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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Prehearing Conference

March 25, 2008  
Jefferson City, Missouri  
Volume 1

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

KENNARD L. JONES, Presiding,  
REGULATORY LAW JUDGE.

REPORTED BY:  
KELLENE K. FEDDERSEN, CSR, RPR, CCR  
MIDWEST LITIGATION SERVICES

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1 P R O C E E D I N G S

2 JUDGE JONES: This is Case  
3 No. EU-2008-0141, in the matter of the application of  
4 Union Electric Company, doing business as AmerenUE for an  
5 Accounting Authority Order regarding accounting for  
6 extraordinary costs relating to damage from the January  
7 2007 ice storm. My name is Kennard Jones. I'm the judge  
8 presiding over this matter.

9 At this time let's take entries of  
10 appearances, beginning with AmerenUE.

11 MS. TATRO: Wendy Tatro, 1901 Chouteau  
12 Avenue, St. Louis, Missouri 63166.

13 JUDGE JONES: From the Office of the Public  
14 Counsel?

15 MR. MILLS: On behalf of the Office of the  
16 Public Counsel and the public, my name is Lewis Mills. My  
17 address is Post Office Box 2230, Jefferson City, Missouri  
18 65102.

19 JUDGE JONES: From the Staff of the  
20 Commission?

21 MR. WILLIAMS: Nathan Williams, P.O.  
22 Box 360, Jefferson City, Missouri 65102.

23 JUDGE JONES: Okay. I had a couple things  
24 I wanted to bring up. Ms. Tatro, are you familiar with  
25 the application in this case?

1 MS. TATRO: Yes, Judge, I am.

2 JUDGE JONES: You know it was filed seeking  
3 to record these costs under 182.3?

4 MS. TATRO: Okay.

5 JUDGE JONES: Which has to do -- it says in  
6 the --

7 MS. TATRO: Other regulatory assets?

8 JUDGE JONES: Right. This account shall  
9 include the amounts of regulatory created assets not  
10 includable in other accounts resulting from the ratemaking  
11 actions of a regulatory agency. Isn't that irrelevant to  
12 what we're talking about today?

13 MS. TATRO: Well, I'm not -- I'm not sure.  
14 I mean, the account would be the result of the action of  
15 the Commission, but if there's a better account for it to  
16 fit under, I mean, I don't suppose that that's  
17 something --

18 JUDGE JONES: Well, isn't the request  
19 because of damage during the 2007 ice storm?

20 MS. TATRO: Yes, sir.

21 JUDGE JONES: That doesn't have anything to  
22 do with the Commission. What do you think about this:  
23 When authorized or directed by the Commission, this  
24 account shall include extraordinary losses which could  
25 reasonably have been anticipated -- which could not have

1 reasonably been anticipated and which are not covered by  
2 insurance or other provisions, such as unforeseen damages  
3 to property.

4 MS. TATRO: That sounds pretty good.  
5 What's that a description of?

6 JUDGE JONES: That's 182.1. So you-all  
7 might want to think about that, first of all.

8 MS. TATRO: I'll look into that. Thank  
9 you, sir.

10 JUDGE JONES: So the biggest issue between  
11 you-all is when the period of deferment or accounting  
12 begins, right, the 60-month period? That's the issue,  
13 right?

14 MR. WILLIAMS: Yes.

15 JUDGE JONES: Ms. Tatro, what difference  
16 does it make?

17 MS. TATRO: Well, Staff's recommendation  
18 has us beginning the amortization almost immediately after  
19 the storm damage actually occurs, which frankly cost us  
20 the majority of the costs that we're attempting to put  
21 into the AAO.

22 JUDGE JONES: Okay. So what difference  
23 does it make?

24 MS. TATRO: It has a substantial financial  
25 impact.

1                   JUDGE JONES: What difference does it make  
2 when the five-year period begins? I'm just trying to  
3 understand from accounting. If you don't know, then just  
4 say I don't know, an expert would have to tell you that.

5                   MS. TATRO: All right. Let's go with that  
6 answer.

7                   JUDGE JONES: I'd rather you do that.

8                   MS. TATRO: I mean, I think I'm just not  
9 able to explain it to you in the manner that you like. So  
10 that's fine.

11                  JUDGE JONES: All right. So I guess we'll  
12 just leave that issue at that. Now, you also -- Ameren  
13 also says you don't think a hearing is necessary.

14                  MS. TATRO: Your Honor, I guess the other  
15 development that has occurred is the parties at this point  
16 have -- Staff and AmerenUE -- and I believe the Office of  
17 Public Counsel, if they're not going to sign off on it, at  
18 least isn't going to object -- have reached an agreement  
19 in principle.

20                  JUDGE JONES: Oh, you-all have reached an  
21 agreement?

22                  MR. WILLIAMS: Basically the agreement is  
23 to defer that issue to UE's next rate case --

24                  MS. TATRO: Right.

25                  MR. WILLIAMS: -- which I believe they said

1 they're going to file by the second quarter this year.

2 MS. TATRO: Second quarter this year, yes.

3 JUDGE JONES: Defer what issue?

4 MR. WILLIAMS: When the amortization would  
5 begin.

6 JUDGE JONES: So then this case just goes  
7 away, because that means there's no issue?

8 MR. WILLIAMS: There's no disputed issue.

9 All the rest of the terms of the Accounting Authority  
10 Order would be addressed.

11 MS. TATRO: We would go ahead and collect  
12 the costs in that account, and then in the next rate case  
13 the Commission would resolve that issue of when the  
14 amortization would start.

15 JUDGE JONES: Sounds like to me you're just  
16 putting off to tomorrow what we can do today. Is that  
17 what's happening?

18 MS. TATRO: You're right. It's just  
19 deferring that specific dispute, absolutely.

20 JUDGE JONES: Why do that? Why not just  
21 resolve it now? Is it better in the context of a rate  
22 case than it is now? What do you think, Nathan?

23 MR. WILLIAMS: Let me explain my  
24 understanding of what we're trying to accomplish.  
25 Basically, unless the Commission gives them some





1 based on that amortization would be affected by the timing  
2 of rate cases. So if the Commission decides that those  
3 costs shouldn't be included in considering rates, it  
4 wouldn't have to even address the question of when the  
5 amortization would begin because it wouldn't do anything  
6 with the amortization in terms of including it in the  
7 costs upon which rates are set.

8 JUDGE JONES: And in that sense you say  
9 it's better in the context of a rate case?

10 MR. WILLIAMS: Well, there would be no need  
11 to make a decision about when the amortization began if  
12 the Commission wasn't going to consider those costs in  
13 setting rates.

14 JUDGE JONES: Is there any argument about  
15 whether stockholders or ratepayers should bear these  
16 costs?

17 MR. WILLIAMS: There will be in a rate case  
18 certainly. Could be.

19 MS. TATRO: Yeah. In this case, I don't  
20 think anyone is purporting to make that decision even in  
21 the settlement agreement that we've reached in principle.  
22 That issue is typically always reserved for the rate case.

23 MR. WILLIAMS: It's definitely reserved for  
24 the rate case in this agreement.

25 JUDGE JONES: Did you have any thoughts,

1 Mr. Mills?

2 MR. MILLS: Yeah. Well, several. First, I  
3 agree with Staff that the writeoff should begin  
4 immediately after the storm. I don't think there's any  
5 reason to just sort of say, here's what it costs and we're  
6 not going to even begin to start writing these down even  
7 though you have to write down all of it.

8 So the whole concept of deferral is a boon  
9 to the utility to say we're just going to hold this pot of  
10 \$25 million indefinitely until we file a rate case  
11 sometime without writing down any of it. To me that  
12 seems, well, greedy, more greedy than normal. I mean, the  
13 whole deferral is an exception to the ratemaking treatment  
14 in the fact that you get to keep -- if you want to just  
15 keep that pot until sometime when it's convenient and just  
16 start charging ratepayers regardless of what the company's  
17 earning in the interim, that's just grossly unfair.

18 So I believe that the amount should begin  
19 getting written down immediately after the ice storm. But  
20 in terms of the question of whether or not we're willing  
21 to allow that question to be resolved in the context of a  
22 rate case as opposed to this rate case, I don't have an  
23 issue with that. I think if the company and the Staff can  
24 agree to put off a decision on that, we're not going to  
25 oppose that.

1                   MR. WILLIAMS: I would point out we're not  
2 talking about putting it off for years. It's a matter of  
3 months, should be, in terms of it being brought in front  
4 of the Commission. Of course, the rate case is 11 months  
5 typically.

6                   JUDGE JONES: Ameren made an issue of the  
7 retroactivity of this deferral going back to January.  
8 It's going to look even more like retroactive a whole year  
9 and a half from now.

10                  MR. WILLIAMS: If I understood their  
11 argument correctly --

12                  MS. TATRO: I don't think the argument was  
13 a retroactive ratemaking argument.

14                  JUDGE JONES: No, not retroactive  
15 ratemaking, but retroactive in the sense that it's past  
16 January '07 and that's when Staff is proposing that the  
17 writeoff begin.

18                  MS. TATRO: Yeah. I think we just have a  
19 disagreement on what the appropriate time is. Not to get  
20 into all of the arguments, but I would have to say that we  
21 vehemently disagree that we're being greedy here,  
22 Mr. Mills.

23                  But the point is, Staff's suggestion is  
24 that the amortization begin immediately. I mean, we don't  
25 even have -- if we were in February of '07, we wouldn't

1 even know what all those costs were yet necessarily. I  
2 mean, it takes quite a while before those costs all come  
3 in. So there's several reasons why this doesn't appear to  
4 make a lot of sense.

5 JUDGE JONES: But we're in March of '08.

6 MS. TATRO: Right.

7 MR. MILLS: And that's what accrual  
8 accounting is all about. You don't always know what  
9 things are going to be you account for anyway.

10 MS. TATRO: All we're attempting to do with  
11 this proposal is to keep those costs so that we can talk  
12 with the Commission to determine whether or not it's  
13 appropriate. We believe that would be appropriate to  
14 allow us to recover these extraordinary costs. Obviously  
15 not all parties are in agreement with that.

16 But getting -- the Stipulation & Agreement,  
17 the benefit of that, I guess, is it allows us to capture  
18 those costs and retain them for the rate case, which at  
19 this point is being filed second quarter of this year,  
20 which, worst case, is what, three months away. And I  
21 suppose if the Commission decides it's not appropriate,  
22 then Mr. Williams is correct. When you start the  
23 amortization, it becomes a discussion that doesn't ever  
24 get reached.

25 JUDGE JONES: Okay. Well, it sounds like

1 you-all are trying to avoid that issue to me, but maybe  
2 it's just my perception. So you-all already have an  
3 agreement?

4 MR. WILLIAMS: Yes.

5 MS. TATRO: We have an agreement in  
6 principle. I don't believe we have a signed agreement.

7 JUDGE JONES: Is OPC on board with that?

8 MR. MILLS: We're willing to not oppose  
9 that if the Staff and the company can agree. Not that we  
10 don't have a position on the issue, but we're not going to  
11 oppose them deciding to have that issue addressed a few  
12 months from now as opposed to right now.

13 JUDGE JONES: Okay.

14 MR. WILLIAMS: Judge, if I might?

15 JUDGE JONES: Yes.

16 MR. MILLS: And, of course, I haven't seen  
17 the Stipulation & Agreement itself. This is just sort of  
18 a general conceptual agreement. There may be things in  
19 there that we would object to.

20 MR. WILLIAMS: I mean, Staff agrees with  
21 what Public Counsel said about the amortization itself and  
22 the accounting agreement they're requesting is an  
23 aberration from traditional ratemaking. You take a test  
24 year, you look at the costs that were incurred in that  
25 test year.

1                   What we're doing with this amortization is  
2 allowing costs that were incurred in what is likely to not  
3 be the test year in the rate case, move them so that they  
4 can be considered at least in part through the  
5 amortization within the context of that test year.

6                   JUDGE JONES: So if --

7                   MR. WILLIAMS: Practically, if -- it really  
8 doesn't matter in this next rate case if everything that  
9 the parties have agreed to stand, if the Commission agrees  
10 to -- or decide that those costs should be considered in  
11 setting the rates in this next rate case, those costs will  
12 be the same whether the amortization starts January of '07  
13 or if it starts when rates go into effect, which I believe  
14 is what UE's proposal is. They'll be the same test year  
15 one-year amortization period of costs will be considered  
16 regardless.

17                   JUDGE JONES: This may be a stupid  
18 question. What if all the people who know about this case  
19 after -- if it's resolved by agreement and after it's  
20 resolved, all the people who know anything about this case  
21 die, then a rate case is filed. How is this issue going  
22 to be presented in that rate case when no one knows  
23 anything about this because one, like you said, it's  
24 outside the test year? So looking at it without knowledge  
25 of this, I might say it's not even -- it shouldn't be

1 included.

2 MS. TATRO: I think it would be AmerenUE's  
3 burden to bring it forth in the next rate case, presuming  
4 that the Commission approves the establishment of the AAO  
5 to retain the costs so that it can be done in the next  
6 rate case, and if we fail to do so, then there's no chance  
7 of recovery.

8 MR. WILLIAMS: Certainly the parties to the  
9 agreement will abide by the terms of the agreement. Now,  
10 that doesn't affect non-parties, and Staff is not by this  
11 agreement going to be precluded from raising the issue of  
12 whether or not those costs that have been booked should or  
13 can be recovered in rates.

14 JUDGE JONES: Okay. Well, I guess I don't  
15 have anything else. Everything else I was going to  
16 discuss assumed we were going forward with this. So do  
17 you have anything else to add, Mr. Mills?

18 MR. MILLS: No, I don't.

19 JUDGE JONES: Mr. Williams?

20 MR. WILLIAMS: No.

21 JUDGE JONES: Ms. Tatro?

22 MS. TATRO: I do not, sir.

23 JUDGE JONES: With that, then, we're off  
24 the record.

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C E R T I F I C A T E

STATE OF MISSOURI            )  
  ) ss.  
COUNTY OF COLE                )

I, Kellene K. Feddersen, Certified

Shorthand Reporter with the firm of Midwest Litigation Services, and Notary Public within and for the State of Missouri, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Given at my office in the City of Jefferson, County of Cole, State of Missouri.

\_\_\_\_\_  
Kellene K. Feddersen, RPR, CSR, CCR  
Notary Public (County of Cole)  
My commission expires March 28, 2009.