

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

In the Matter of the Application of Union )  
Electric Company d/b/a AmerenUE for an )  
Accounting Authority Order Regarding )  
Accounting for Extraordinary Costs )  
Relating to Damage from the January )  
2007 Ice Storm. )

Case No. EU-2008-0141

**STAFF'S RECOMMENDATION TO GRANT ACCOUNTING AUTHORITY**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, in response to the Missouri Public Service Commission's November 8, 2007 *Order Directing Filing*, recommends the Commission, with five conditions, grant Union Electric Company d/b/a AmerenUE authority to defer to Uniform System of Accounts (USOA) Account 182.3, Other Regulatory Assets, the extraordinary costs AmerenUE incurred due to an ice storm that occurred on January 13, 2007, as follows:

1. In its *Order Directing Filing*, the Missouri Public Service Commission (Commission) ordered the Staff to file by December 8, 2007 a pleading that is "either a recommendation or a status report informing the Commission of when Staff will file a recommendation."

2. On December 7, 2007, the Staff filed its status report advising the Commission the Staff anticipated filing by January 8, 2008 its recommendation regarding Union Electric Company d/b/a AmerenUE's request for an Accounting Authority Order Regarding Accounting for Extraordinary Costs Relating to Damage from the January 2007 Ice Storm. The Staff's recommendation is ready now.

3. In the attached Memorandum, which is labeled Appendix A, the Staff recommends the Commission, with five conditions, grant Union Electric Company d/b/a AmerenUE an Accounting Authority Order that allows AmerenUE to defer to Uniform System of Accounts (USOA) Account 182.3, Other Regulatory Assets, the extraordinary costs AmerenUE incurred due to an ice storm that occurred on January 13, 2007.

4. The five conditions the Staff recommends the Commission impose are:
- a. AmerenUE should be authorized to defer actual incremental operation and maintenance expenses incurred as a direct result of the January 2007 ice storm to Account 182.3. Such expenses shall be in accordance with USOA definitions of operation and maintenance expense and shall exclude any expenditures relating to plant-in-service (i.e., capital costs).
  - b. Any insurance claim proceeds applicable to incremental operation and maintenance expense must be used to offset the total amount of operation and maintenance expense to be deferred.
  - c. AmerenUE must begin ratably amortizing to Account 182.3, over a five-year (60-month) period commencing January 15, 2007 (two days after the ice storm), the appropriate amount of all operation and maintenance expenses directly related to the January 2007 ice storm to be deferred. The five-year amortization period concludes January 14, 2012.
  - d. AmerenUE shall maintain adequate records supporting the incremental expenses deferred. Such records shall include, but not be limited to, listing of outside contractors, agreements with third parties for goods and services, controls in place to ensure all expenditures were reasonable and not utilized to take advantage of the situation, detailing food and lodging costs, labor and material costs, procedures and verification for expense versus capitalization determinations, and determination of incremental levels of such costs versus normal ongoing levels of costs. Such records shall be available for review by the Commission Staff, Office of the Public Counsel and intervenors in this case, pursuant to 4 CSR 240-2.085 and Section 386.480.
  - e. The Commission does not make any findings or inferences as to whether the deferred expenses are prudent and reasonable, whether other factors contributed to the damage to the system and the resulting repair/replacement costs incurred, or whether AmerenUE would have suffered financial harm (i.e., earnings during the period were inadequate to compensate AmerenUE for the costs incurred) absent deferral. The Commission reserves the right to consider the recovery of these costs in a future rate case, the ratemaking

treatment of the deferred costs and any assertions regarding the deferred expenses made by parties in AmerenUE's next rate case.

5. If these five conditions are not acceptable to AmerenUE, then the Commission should order a prehearing conference for the purpose of the parties proposing a procedural schedule for the filing of prepared testimony and an evidentiary hearing.

WHEREFORE, in response to the Missouri Public Service Commission's November 8, 2007 *Order Directing Filing*, the Staff recommends the Commission, with the conditions set forth above and in its memorandum, grant Union Electric Company, d/b/a AmerenUE an Accounting Authority Order that allows AmerenUE to defer to Uniform System of Accounts (USOA) Account 182.3, Other Regulatory Assets, the extraordinary costs AmerenUE incurred due to an ice storm that occurred on January 13, 2007.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams  
Deputy General Counsel  
Missouri Bar No. 35512

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-8702 (Telephone)  
(573) 751-9285 (Fax)  
[nathan.williams@psc.mo.gov](mailto:nathan.williams@psc.mo.gov) (e-mail)

## **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of January 2008.

/s/ Nathan Williams

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. EU-2008-0141  
Union Electric Company d/b/a AmerenUE

**FROM:** Greg Meyer – Project Coordinator, Auditing Department  
John Cassidy – Auditing Department

/s/ Greg Meyer 01/07/08  
Project Coordinator/Date

/s/ Nathan Williams 01/07/08  
General Counsel's Office/Date

**SUBJECT:** Staff Recommendation Regarding AmerenUE's Application For An Accounting Authority Order For Extraordinary Costs Relating To Damage From The January 2007 Ice Storm

**DATE:** January 8, 2008

### **BACKGROUND**

On November 5, 2007, Union Electric Company, d/b/a AmerenUE (AmerenUE or Company) filed its Application for an Accounting Authority Order (AAO) regarding proposed accounting treatment for extraordinary costs that resulted due to an ice storm that occurred on January 13, 2007. The Company requests that these extraordinary costs be deferred to Uniform System of Accounts (USOA) Account 182.3, Other Regulatory Assets and be amortized over a five-year period commencing with the effective date of rates set in AmerenUE's next general rate proceeding, if that next general rate proceeding is filed within two years of the effective date of the Commission's order approving the AAO. The Company indicates in its application that it has incurred approximately \$24.7 million of incremental operating and maintenance expenses (for labor, material purchases

and repairs) directly related to the ice storm and that this level is beyond what it should be expected to bear in a single year. The Company proposes to defer the \$24.7 million of storm related expense to Account 182.3, and seek recovery of these deferred costs in future rate proceedings.

As additional support for its request, the Company indicates that the Commission has a longstanding history of approving deferrals of incremental operating and maintenance costs related to extraordinary events, specifically significant damage caused by severe storms. Furthermore, the Company details that the January 13, 2007 ice storm caused outages for approximately 284,000 AmerenUE customers, and required the deployment of approximately 4,600 linemen (both AmerenUE employees and employees from multiple utilities located in 16 different states) to restore service to its customers.

### **STAFF'S CONCLUSIONS**

The Staff agrees that the costs that the Company is seeking to defer result from an extraordinary event and are similar to costs for which the Commission has generally issued an AAO. Moreover, the costs resulting from the event are material. However, in Case Nos. EU-2002-1048 and EU-2002-1053 involving ice storm damage AAO requests by Kansas City Power & Light (KCPL) and Aquila Inc. respectively, the amortization periods ordered by the Commission ended five years after the event. The Staff believes that was the appropriate treatment in those cases and would be appropriate in this instance. Therefore, the Staff proposes to begin a five year amortization immediately after the ice storm event in order to avoid an unnecessary delay and to ensure the timely recognition of the cost of the ice storm in the Company's financial statements.

### **STAFF'S RECOMMENDATIONS**

Specifically, the Staff recommends that the Commission grant the Company's request subject to the following five conditions:

1. The Company should be authorized to defer actual incremental operation and maintenance expenses incurred as a direct result of the January 2007 ice storm to Account 182.3. Such expenses shall be in accordance with USOA definitions of operation and maintenance expense and shall exclude any expenditures relating to plant-in-service (i.e., capital costs).
2. Any insurance claim proceeds applicable to incremental operation and maintenance expense must be used to offset the total amount of operation and maintenance expense to be deferred.
3. The Company should be required to begin, as of January 15, 2007 (two days after the ice storm), ratably amortizing to Account 182.3, over a five-year (60-month) period, the appropriate amount of all operation and maintenance expenses to be deferred, which are directly related to the January 2007 ice storm. Thus, the five year amortization period will conclude January 14, 2012.
4. The Company should be required to maintain adequate records supporting the incremental expenses deferred. Such records shall include, but not be limited to, listing of outside contractors, agreements with third parties for goods and services, controls in place to ensure all expenditures were reasonable and not utilized to take advantage of the situation, detailing food and lodging costs, labor and material costs, procedures and verification for expense versus capitalization determinations, and determination of incremental levels of such costs versus normal ongoing levels of costs. Such records should be made available for review by the Commission Staff, Office of the Public Counsel and other intervenors, pursuant to 4 CSR 240-2.085 and Section 386.480.
5. The Commission should not make any findings or inferences as to whether the deferred expenses are prudent and reasonable, whether other factors contributed to the damage to the system and the resulting repair/replacement costs incurred, or whether Company would have suffered financial harm (i.e., earnings during the period were inadequate to compensate the Company for the costs incurred) absent deferral. The Commission should reserve the right to consider the recovery of these costs in a future rate case, the ratemaking treatment of the deferred costs and any assertions made by the parties in the Company's next rate case.

If these five conditions are not acceptable to AmerenUE, then the Commission should order a prehearing conference for the purpose of the parties proposing a procedural schedule for the filing of prepared testimony and an evidentiary hearing.



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company )  
d/b/a AmerenUE For An Accounting ) Case No. EU-2008-0141  
Authority Order Regarding Accounting for )  
Extraordinary Costs Relating to Damage )  
from the January 2007 Ice Storm )

**AFFIDAVIT OF JOHN P. CASSIDY**

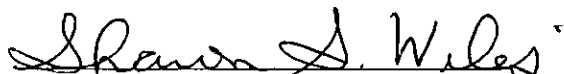
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

John P. Cassidy, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
John P. Cassidy



Subscribed and sworn to before me this 8th day of January, 2008.

  
\_\_\_\_\_  
Notary Public

SHARON S. WILES  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: October 23, 2010  
Commission Number: 06429091