Union Electric Company d/b/a Ameren Missouri
Case No. ER-2011-0028

STAFF'S POSITION STATEMENTS

1. Overview and Policy:

A. What "cost of service" and/or regulatory policy considerations, if any, should guide the Commission's decision of the issues in this case?

Staff's Position: The Commission should set just and reasonable rates for Ameren Missouri that will allow the Company to recover its prudent operating and maintenance expenses incurred in providing service to its ratepayers and which allow it an opportunity to earn a fair return on the net original-cost-basis value of the shareholders' investment.

B. Can the Commission consider and rely on the testimony of ratepayers at local public hearings in determining just and reasonable rates? If so, how should the Commission take this testimony into account, if at all?[1]

Staff's Position: Staff takes no position on this issue.

C. Staff's response to questions concerning its Revenue Requirement Cost-of-Service Report.

2. Storm Costs/Vegetation-Infrastructure Trackers

A. Vegetation-Infrastructure:

(1) Should the Commission authorize Ameren Missouri to continue the current tracking mechanism for vegetation management and infrastructure inspections?

Staff's Position: Based upon the Commission's guidance in Case Nos. ER-2008-0318 and ER-2010-0036, Staff supports the continuation of the tracking mechanism for vegetation management and infrastructure inspections through the initial maintenance cycle.

[1] The Company agrees the Commission can consider ratepayer testimony from local public hearings. The Company does not believe this is an "issue" that requires any resolution by the Commission in this case or that properly belongs on the "list of issues."

B. Storm Costs:

(1) How should the Commission calculate Ameren Missouri's normalized, non-labor storm costs to be included in the revenue requirement for ratemaking purposes?

Staff's Position: The appropriate normalized, non-labor storm cost level to include in the cost of service calculation is $4.8 million based upon Staff's 47 month average for all storm costs incurred between April 1, 2007 and February 28, 2011 as adjusted to remove the costs of storms already being recovered by Ameren Missouri through existing amortizations. The Staff's 47 month average includes the $8.1 million of storm preparation costs that were incurred by Ameren Missouri during the true-up period. Cassidy Surrebuttal pp. 7, 12.

(2) Should the difference between the amount of non-labor storm costs that Ameren Missouri incurred during the true-up period and the normalized level of non-labor storm costs included in the revenue requirement for ratemaking purposes be amortized over five (5) years or should that difference be included in the normalized costs used for ratemaking purposes?

Staff's position: The level of non-labor storm costs incurred by the Company during the true-up period should be included in the normalized level of expense proposed for inclusion in rates. No amortization of the difference between the storm costs incurred during the true-up period and the normalized level should be permitted over any period of time.
Cassidy surrebuttal p. 12.

3. Sioux Scrubbers: Should the Commission allow in rate base $31 million in cost increases ($18 million in construction costs and $13 million in AFUDC) that were incurred as a result of Ameren Missouri's decision to temporarily suspend construction of the Sioux Plant Wet Flue Gas Desulfurization Project due to the Company's concerns about conditions in the financial markets during the period commencing in late 2008 and continuing into early 2009?

Staff's Position: Staff concludes that Ameren Missouri had sufficient access to its credit facilities and the capital market in late 2008 and into 2009, and that Ameren Missouri should have continued the Sioux Plant Wet Flue Gas Desulfurization (WFGD) Project rather than delay the Project, thereby incurring an additional $31 million in projects costs ($18 million in construction costs and $13 million AFUDC), which Ameren Missouri now seeks to pass on to its Missouri ratepayers. Staff concludes that Ameren Missouri's liquidity concerns about conditions in the financial markets during the period commencing in late 2008 and continuing into early 2009 did not warrant the incurrence of the additional cost of $31 million to the Project.

4. Energy Efficiency/Demand Side Management (DSM):

A. Is Ameren Missouri in compliance with the Missouri Energy Efficiency Investment Act (MEEIA) regardless of whether or not proposed rules under the law are effective?

Staff's Position: No. The Commission expressed its view on Missouri utilities' compliance with MEEIA in its recent Report & Order in Case No ER-2010-0355 when it stated "[u]tilities within the Commission's jurisdiction must comply with The Missouri Energy Efficiency Investiment Act (MEEIA) regardless of whether or not proposed rules under the law are effective." Under MEEIA, Ameren is required to implement "commission-approved demand-side programs proposed pursuant to this section **with a goal of achieving all cost-effective demand-side savings." (**emphasis added**).**

Ameren Missouri has not requested approval of its DSM programs or proposed DSIM under MEEIA. Further, the Company's recent Chapter 22 compliance filing in EO-2011-0271 summarizes the Company's strategy for DSM as follows: "Ameren Missouri will continue to advocate for better alignment of utility financial incentives to ultimately support the state's goal of achieving all cost-effective DSM. Ameren Missouri will continue pursuing a modest energy efficiency portfolio, which helps to preserve the option to switch to a more aggressive path." Ameren Missouri's current DSM portfolio achieves less than all cost-effective DSM. And Ameren Missouri has stated that there is uncertainty as to what the Company plans to spend on DSM in coming years; making the point that unless the Commission grants the cost recovery sought, the Company will likely reduce its level of DSM spending. (Rebuttal and Surrebuttal Testimony of John A. Rogers).

(1) What DSM programs should Ameren Missouri continue and/or implement, and at what annual expenditure level; and

Staff's Position: The Company should, at a minimum, deliver demand-side programs at annual expenditure levels no less than the Low Risk DSM portfolio's annual expenditure levels included in its February 23, 2011 Chapter 22 compliance filing in EO-2011-0271. (Rebuttal and Surrebuttal Testimony of John A. Rogers).

(2) Should Ameren Missouri continue to ramp up its demand side management programs to pursue all cost-effective demand side savings?

Staff's Position: Yes. Ameren Missouri should work with the stakeholders to achieve the filing of applications under MEEIA by January 1, 2012, for approval of its realistic achievable potential (RAP) demand-side programs as set forth in the Chapter 22 compliance filing in EO-2011-0271, and for approval of cost recovery and incentives under MEEIA or the rules promulgated there under. (Surrebuttal Testimony of John A. Rogers).

B. Does Ameren Missouri's request for demand-side management programs' cost recovery in this case comply with MEEIA requirements?

Staff's Position: No. Ameren Missouri has not filed the requisite applications under MEEIA for the Commission to consider granting Ameren relief under MEEIA in this case. (Rebuttal and Surrebuttal Testimony of John A. Rogers).

(1) Should the Commission approve a cost recovery mechanism for Ameren Missouri DSM programs as part of this case? If so,

Staff's Position: No. As mentioned above in (B), Ameren Missouri has not filed an application for approval of its demand-side programs under MEEIA or under the MEEIA rules as part of this case. Therefore, the Commission cannot approve demand side programs or a demand side programs investment mechanism that comply with MEEIA in this case. (Rebuttal and Surrebuttal Testimony of John A. Rogers).

(a) Over what period should DSM program costs incurred after December 31, 2010, be amortized?

Staff's Position: See B and B(1) above. Also, the Commission should not change Ameren Missouri's current DSM cost recovery mechanism from its current six year amortization period to a three year period, because such approval will not create the necessary financial incentives for the Company to comply with MEEIA.

(b) Should the mechanism include an adjustment to kWh billing determinants?

Staff's Position: No. See B and B(1) above.

(c) How much should the Commission reduce the billing determinants? and

Staff's Position: The Commission should not reduce the billing determinants. See B and B(1) above.

(d) If billing units are adjusted for demand side savings, how should the NBFC rates be calculated?

Staff's Position: If the Commission adjusts Ameren Missouri's billing units for demand side savings, then the Commission should also order a correlating reduction in billing units and fuel and purchased power costs less off-system sales revenue used for the calculation of NBFC rates.

C. Should a portion of the low income weatherization program funds be utilized to engage an independent third party to evaluate the program?

Staff's Position: Staff takes no position on this issue.

5. Taum Sauk: What amount, if any, of Ameren Missouri's investment related to the reconstruction of Taum Sauk should be included in rate base for ratemaking purposes?

Staff's Position: Approximately $89 million. (Testimony of Erin Carle and Guy Gilbert).

6. Municipal Lighting: What is the appropriate ratemaking treatment for Ameren Missouri's street lighting classes in this case?

Staff's Position: The Ameren Missouri street lighting customer class should receive the system average percent increase plus an approximate additional 1% increase because the current revenue responsibility of the customer class is less than Ameren Missouri's cost to serve the lighting class. (Testimony of Erin Carle and Guy Gilbert).

7. Cost of Capital: What return on equity should be used to determine Ameren Missouri's revenue requirement in this case?

Staff's Position: A return on equity in the range 8.25% - 9.25%, midpoint 8.75%. (Staff's Revenue Requirement Cost-of-Service Report, Rebuttal and Surrebuttal Testimony of David Murray)

8. Fuel Adjustment Clause Issues:

A. Should the Commission authorize Ameren Missouri to continue its current Fuel Adjustment Clause (FAC) or should the Commission discontinue or order modifications to the FAC?[2]

Staff's Position: The Commission should continue Ameren's FAC with modifications; the modifications should include changing the line on the customers' bills to "Fuel and Purchased Power Adjustment" to reduce customer confusion; and Ameren Missouri should be ordered to provide a list of additional filing requirements as listed on pages 120-21.

[2] The Company does not believe that this issue has properly been raised in this case, nor that it is an issue that requires resolution by the Commission in this case. Other parties disagree.

B. Should the sharing percentage in Ameren Missouri's FAC be changed from 95/5 percent to 85/15 percent?

Staff's Position: Ameren Missouri's FAC-sharing mechanism should be changed to 85% / 15%.

C. Should the length of the recovery periods for the FAC be reduced from twelve (12) months to eight (8) months?

Staff's Position: Ameren's Missouri's FAC recovery periods should be changed to eight (8) months.

D. Should the Company have the ability to adjust the FPAC rate for errors in calculations that may have occurred since the FAC Rider was granted to Ameren Missouri?

Staff's Position: Ameren Missouri should not be allowed to retroactively change its tariff for errors made in a Commission-approved FAC.

E. What is the appropriate tariff language to reflect any modifications or clarifications to Ameren Missouri's FAC?

Staff's Position: Staff recommends that the Commission accept the tariff language as filed in David Roos' Surrebuttal testimony.

9. LED Lighting: Should the Commission order Ameren Missouri, not later than twelve (12) months following the effective date of the Report & Order in this case, to complete its evaluation of LED SAL systems, and, based on the results of that evaluation, either file a proposed LED lighting tariff(s) or indicate why such tariff(s) should not be filed?

Staff's Position: Yes.

10. Solar Rebates Accounting Authority Order (AAO):

A. What is the appropriate method -- RESRAM or an Accounting Authority Order (AAO) -- for Ameren Missouri to recover the costs it incurs for compliance with the Missouri Renewable Energy Standard (RES) after the true-up date in this case (February 28, 2011)?

Staff's Position: RESRAM is the appropriate method. The RES statute and Rule 4 CSR 240-20.100(6) provide for Ameren Missouri's recovery of prudently incurred costs associated with the RES by way of the Renewable Energy Standard Rate Adjustment Mechanism (RESRAM). The Company can utilize a RESRAM outside of or in a general rate proceeding. It is the Staff's position that expenses associated with RES compliance be recovered through the specific method approved for such, the RESRAM. (Rebuttal Testimony of Mike Taylor).

B. If the Commission determines that an AAO is appropriate, should the Company be authorized in this case to implement an AAO to recover the costs it incurred for compliance with the RES before the true-up date in this case?

Staff's Position: No. (Rebuttal Testimony of Mike Taylor.)

C. What amount of solar rebate costs should Ameren Missouri be allowed to include in the revenue requirement used to set rates in this case?

Staff's Position: Expenses incurred during calendar year 2010. 4 CSR 240-20.100 (5) requires the RES retail impact not exceed one percent (1%) when compared to the Company's revenue requirement incorporating non-renewable and purchased power generation. The Company should use the actual solar rebate expenses incurred during calendar year 2010 to determine the level of RES expenses to include in the revenue requirement, as this amount does not exceed the one percent (1%) rate cap. (Rebuttal Testimony of Mike Taylor).

11. Union Issues:

A. Does the Commission have the authority to order Ameren Missouri to do the following:

(1) Institute or expand its training programs within specified time periods as a means of investing in its employee infrastructure?

(2) Hire specific additional personnel within specified time periods as a means of investing in its employee infrastructure

(3) Submit to a tracker for its energy delivery distribution system?

(4) Submit to a tracker to address the need and efforts to replace the aging workforce?

(5) Expend a substantial portion of the rate increase from this proceeding on investing and re-investing in its regular employee base in general, including hiring, training and utilizing its internal workforce to maintain its normal and sustained workload?

(6) Use a portion of the rate increase from this proceeding to replace equipment, wires and cable which have out lived their anticipated life?

B. If the Commission does have the authority, should it order Ameren Missouri to take one or more of the steps listed above?

Staff's Position: Staff takes no position on the Union issues.

12. Property Tax:

A. What amount of property tax expense relating to the Sioux Scrubbers and the Taum Sauk additions the Company seeks to put in rate base in this case should the Commission include in Ameren Missouri's revenue requirement for ratemaking purposes?

Staff's Position: $10,787,362. (Staff's Revenue Requirement Cost of Service Report.)

B. Should the Commission order Ameren Missouri to return to its customers any reductions that the Company receives in its 2010 property taxes?

Staff's Position: Yes. The Staff has included in its revenue requirement an amount in property taxes paid by the Company and thus, affecting the rates paid by ratepayers. The ratepayers should receive a "credit" in a future rate proceeding for any rates paid to Ameren, if the Company wins its appeal of the 2010 distributable property assessment and the property amount used to sets rates in this case is reduced. (Staff's Revenue Requirement Cost of Service Report.)

13. Rate Design/Class Cost of Service

A. Class Cost of Service:

(1) Which of the proposed class cost of service methodologies – the 4 NCP–A&E methodology, the Base Intermediate-Peak methodology, or the 4P-P&A methodology – should the Commission use in this case to allocate Ameren Missouri's investment and costs among the Company's various rate classes?

Staff's Position: The Commission should use Staff's recommended Base Intermediate-Peak (BIP) methodology for allocating production investment and costs.

(2) What methodology should the Commission use in this case to allocate Ameren Missouri's fixed production plant investment and operation and maintenance costs?

Staff's Position: For Ameren Missouri's investment in production plant, the Commission should use Staff's Base Intermediate-Peak methodology. For Ameren Missouri's operation and maintenance production expenses, Staff recommends the NARUC method which is a mixture of fixed and variable based on each production operation and maintenance account. This is detailed in Schedule MSS-R5-1 through MSS-R5-4 (Scheperle Rebuttal Testimony).

B. Rate Design:

(1) To what extent should the Commission rely on the results of a class cost of service study in apportioning revenue responsibility among Ameren Missouri's customer classes in this case?

Staff's Position: The CCOS study should be used as a guide for designing rates (p.6, Report). Staff's revenue adjustments bring each class closer to the cost of serving them, while still maintaining rate continuity, rate stability, revenue stability, and minimizing rate shock to any customer class (p. 4, Report).

(2) What amount of increase or decrease in the revenue responsibilities of Ameren Missouri's customer classes should the Commission order in this case?

Staff's Position: The following Ameren Missouri customer classes should receive the system average increase, as the revenue responsibilities of the customer classes are close to Ameren Missouri's cost to serve them:

Small General Service
Large Transmission Service

The Ameren Missouri Residential and Lighting customer classes should receive the system average percent increase plus an approximate additional 1% increase because the current revenue responsibilities of the customer classes are less than Ameren Missouri's cost to serve them.

The following Ameren Missouri customer classes should receive no increase for the first $30 million because their current revenue responsibilities exceed Ameren Missouri's cost of serving them. For any Commission-ordered increase above $30 million, the additional amount above $30 million should be allocated on an equal percentage basis to the following Ameren Missouri customer classes:

Large General Service / Small Primary Service
Large Primary Service

The Commission should maintain the non-residential rate schedules' interrelationship uniformity for customer charges, Rider B voltage credits, Reactive charge, and Time-of-day customer charges.

(3) What is the appropriate monthly residential customer charge that should be set for Ameren Missouri in this case?

Staff's Position: The Commission should Increase the residential customer charge to $9.00.

(4) Should Ameren Missouri be required to eliminate declining block rates for the residential winter energy charge? If so, should the declining block rates be eliminated in a revenue neutral manner?

Staff's Position: Staff's recommended rate structure retains the declining block rate structure.