BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Second Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a Ameren Missouri.	))))	Case No. EO-2012-0074

POSITION STATEMENT OF AMEREN MISSOURI

In accordance with the *Order Granting Ameren Missouri's Motion to Extend Filing Dates* issued by the Missouri Public Service Commission ("Commission") on May 24, 2012, Ameren Missouri (sometimes referred to herein as "the Company") hereby states its position on each of the disputed issues in this case.

ISSUE 1: Are the revenues derived from the power sales agreements between Ameren Missouri and counter-parties Wabash Valley Power Association, Inc. ("Wabash") and American Electric Power Service Corporation as Agent for the AEP Operating Companies ("AEP") excluded from the definition of "OSSR" found in the Original Tariff Sheets Nos. 98.2 and 98.3 of Ameren Missouri's Fuel and Purchased Power Adjustment Clause, which took effect March 1, 2009?

Yes, all of the revenues derived from both the Wabash and AEP power sales agreements are excluded from off-system sales revenues – "OSSR" – as defined in Ameren Fuel and Purchased Power Adjustment Clause ("FAC"). The definition of OSSR that the Commission approved in Case No. ER-2008-0318 as part of Ameren Missouri's FAC states as follows:

> OSSR = Revenues from Off-system Sales allocated to Missouri electric operations.
>
> Off-System Sales shall include all sales transactions (including MISO revenues in FERC Account Number 447), excluding Missouri retail sales and long-term full and partial requirements sales, that are associated with (1) AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve Missouri retail load, and (3) any related transmission.

Under that definition, which was proposed by Ameren Missouri and adopted by the Commission without change, all revenues derived from "long-term full and partial requirements sales" are specifically excluded from the amount of off-system sales revenue used to calculate net fuel and purchased power costs that are recoverable through the FAC.

The key question to be decided by the Commission with regard to this issue is whether sales made under the AEP and Wabash contracts reflect "long-term" partial requirements sales" as those terms are used in the tariff definition of OSSR. When the Company included the phrase "long-term full and partial requirements sales" it intended that each of the terms used in that phrase would be defined in accordance with the way they are routinely used for wholesale power transactions made in the markets where Ameren Missouri buys and sells power. As used in those markets, "long-term" means any power supply agreement whose term is longer than one year in length. And "partial requirements" means any firm sale of electricity to an investor-owned utility, an electric cooperative, or municipal electric utility that satisfies part, but not all, of the purchasing utility's requirements to serve load. Ameren Missouri's power supply agreements with AEP and Wabash satisfy the commonly-used, market-based meanings of both "long-term" and "partial requirements" which were intended at the time the tariff was filed by the Company and approved by the Commission. Therefore, the specific terms of the Company's FAC tariff exclude the revenues derived from both of those contracts from the amount of off-system sales revenue used to determine net fuel and purchased power costs recoverable through the FAC.

In an effort to deny Ameren Missouri the exemption prescribed in its approved FAC tariff, the Commission Staff ("Staff") urges the Commission to adopt definitions for "long-term" and "requirements" that are very different from the meanings routinely applied to those terms in transactions involving the sale of electricity. The arcane definitions are buried deep in twenty-plus year old instructions prescribed by the FERC for preparing the annual Form 1 report. Although those definitions are useful for the limited purpose for which they were designed – providing a consistent means for electric utilities across the United States to report annual financial and operating results – they bear no relationship whatsoever to modern-day power markets, in fact they are inconsistent with the definitions that the FERC itself routinely uses, and are, therefore, inapplicable to power supply agreements. Moreover, when it drafted the definition of OSSR for use in the FAC, Ameren Missouri never intended that obscure definitions from the FERC Form 1 should, or would, govern the terms and phrases used in that definition. Indeed, these obscure instructions were not before the Commission in the rate case where the subject FAC tariff was approved, Case No. ER-2008-0318.

But there is yet another problem with the definitions proposed by Staff: if they are consistently applied, those FERC Form 1-based definitions disqualify certain power supply contracts between Ameren Missouri and several municipal utilities that all parties to this case agree reflect long-term requirements sales that are excepted from the tariff definition of OSSR. This conclusively demonstrates that the FERC Form 1 instructions have nothing to do with the meaning of the phrase "long-term full and partial requirements sales" as it appeared in Ameren Missouri's FAC tariff. The industrial customers' similar reliance on a Edison Electric Institute definition of "requirements service", which itself is taken from and identical to the FERC Form 1 instructions definition, is equally inapplicable for the same reasons.

The evidence that will be presented at hearing, as well as applicable principles of law, will establish that only the widely used, market-based meanings of the terms "long-term" and "partial requirements" urged by the Company apply to the terms used in the tariff definition of OSSR. Consequently, it was proper for Ameren Missouri to exclude all revenues derived from both the AEP and Wabash power sales agreements from the rate adjustments made during the periods at issue in this case.

ISSUE 2: Was it imprudent, improper and/or unlawful for Ameren Missouri to exclude the Company's power sale agreements with AEP and Wabash from off-system sales and not include the revenues collected under the Company's power sale agreements with AEP and Wabash in OSSR and therefore, not include those revenues in its calculation of the Fuel and Purchased Power Adjustment rates for the time period of October1, 2009, through June 20, , 2010?

No, it was not imprudent, improper, or unlawful for Ameren Missouri to exclude from the off-system sales used to adjust rates following the two Accumulation Periods at issue in this case – from October 1, 2009, through June 20, 2010 – all revenues derived from the AEP and Wabash power purchase agreements.

As described earlier in this statement of position, the definition of OSSR included in Ameren Missouri's approved FAC specifically excludes revenues derived from "full and partial requirements sales" from the amount of off-system sales revenue that the Company must include in the tariff-prescribed formula used to determine net fuel and purchased power costs that are recoverable from customers.

Ameren Missouri's agreements with both AEP and Wabash reflect long-term partial requirements sales. Consequently, when the Company excluded those revenues from the amount of off-system sales revenue used in the tariff formula for calculating FAC-related rates for each of the Accumulation Periods at issue, Ameren Missouri's actions were fully consistent with – indeed required by -- the terms of its approved FAC. All parties agree that Ameren Missouri was prudent when it entered into those contracts. Given that the treatment of the revenues from those contracts was in accord with the FAC tariff itself, it simply cannot be said that Ameren Missouri's exclusion of those revenues from the calculation of fuel and purchased power rates could in any way be imprudent, improper, or unlawful. Only if the Company had acted other than it did – in a manner that both ignored the specific language of its FAC tariff and contravened the objective of ensuring full and timely recovery of prudently-incurred fuel and purchased power costs that was the basis for the Commission's approval of that tariff – could its actions be considered to be imprudent, improper, or unlawful.

ISSUE 3: Did Ameren Missouri's conduct described in Paragraph 2 [issue 2,] above, result in harm to its ratepayers?

No, it did not. Paying rates determined in accordance with the tariffs in effect for electric service provided to ratepayers does not constitute "harm" of any kind.

ISSUE 4: Should Ameren Missouri refund to its ratepayers through its FAC the amount improperly collected by virtue of the conduct described in Paragraph 2, above [this question assumes there were improper collections]?

No, because there was no improper conduct, for the reasons discussed earlier.

ISSUE 5: What is the amount that should be refunded, if any [this question assumes there were improper collections]?

Zero, but even if the Staff's interpretation of the Company's FAC tariff were correct the amount of the refund would be $23,042.791, with interest at Ameren Missouri's short-term borrowing rate, because otherwise customers would receive refunds totaling $3.3 million more than the margins that Ameren Missouri actually realized from the subject contracts.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on June 15, 2012, to all parties of record.

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