facilities, expand existing facilities, or retain existing facilities in the Company's service area. The qualifying load under this Rider shall be the entire load of a Customer's new facilities, the incremental new load of an existing Customer, or the portion of an existing Customer's load for which exit from the Company's service area is imminent. For purposes of this Rider, a new facility shall be defined as a Customer's facility that has not received electric service in the Company's service area within the last twelve (12) months. Electric service under this Rider is only available to a Customer otherwise qualified for service under the Company's Medium General Service, Large General Service, or Large Power Service rate schedules. Electric service under this Rider is not available in conjunction with service provided pursuant to any other Special Contract Rate tariff agreements.

This Rider is not available for customers shifting loads between either KCP&L Greater Missouri Operations Company ("GMO") or Kansas City Power & Light Company ("KCP&L"), unless the customer's search and consideration for moving includes viable electric supply options in other electric utility service territories. In such cases, the Company will verify the availability of such supply options and Customer's intent prior to making the Rider available to the Customer.

The availability of this Rider shall be limited to industrial and commercial facilities which are not in the business of selling or providing goods and/or services directly to the general public.

## APPLICABILITY

The Rider is applicable to new or existing facilities meeting the above availability criteria and the following two applicability criteria:

1. The annual load factor of the new Customer facility or expanded facility is reasonably projected to equal or exceed fifty-five percent (55%) annual load factor within two (2) years of the date the Customer first receives service under this Rider. The Customer must maintain an annual load factor of 55% or greater in years three (3) through five (5) of the service under this Rider to continue to be eligible for the incentive provisions. The projected annual Customer load factor shall be determined by the following relationship:

$$\frac{PAE}{PCD * HRS}$$

where:

PAE = Projected Annual Energy (kWh)
HRS = Hours in year (8760)
PCD = Projected Customer Peak Demand

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC

If the above load factor criterion is not met, the Company may consider the following other factors when determining qualification for the Rider:

a. 100 or more new permanent full-time jobs created or percentage increase in existing permanent full-time jobs;
b. Capital investment of $5 million or more
c. Additional Off-peak Usage

Any of the above alternative factors considered will be documented as part of the approval process. Revenues to be received from a Customer over the term of the contract shall be greater than the applicable incremental cost to provide electric service, as determined by the Company pursuant to Sheet Nos. 123.5 and 123.6, ensuring a positive contribution to fixed costs.

2. The peak demand of the new or additional facility is reasonably projected to be at least two-hundred (200) kW within two years of the date the Customer first receives service under this Rider. The Customer must maintain at least two-hundred (200) kW in years three (3) through five (5) of the service under this Rider to continue to be eligible for the incentive provisions.

All requests for service under this Rider will be considered by the Company. Sufficiently detailed information and documentation shall be provided by the Customer to enable the Company to determine whether a facility is qualified for the Rider.

In the case of retention of an existing Customer, as a condition for service under this Rider, Customer must furnish to Company such documentation (e.g. Influencing factors and a comparison of the rates and other economic development incentives) as deemed necessary by Company to verify the availability of a viable electric supply option outside of GMO's service territory and Customer's intent to select this viable electric supply option. Customer must also furnish an affidavit stating Customer's intent to select this viable electric supply option unless it is able to receive service under this Rider.

In the case of shifting of a customer's load between GMO and KCP&L, Customer must furnish to Company such documentation (e.g. Influencing factors and a comparison of the rates and other economic development incentives) as deemed necessary by Company to verify Customer's intent and the availability of a viable electric supply option outside of the service territories of GMO and KCP&L. Customer must also furnish an affidavit stating Customer's intent to select this viable electric supply option unless it is able to receive service under this Rider.

Service under this Rider shall be evidenced by a contract between the Customer and the Company, which shall be submitted along with supporting documentation to the Commission, Commission Staff in the Energy Unit and the Office of Public Counsel. In the case of a Customer locating a new facility in GMO's service territory or expanding an existing facility in GMO's service territory, the contract will contain a statement that the Customer would not locate new facilities in GMO's service territory or expand its existing facilities in GMO's service territory but for receiving service under this Rider along with other incentives.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC

INCENTIVE PROVISIONS

1. Revenue Determination:
The pre-tax revenues under this Rider shall be determined by reducing otherwise applicable charges, associated with the Medium General Service, Large General Service, or Large Power Service rate schedules, by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease unless provision #3 below applies. If elected by the Customer and approved by the Company before the EDR contract is executed, the Company may determine to alter the application of the discount percentages over the course of the five (5) years not exceeding 100% total and not to exceed 30% in any single year. The selected discount percentage cannot change once signed as part of the contract. All other billing, operational and related provisions of the aforementioned rate schedules shall remain in effect.

Bills for separately metered (or measured) service to existing Customers, pursuant to the provisions of this Rider, will be calculated independently of any other service rendered to the Customer at the same or other locations.

2. Shifting of Existing Load:
For Customers with existing facilities at one or more locations in the Company's service area, this Rider shall not be applicable to service provided at any other delivery point prior to receiving service under this Rider. Failure to comply with this provision may result in termination of service under this Rider.

3. Beneficial Location of Facilities:
If the Company determines at the time of the approval of the EDR that loads under this Rider utilize existing infrastructure in a manner which is beneficial to the local electric service delivery system, an additional incentive of up to 10% reduction during the 6th year can be applied to the pre-tax charges associated with the Customer's rate schedule. Documentation supporting the approval of this provision including relevant circuit utilization information will be provided with the contract and other supporting documentation submitted to the Commission, Commission Staff in the Energy Unit and Office of Public Counsel for information purposes. This provision does not apply for the retention of Customers.

4. Positive Contribution:
Revenues to be received from a Customer over the term of the contract shall be greater than the applicable incremental cost to provide electric service, as determined by the Company pursuant to Sheet Nos. 123.5 and 123.6, ensuring a positive contribution to fixed costs.

ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC

INCENTIVE PROVISIONS (cont.)

5 Separately Measured Service:
For facilities contracting under this Rider due to expansion, the Company may install metering equipment necessary to measure load subject to this Rider. The Company reserves the right to make the determination of whether such load will be separately metered or sub-metered. If the Company determines that the nature of the expansion is such that either separate metering or sub-metering is impractical or economically infeasible, the Company will determine, based on historical usage, what portion of the Customer's load in excess of the monthly baseline, if any, qualifies as new load eligible for this Rider.

TERMINATION

Failure of the Customer to meet any of the applicability criteria of this Rider, used to qualify the Customer for acceptance on the Rider shall lead to termination of service under this Rider.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC

**INCREMENTAL COST ANALYSIS:**

As confirmation that revenues received from Customers under this Schedule are expected to be sufficient to cover the Company's increased costs to serve such Customers, the Company shall provide to the Commission, Commission Staff in the Energy Unit and Office of Public Counsel an analysis of the Company's incremental cost of service in a format set forth in Sheet No. 123.6. This analysis shall be provided at the time of the Company's triennial and annual updates filed under the Commission's Chapter 22 Electric Utility Resource Planning Rules.

This analysis shall be performed utilizing an hourly production cost simulation model such as Midas or equivalent along with current estimates of the market value of capacity. The incremental costs shall include the estimated cost of serving a 10 MW incremental retail electric customer load at varying load factors. The incremental cost shall include the impact of such retail load on the Company's purchased power costs, fuel costs, incremental capacity costs and wholesale sales. This analysis shall generally be forward looking, covering the current calendar year and subsequent four (4) calendar years and include the impact of the Company's view of forward wholesale energy market prices.

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ECONOMIC DEVELOPMENT RIDER (Continued)
ELECTRIC

**INCREMENTAL ANNUAL COST PER KWH:**

GMO Incremental Cost Analysis Study by Load Factor
(per procedure documented in KCP&L 321 and GMO 123.4)

| Load Factor | | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
|---|---|---|---|---|---|---|---|---|---|---|
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |
| Year: | $0.00/kwh | | | | | | | | | |

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