

**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-**

**STAFF’S NOTICE OF START OF PRUDENCE AUDIT**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its Notice of Start of Prudence Audit, respectfully states to the Missouri Public Service Commission (“Commission”) as follows:

1. The tariff of Union Electric Company d/b/a Ameren Missouri provides as part of its fuel adjustment clause that, “Prudence reviews of the costs subject to this Fuel and Purchased Power Adjustment Clause shall occur no less frequently than every eighteen (18) months, . . . .”<sup>1</sup> This comports with the language of both Commission Rule 4 CSR 240-20.090(7) and § 386.266.4(4) RSMo Supp 2010.

2. In Ameren Missouri’s (then d/b/a AmerenUE) 2008 general electric rate case, Case No. ER-2008-0318, the Commission first approved Ameren Missouri’s fuel adjustment clause with original tariff sheets numbered 98.1 to 98.7 that became effective on March 1, 2009.<sup>2</sup> In Ameren Missouri’s next general electric rate case, File No. ER-2010-0036, the Commission approved continuation of Ameren Missouri’s fuel adjustment clause with modification with tariff sheets numbered 98.1 to 98.7 applicable to service before June 21, 2010, and tariff sheets

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<sup>1</sup> Union Electric Company Tariff MO. No. 1, 1<sup>st</sup> revised Sheet No. 98.6.

<sup>2</sup> *In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company’s Missouri Service Area*, Case No. ER-2008-0318, Order Approving Compliance Tariff Sheets, issued February 19, effective March 1, 2009.

numbered 98.8 to 98.14 applicable for service on and after June 21, 2010.<sup>3</sup> Tariff sheet numbers 98.1 and 98.8 both provide for four-month accumulation periods as follows: February-May, June-September and October-January.

3. The Staff plans to conduct a prudence review of the costs and revenues associated with Ameren Missouri's fuel adjustment clause for the period October 1, 2009, to May 31, 2011.<sup>4</sup> This period corresponds to the third through seventh sequential accumulation periods since the Commission first authorized a fuel adjustment clause for Ameren Missouri.

4. Rule 4 CSR 240-20.090(7)(B), in part, provides: "The Staff shall file notice within ten (10) days of starting its prudence audit." It also establishes the following schedule by which certain events are to take place based on the date the Staff starts its prudence audit:

<b>Time from start of Staff prudence audit to event</b>	<b>Event</b>
Within 180 days	Submission of Staff recommendation to Commission regarding Staff's examination and analysis
Within 190 days	Request for hearing
Within 210 days	Commission Order, if no hearing requested

5. The Staff initiated its prudence audit of the costs and revenues associated with Ameren Missouri's commission-approved fuel adjustment clause on September 6, 2011. Staff plans to file its recommendation to the Commission regarding the Staff's examination and analysis of Ameren Missouri's treatment under its fuel adjustment clause of its contracts with Wabash Valley Power Association and American Electric Power Operating Companies during

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<sup>3</sup> In Ameren Missouri's 2011 general electric rate case, which followed its 2010 general electric rate case, File No. ER-2011-0028, the Commission again approved continuation of Ameren Missouri's FAC with modification with tariff sheets numbered 98.1 – 98.7 applicable to service before June 21, 2010, tariff sheets numbered 98.8 – 98.14, for service before July 31, 2011, and tariff sheets numbered 98.15 – 98.21 for service on and after July 31, 2011.

<sup>4</sup> The Staff notes rate adjustments based on the October 1, 2009 to and to May 31, 2011 accumulation periods were the subjects of File Nos. ER-2010-0264, ER-2011-0018, ER-2011-0153, ER-2011-0317 and ER-2012-0028, respectively.

the period October 1, 2009, through June 20, 2010, by Friday, October 28, 2011, and its report of the remainder of its review of the periods October 1, 2009 through May 31, 2011, by Wednesday, February 29, 2012.<sup>5</sup>

6. As it has said before, Staff may change its audit approach during this audit, and in future prudence audits as well, based on the particular circumstances existing at the time of the audit. Staff's Energy Resource Analysis Section, among other things, is responsible for Staff's roles in Rules 4 CSR 240-3.161 and 4 CSR 240-20.090. Staff plans to include in its recommendation the following:

### **Section 1 - Standard of Prudence**

A. The standard requires documentation and includes other Commission principles as appropriate, such as the Commission's Affiliate Transactions Rules, which also require documentation.

### **Section - 2 Audit Scope**

A. Presently Known Areas To Review

1. Ameren Missouri's treatment of its contracts with Wabash Valley Power Association and American Electric Power Operating Companies during the period October 1, 2009, through June 20, 2010;
2. Ameren Missouri's Total Book Costs of Fuel Consumed in Ameren Missouri's Generating Units;
3. Costs Associated with Ameren Missouri's Fuel Hedging Program;

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<sup>5</sup> The prudence of Ameren Missouri's treatment under its fuel adjustment clause of these same contracts during the period March to September 2009 was the subject of File No. EO-2010-0255 where the Commission found Ameren Missouri was imprudent.

4. Purchased Power Energy Charges, Including Applicable Transmission Fees;
  5. MISO Variable Costs;
  6. Emission Allowance Costs and Revenues; and
  7. Off-System Sales.
- B. Tests/Investigations to Address/Discover Other Significant Items Impacting Fuel and Purchased Power Cost Recovery Amount
1. Comparison of Net Base Fuel Cost Components and Amounts to Claimed Cost Components and Amounts;
  2. Plant Outages; and
  3. Fuel, Freight and Transportation / Purchased Power Contracts.

**WHEREFORE**, the Staff of the Missouri Public Service Commission hereby provides notice that it started its prudence audit of the costs and revenues associated with Ameren Missouri's Commission-approved fuel adjustment clause on September 6, 2011, for the audit period of October 1, 2009 through May 31, 2011, and that it plans to file its recommendations regarding the Staff's examination and analysis in this case by Friday, October 28, 2011, for Ameren Missouri's treatment under its fuel adjustment clause of its contracts with Wabash Valley Power Association and American Electric Power Operating Companies during the period October 1, 2009, through June 20, 2010, and by Wednesday, February 29, 2012, for the remainder of its review of the periods October 1, 2009 through May 31, 2011.

Respectfully submitted,

/s/ Nathan Williams

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**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 8<sup>th</sup> day of September, 2011.

/s/ Nathan Williams