

**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)

File No. EO-2012-0074

**STAFF’S PRUDENCE REPORT AND RECOMMENDATION
REGARDING WABASH AND AEP CONTRACTS**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and for its Report on Staff’s Prudence Review of Costs in the Fuel Adjustment Clause of Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) Related to Ameren Missouri’s Contracts with Wabash Valley Power Association (“Wabash”) and American Electric Power Operating Companies (“AEP”) for the period October 1, 2009, through June 20, 2010, and recommendation thereon,¹ states to the Missouri Public Service Commission (“Commission”):

1. Staff initiated this prudence review on September 6, 2011. Staff filed notice in this File No. EO-2012-0074 on September 8, 2011, that it had started the prudence review. There Staff informed the Commission it would make two filings in connection with its prudence review. The first is Staff’s recommendation to the Commission regarding its examination and analysis of Ameren Missouri’s treatment under its fuel adjustment clause (“FAC”) of its contracts with Wabash and AEP during the period October 1, 2009, through June 20, 2010. The second is Staff’s report of the remainder of its review of the periods October 1, 2009 through May 31, 2011. This is the first of the two filings.

¹ Adjustments to the Fuel and Purchased Power Adjustment factor based on the October 1, 2009 to January 31, 2010, February 1, 2010 to May 31, 2010 and June 1, 2010 to September 30, 2010, accumulation periods were the subjects of File Nos. ER-2010-0264, ER-2011-0018 and ER-2011-0153, respectively.

2. This filing is part of Staff's second prudence review of costs subject to Ameren Missouri's FAC. Prudence reviews are required to take place at least every eighteen months.²

3. In Ameren Missouri's 2008 general electric rate case, Case No. ER-2008-0318, the Commission first approved Ameren Missouri's FAC with original tariff sheets numbered 98.1 – 98.7 that became effective on March 1, 2009.³ In Ameren Missouri's next general electric rate increase case, File No. ER-2010-0036, the Commission approved Ameren Missouri's 1st revised tariff sheets numbered 98.1-98.7 for service provided until June 20, 2010. Those tariff sheets are still in effect and govern the prudence review in this filing.

4. Because Ameren Missouri's FAC tariff sheets provisions pertaining to the treatment of revenues and costs related to the Wabash and AEP contracts changed starting June 21, 2010⁴, with the tariff sheets the Commission approved in File No. ER-2010-0036, Staff's review of Ameren Missouri's prudence in its treatment of Wabash and AEP costs and revenues under its FAC ends with June 20, 2010.

5. As explained in its report filed herewith, based on its review, Staff has concluded Ameren Missouri was imprudent for not including all costs and revenues associated with certain sales of energy to Wabash and to AEP during the period of October 1, 2009 to June 20, 2010, in determining the associated FAC charges that are billed to its customers, just as Staff earlier concluded Ameren Missouri was imprudent for how it treated these costs and revenues for the period March 1 through September 30, 2009, and reported in File No. EO-2010-0255.

² Union Electric Company Tariff MO. No. 1, 1st revised Sheet No. 98.6; Commission Rule 4 CSR 240-20.090(7) and §386.266.4(4) RSMo Supp. 2010.

³ *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.

⁴ The change referred to is the inclusion of "N" factor in the Original Sheet Nos. 98.8 through 98.14.

When the costs and revenues associated with the Wabash and AEP energy sales for the period October 1, 2009, to June 20, 2010, are included in calculating Ameren Missouri's FAC charges, Ameren Missouri has sought to over-collect from its customers an aggregate sum such that it should refund to its customers, in aggregate, \$** _____ ** plus interest accrued at Ameren Missouri's short-term interest rate from May 31, 2011 until refunded.

6. Staff recommends to the Commission this \$ ** _____ ** plus interest accrued at Ameren Missouri's short-term interest rate until refunded should be included as customer refund adjustments made contemporaneously with the next available fuel and purchased power adjustment ("FPA") rates change following a Commission Order in this case. Ameren Missouri's next FPA rates change is scheduled to occur in February 2012.

7. The Commission should be mindful of the schedule of events that are to take place based on when the Staff starts its prudence audit. Rule 4 CSR 240-20.090(7)(B) establishes the following schedule:

Time from start of Staff prudence audit to event	Event
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

WHEREFORE, the Staff of the Missouri Public Service Commission hereby submits its report on its prudence review of the costs and revenues associated with Ameren Missouri's Commission-approved fuel adjustment clause related to Ameren Missouri's Contracts with Wabash and AEP for the period October 1, 2009, through June 20, 2010, and recommends the Commission find Ameren Missouri imprudent for not including all costs and revenues associated with the sales of energy to Wabash and AEP under those contracts during that period in

determining the associated FPA rates, and order Ameren Missouri to refund to its customers, in aggregate, \$** _____ ** plus interest accrued at Ameren Missouri's short-term interest rate from May 31, 2011 until refunded by an adjustment to its FPA rates.

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 28th day of October 2011.

/s/ Steven Dottheim