year of all revenue. In addition to these considerations, Staff has included in its annualization of Schedule 9 revenues MISO's newly effective pricing rates.

Similarly, Staff has annualized the test year expense level related to transmission expense items based on data provided for the 12-months ending April 2012. Staff will continue to review all of Ameren Missouri's transmission transactions as additional information becomes available through the true-up period.

Staff Expert/Witness: Lisa K. Hanneken

d. Ancillary Services Market Revenue and Expense

Ameren Missouri also participates in MISO's "Day-3" market, which has real time and day-ahead energy markets and an Ancillary Services Market ("ASM"). Ameren Missouri entered the ASM to acquire ancillary services for its retail load and to be able to sell the services from its generation. The MISO "Day-3" market was started in January 2009. The Staff has annualized test year ASM revenue and expense levels by using data for the 12-months ending April 2012. Staff will continue to review Ameren Missouri's ASM transactions as additional information becomes available through the true-up period.

Staff Expert/Witness: Lisa K. Hanneken

C. Fuel and Purchased Power Expense

Staff's annualization and normalization of the Company's fuel and purchased-power expense, allows for sufficient funds to serve the Company's native load and enable the Company to make off-system sales. Staff's fuel expense adjustment includes all increases in commodity coal and coal transportation costs based upon contracts in effect through July 31, 2012. Staff's fuel expense adjustment for nuclear fuel is based upon a 6-month average of prices that occurred during the period covering December 1, 2011, through May 31, 2012, as provided by the Company in its response to Staff Data Request Nos. 0073 and 0097. Staff's fuel expense annualization also incorporates a one-year average price of natural gas through January 31, 2012, and a three-year average of fuel oil commodity prices through January 31, 2012, as sponsored by Staff witness Erin L. Maloney. Staff also included in the fuel cost calculation the fixed demand cost of natural gas and a reduction resulting from fly ash activities.

Staff's annualized purchased power expense level reflects a three-year average of day-ahead market energy prices through January 31, 2012, as sponsored by Staff witness Erin L. Maloney.
Staff Expert/Witness: Lisa K. Hanneken

1. Fuel and Purchased-Power Prices

Staff reviewed all of Ameren Missouri's coal commodity and coal transportation contracts. Staff reviewed nuclear, natural gas, and fuel oil prices as reflected in Company fuel reports, workpapers, and responses to Staff data requests. Staff also reviewed three years of market energy prices. Staff's fuel expense adjustments reflect all known increases in commodity coal and coal transportation costs that will be in effect as of July 31, 2012. The Staff's fuel expense adjustments also reflect actual known and measurable nuclear fuel prices through May 31, 2012. Staff will continue to examine all of these fuel cost components through the true-up period ending July 31, 2012, in order to address any significant changes. Staff's purchased power expense adjustments reflect a three-year average of market energy prices through January 31, 2012.
Staff Expert/Witness: Lisa K. Hanneken

a. Coal Prices

i. Accounting Coal Prices

Staff's accounting coal prices are used to compute the fuel costs based on the coal unit generation that is determined by the production cost model. Staff performed a review of all of Ameren Missouri's current accounting coal commodity and coal transportation contracts. Staff's accounting coal prices reflect Ameren Missouri's mine-specific coal commodity and coal rail and barge transportation contracts that will be in effect as of July 31, 2012. Staff also included an ongoing level of cost associated with hedging for the cost of rail transportation fuel surcharges that are tied to the prices of on-highway diesel as reported by the Energy Information Administration, an independent statistical agency of the U.S. Department of Energy. Lastly, Staff included all railcar-related costs as a component of the accounting coal price used in the production cost model.
Staff Expert/Witness: Lisa K. Hanneken

ii. Fly Ash

Staff reduced the amount of expenses in its revenue requirement cost of service to account for the amount received by Ameren Missouri through the sale of its fly ash for concrete production. This amount must be included as a reduction to Staff's production cost model results which are based on the amount of fly ash produced which varies in relationship to the amount of coal burned.

Staff Expert/Witness: Lisa K. Hanneken

b. Nuclear Fuel Prices

Staff used a 6-month average price based upon actual nuclear fuel prices for the period ending May 2012 provided by Company in its response to Staff Data Request Nos. 0073 and 0097. Staff also included costs associated with the disposal of spent nuclear fuel. Staff will re-examine the nuclear fuel prices as part of its true-up audit and make any adjustments deemed appropriate.

Staff Expert/Witness: Lisa K. Hanneken

c. Natural Gas Cost

i. Variable Natural Gas Cost

Staff analyzed natural gas prices over a three-year period using data provided in response to Staff Data Request No. 0073 and data submitted by Ameren Missouri as per the 4 CSR 240-3.190 Reporting Requirements for Electric Utilities and Rural Electric Cooperatives rule. Staff calculated the average system price per month using the three years of monthly data ending January 31, 2012. After reviewing the three-year trend in gas prices, Staff concluded that the twelve months ending January 31, 2012, was the appropriate period to use to reflect the current downward trend in gas prices. These twelve monthly gas prices that occurred in this update period were used as inputs to the production cost model. Staff will continue to review natural gas prices through the true-up period ending July 31, 2012, and will make adjustments as necessary.

Staff Expert/Witness: Erin L. Maloney

ii. Fixed Natural Gas Cost

Staff adjusted expenses to include the fixed demand cost of gas in its revenue requirement cost of service. This amount must be added to the Staff's production cost model results which are based on only the variable commodity cost of gas.

Staff Expert/Witness: Lisa K. Hanneken

d. Oil Prices

Fuel oil plays a very small part in the total fuel costs of Ameren Missouri. It is mainly used for start-up and auxiliary purposes at the generating stations. Staff calculated its recommended fuel oil price from the monthly average fuel oil prices Ameren Missouri provided in response to Staff Data Request No. 0073 for the three-year period ending January 31, 2012. A single fuel oil price was used in the production cost model. Staff will continue to review fuel oil prices through the true-up period ending July 31, 2012, and will make adjustments as necessary.

Staff Expert/Witness: Erin L. Maloney

e. Purchased Power

Staff analyzed hourly power prices for the three-year period ending January 31, 2012, using day-ahead locational marginal prices ("LMP") downloaded from the MISO website (https://www.midwestiso.org/Pages/Home.aspx). Staff developed hourly average market prices by weighting the MISO prices by the actual day-ahead generation sales Ameren Missouri made during each hour in this period. Staff then calculated weighted average monthly prices for each month in the three-year period ending January 31, 2012, and developed factors for each month based on the ratio of a three-year average to the monthly averages for the twelve months ending January 31, 2012. The hourly average day-ahead prices that occurred in the twelve months ending January 31, 2012, were then adjusted by these monthly factors. The resulting 8,760 hourly prices were used as input to the production cost model. Staff will continue to review market energy prices and adjustments through the true-up period ending July 31, 2012, and will update the inputs as necessary.

Staff Expert/Witness: Erin L. Maloney

2. Refunded Entergy Charges

In Case No. ER-2008-0318, Ameren Missouri agreed to the following as reflected and approved by the Commission in its Report and Order:

> The company shall maintain such books and records as are necessary to allow the Staff to identify the amount of refunds, if any, the company may receive in the future arising from the dispute involving the 1999 purchased power service agreement with Entergy Arkansas described in the surrebuttal testimony of Staff witness John P. Cassidy. The company shall also maintain the books and records necessary to identify any costs associated with obtaining any such refunds such as legal expenses associated with efforts to obtain refunds. (page 56., Jan. 27, 2009).

Furthermore, item 30, found on page 10 of the *First Non-Unanimous Stipulation and Agreement* reached in Case No. ER-2010-0036, and approved by this Commission, states the following: "AmerenUE shall continue to adhere to the Commission's Report and Order from Case No. ER-2008-0318 regarding tracking potential refunds of Entergy Charges."

As part of a former purchased power agreement with Entergy that expired in August 2009, Ameren Missouri made payments for pass-through equalization charges that it has since disputed. Ameren Missouri filed an appeal with the Federal Energy Regulatory Commission ("FERC") in order to seek refunds for these payments. Payment for these disputed equalization charges were reflected in rates as part of Ameren Missouri, Case No. ER-2008-0318. In addition, all legal costs that Ameren Missouri incurred to address this matter were included in Ameren Missouri's rates as part of the last three rate case proceedings, Case Nos. ER-2008-0318, ER-2010-0036, and ER-2011-0028. As part of the current rate proceeding, the Staff has included as part of its overall cost of service calculation all legal costs to deal with this ongoing Entergy matter that was incurred by Ameren Missouri during the test year ending September 30, 2011. Because these costs have been included in the determination of rates for Ameren Missouri in previous rate proceedings and have been paid for by Ameren Missouri ratepayers, it is appropriate for those ratepayers to benefit from any future refunds that may occur in relation to these costs. In a supplementary response to Staff Data Request No. 0126.1 provided to Staff, Ameren Missouri indicates that on May 7, 2012, the FERC ordered Entergy to refund to Ameren Missouri all amounts that Entergy improperly collected from Ameren Missouri, with interest, within 30 days of the date of the FERC order. Ameren Missouri asserts that on June 6, 2012, it received a refund of $30.65 million from Entergy, per the FERC order.

Staff proposes that this $30.65 million refund amount should be amortized back to ratepayers over a 3-year period. Therefore, Staff proposes a $10.22 million reduction in the cost of service calculation to appropriately reflect this refund as part of the Commission's determination of rates in this rate case proceeding. Staff will continue to examine this area through the true-up period ending July 31, 2012, to determine if additional adjustments will be necessary to address the refund.

Staff Expert/Witness: Kofi Agyenim Boateng

3. Fuel and Purchased Power Cost Modeling

a. Variable Costs

Staff estimates the variable fuel and purchased power expense for Ameren Missouri for the update period, as defined in the Rate Revenue Section of Staff's Cost of Service Report, ending January 31, 2012, to be $565,800,757 including off-system sales, and $678,856,642 excluding off-system sales. For this rate case, the model was run with and without off-system sales to estimate the level of off-system sales.

The Staff used the RealTime® production cost model to perform an hour-by-hour chronological simulation of Ameren Missouri's generation, power purchases and off-system sales. The production cost model determines the annual variable cost of fuel and purchased power to economically match Ameren Missouri's hourly electric load within the operating constraints of its resources. These results are supplied to Auditing Staff who use this input to annualize fuel expense.

The model operates in a chronological fashion, matching each hour's energy demand before moving to the next hour. The model schedules generating units to dispatch in a least-cost manner based upon fuel cost and purchased power cost while taking into account generation unit operation constraints. The model closely simulates the way a utility should dispatch its generating units and purchased power to match the net system load in a least-cost manner.

Inputs provided by Staff are: fuel prices, spot market purchased power prices and availability, hourly load requirements at transmission, and unit planned and forced outages. For generating unit data, Staff relied on the company's direct testimony, responses to data requests, workpapers provided by Ameren Missouri witness Mark Peters, and data Ameren Missouri supplied in compliance with 4 CSR 240-3.190. The generating unit data includes the capacity of the unit, the unit heat rate curves, the primary and startup fuels, the ramp-up rate, the startup costs, and the fixed operating and maintenance expense. The energy price from Ameren Missouri's wind power contract with Horizon Pioneer Prairie was also an input to the model.

The Staff model was benchmarked by using Ameren Missouri's model inputs. The difference between Staff's model benchmark results and the Ameren Missouri model results, supported by Mark Peters' direct testimony, was 0.62%.

Ameren Missouri recently installed three combustion turbines with a nominal capacity of 4 megawatts (MW) each at the Maryland Heights Renewable Energy Center that use landfill gas as a source of fuel. These units are not included in the Staff fuel model for this filing, but they are expected to be included in Staff's true-up filing in this case once Staff determines that the units meet its declared "fully operational and used for service" requirements.

Staff Expert/Witness: David W. Elliott

b. Planned and Forced Outages

Planned and forced outages are infrequent in occurrence, and variable in duration. In order to capture this variability, the Ameren Missouri generating unit outages were normalized by averaging six years (2006 through 2011) of actual values taken from data Ameren Missouri supplied to comply with 4 CSR 240-3.190.

Staff Expert/Witness: David W. Elliott

c. Capacity Contract Prices and Energy

Capacity contracts are contracts for a specific amount of capacity (megawatts or MW) and a maximum amount of hourly energy (megawatthours or MWh). Prices for the energy from these capacity contracts are based on either a fixed contract price or the generating costs of providing the energy. The capacity contract relevant to this case is the Horizon Pioneer Prairie wind contract.

Actual hourly contract transaction prices were obtained from the Horizon Pioneer Prairie contract provided by Ameren Missouri. The hourly energy was developed by averaging the actual hourly energy in 2010 and 2011 from data Ameren Missouri supplied to comply with 4 CSR 240-3.190 Reporting Requirements for Electric Utilities and Rural Cooperatives.

Staff Expert/Witness: David W. Elliott

d. Normalization of Hourly Load Requirements at Transmission

Due to the presence of air conditioning and the presence of significant electric space heating in Ameren Missouri's service territory, the magnitude and shape of Ameren Missouri's load requirements[71] is directly related to daily temperatures. Actual and normal daily temperatures provided by Staff witness Seoung Joun Won were used in the analysis of the effect of fluctuations in daily temperatures on the load requirements. The actual daily temperatures for the modified year period differed from normal daily temperatures. Therefore, to reflect normal weather, daily peak and average load requirements are each adjusted independently but using the same methodology.

Daily average load is the daily energy divided by twenty-four hours, and the daily peak is the maximum hourly load for the day. Separate regression models are used to estimate both a base component, which is allowed to fluctuate across time, and a weather sensitive component, which measures the response to daily fluctuations in weather for daily average loads and peak loads. Independent regression models are necessary because daily average loads and peak loads respond differently to weather. The model's regression parameters, along with the difference between normal and actual cooling and heating measures, are used to calculate weather adjustments to both the average and peak loads for each day. The adjustments for each day are added respectively to the actual average and to the peak loads of each day. The starting point for allocating the weather-normalized daily peak and average loads to the hours is the actual hourly loads for the year being normalized. A unitized load curve is calculated for each day as a function of the actual peak and average loads for that day. The corresponding weather-normalized daily peak and average loads, along with the unitized load curves, are used to calculate weather-normalized hourly loads for each hour of the year.

This process includes many checks and balances, which are included in the spreadsheets that are used by Staff. In addition, the analyst is required to examine the data at several points in

[71] The hourly electric supply necessary to meet the hourly energy demands of both the Company's customers and the Company's own internal needs should be modeled at the transmission voltage level since Ameren Missouri bids its loads into the Midwest ISO at the transmission voltage level.

the process. For more information, the process is described in greater detail in the document "Weather Normalization of Electric Loads, Part A: Hourly Net System Loads."[72]

After weather-normalizing and annualizing usage for Ameren Missouri's retail customer classes is completed, wholesale usage that has been weather normalized using the same methodology that is used to weather normalize hourly load requirements is added. An adjustment was made to compensate the hourly load requirements at transmission for an annualization adjustment to account for the energy efficiency savings that have taken place due to demand-side programs as well as two additional wholesale customers.

A factor was applied to each hour of the weather-normalized loads to produce an annual sum of the hourly load requirements at transmission that equals the usage, plus losses, and consistent with normalized revenues. Once completed, the hourly normalized load requirements were given to Staff witness David W. Elliott to be used in developing fuel and purchased power expense.

Staff Expert/Witness: Shawn E. Lange

i. Losses

In the MISO market, Ameren Missouri "bids" its load into the associated market at the transmission level, and not at the generator level. Hence, transmission losses are not accounted for when Ameren Missouri bids its loads into the MISO market. In order to model fuel and purchased power costs appropriately, hourly loads utilized in the fuel models that are used to estimate fuel and purchased power expense need to be determined at the transmission level rather than at the generation level, identified as the Load Requirement at Transmission ("LRT"). The LRT needs to include the customers' energy requirements and associated primary and secondary losses ("System Energy Losses").

The basis for calculating energy losses is that LRT equals the sum of Total Sales and System Energy Losses. This can be expressed mathematically as:

LRT = Total Sales + System Energy Losses

[72] "Weather Normalization of Electric Loads, Part A: Hourly Net System Loads" (November 28, 1990), written by Dr. Michael Proctor, Manager of the Economic Analysis Department, Missouri Public Service Commission.

LRT and Total Sales are known, metered values. System Energy Losses (at the transmission level) are not metered values and may be calculated as follows:

System Energy Losses = LRT – Total Sales

The System Energy Loss percentage is the ratio of System Energy Losses at the transmission level to LRT multiplied by 100:

System Energy Loss Percentage = (System Energy Losses ÷ LRT) X 100

LRT is also equal to the sum of Ameren Missouri's net generation and net interchange, considered at the transmission level. Net interchange is the difference between off-system purchases and sales. Net generation is the total energy output of each generating plant minus the energy consumed internally to enable the production of electricity at each plant. The output of each generating plant is monitored continuously, as is the net of off-system purchases and sales.

Staff calculated a loss percentage of 4.49% of LRT for the twelve-month period ending January 2012. Staff Witness Shawn E. Lange used Staff's calculated loss percentage in the development of hourly loads for Staff's fuel model.

Staff Expert/Witness: Alan J. Bax

4. Other Fuel Related Items

a. Westinghouse Credits

During the test year ending September 30, 2011, the Company received credits from Westinghouse as part of a prior settlement of a uranium supply contract dispute. Staff adjusted the cost of service calculation to remove all credits received during the test year related to the Westinghouse credits as the final credit was received in October 2011 as agreed to in the settlement. There are currently no credits being received.

Staff Expert/Witness: Lisa K. Hanneken

b. Fuel Additive - Limestone for Sioux Scrubbers

As a result of the SO_2 scrubbers installed at the Sioux plant, a supply of limestone must be provided to the plant in order to operate the scrubbers. The limestone provided must meet certain standards of quality and be put through a pulverization process in order to be utilized in the scrubbers. Therefore, the Company has contracted with three vendors to obtain a supply of limestone with the proper specifications in order to operate the scrubbers. The Company contracted with a quarry which supplies the correct grade of limestone, a processor which operates the processing facility onsite at the quarry, and a trucking company which has the required equipment to transport the processed limestone to the Sioux facility. There are many variables within each contract including surcharges for different items. Since the last case, in which the limestone was initially treated as an expense item, additional historical data is available, as well as additional data regarding the SO_2 removal rate. Currently, the existing removal rate varies based on numerous variables, but is generally at 88% based on current conditions and regulations. However, in the future, the Company may need to increase the removal rate should the CSAPR go into effect. Currently CSAPR, which provides for reductions in emissions of pollutants, such as SO_2, and was scheduled to take effect January 1, 2012, has been stayed by the United States Court of Appeals pending judicial review.

Staff made adjustments to include only the estimated amount of limestone which would be required to achieve an average of 88% removal rate at the current terms of the contracts to provide the limestone. As a result, Staff is recommending an ongoing level for limestone expense of $3,497,847.

Staff will reexamine this issue as part of its true-up analysis to determine if any changes have occurred.

Staff Expert/Witness: Lisa K. Hanneken

D. Payroll and Benefits

1. Payroll

Staff's annualized payroll was based upon the test year ending September 30, 2011, and was calculated by adjusting actual Missouri electric-related payroll expense for the following: a) all known increases in wage rates that have occurred since the true-up cutoff date in the Company's last rate case b) a reduction in the level of executive and contract employees, which represents a lower number of employees at the end of the test year compared to the average number of employees during the test year, and c) the reduction of payroll expense that resulted from a reduction of employees due to a voluntary separation election plan ("VS-11") that was implemented by the Company during the last quarter of 2011.

After allocating a portion of payroll to construction associated with capital projects, Staff's adjustment for payroll expense was distributed by account, based on the actual payroll distribution experienced by the Company during the test year ending September 30, 2011. Staff's Accounting Schedule 10, Adjustments to Income Statement, reflects approximately 81 adjustments in order to restate test year payroll expense to an annualized level. Staff has also reflected in Accounting Schedule 10, five additional adjustments, consistent with Company's treatment, in order to normalize overtime associated with periodic Callaway nuclear facility refuelings. As part of its true-up audit, Staff will re-examine payroll and employee counts as well as potential additional labor costs associated with cyber security and the proposed methane gas plant in order to determine whether any further adjustments to the cost of service are necessary.

Staff Expert/Witness: Lisa M. Ferguson

2. Payroll Taxes

Staff's annualization for payroll taxes reflects an overall reduction from test year levels of Federal Insurance Contributions Act ("FICA") Old Age Survivors and Disability Insurance ("OASDI"), FICA Medicare, Federal Unemployment Tax Act ("FUTA"), and State Unemployment Tax Act ("SUTA") payroll taxes. This reduction in payroll tax is driven by the reduced levels of employees associated with the VS-11 program and other employee reductions that have occurred. As part of its true-up audit, Staff will re-examine payroll taxes consistent with its analysis of payroll expense in order to determine whether any further adjustments to the cost of service are necessary.

Staff Expert/Witness: Lisa M. Ferguson

3. Voluntary Separation Election (VS-11)

On October 21, 2011, Ameren Corporation offered a VS-11 to ** ________

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** This program occurred subsequent to the test year; therefore, Staff has normalized and annualized payroll expense, employee benefits, and payroll taxes to include the effects of the VS-11.

Staff Expert/Witness: Lisa M. Ferguson

<u>4. Severance Costs – ER-2012-0166</u>

Subsequent to the test year ending September 30, 2011, Ameren Missouri recorded approximately a $25.8 million accrual on its books to reflect its estimate of the severance costs that would be incurred as a result of the VS-11 program. The Company is seeking to recover this approximately $25.8 million of accrued severance costs through a three-year amortization. However, Staff has calculated that by January 2, 2013, when rates will become effective in this rate proceeding, the Company will already have achieved more than $25.8 million in cost savings associated with the VS-11 program. These cost savings result from reduced levels of payroll, benefits and payroll taxes that are already built into rates but are no longer being incurred by the Company. Staff did not include any severance costs as the Company will achieve more in cost savings than the severance costs associated with offering the program. Staff contends that these severance costs will already be recovered by the Company by the effective date of rates in this proceeding and that no adjustment to address severance costs as part of the cost of service calculation is required.

Staff Expert/Witness: Lisa M. Ferguson

<u>5. Amortization of ER-2010-0036 Severance Costs</u>

As part of the First Non-unanimous Stipulation and Agreement reached and approved by the Commission in Ameren Missouri's Case No. ER-2010-0036, a three-year amortization was established for the severance cost associated with the employee reduction packages that were implemented by the Company during September 2009, the Voluntary Separation Election ("VSE") and the Involuntary Separation Program ("ISP"). This amortization was allowed to continue unchanged based upon the First Non-unanimous Stipulation and Agreement – Miscellaneous Revenue Requirement Items – that was approved by the Commission as part of Ameren Missouri's last rate case, Case No. ER-2011-0028. The amortization of these costs began on the June 21, 2010, the effective date of rates as established by the Commission in Case No. ER-2010-0036 and are scheduled to end on June 20, 2013. Since this amortization is scheduled to expire during June 2013, Staff proposes that the January 2, 2013, unamortized balance of the costs associated with the amortization for the VSE/ISP be reset in order to prevent a significant over-recovery of these costs by Ameren Missouri. At January 2, 2013, the unamortized balance related to this amortization is approximately $587,500. Staff proposes a two-year amortization period or $293,750 annually during a period covering January 3, 2013, through January 2, 2015, in order to better synchronize the end of the amortization with future rate case recovery.

Staff Expert/Witness: Lisa M. Ferguson

6. Accounting Standards Codification ("ASC") 715-30 (formerly FAS 87) Pension Costs

a. Accounting Standards Codification 715-30 Pension Tracker

Staff, Ameren Missouri, and other parties, entered into a Stipulation and Agreement ("the 2007 Agreement") in Case No. ER-2007-0002 that addresses the ongoing ratemaking treatment for annual qualified pension cost under Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Subtopic 715-30, formerly Financial Accounting Standard No. 87 ("FAS 87").

The 2007 Agreement requires Ameren Missouri to fund its annual pension expense and track the difference between its annual pension expense and the level included in rates. The difference between the annual pension cost and the amount included in rates, as accumulated in the tracker, has been included in rate base and amortized over a period of five years as an addition or reduction to pension expense since the 2007 Agreement. Since some of Ameren Missouri's management and administrative functions are provided by Ameren Services employees, all components of Ameren Missouri's pension expense and rate base amounts include costs that are allocated from Ameren Services.

Ameren Missouri has a non-qualified pension plan called the Ameren Supplemental Retirement Plan. It was established to ensure the payment of a competitive level of retirement income in order to attract, retain and motivate selected executives. Information provided in response to Staff Data Request No. 0137 in Case No. GR-2010-0363, in addition to discussions with Company in that case, alerted Staff that Ameren Missouri was not funding the non-qualified portion of its pension expense. Ameren Missouri states that the non-qualified plan is unfunded and that the plan benefit payments are made on a monthly disbursement basis. This information, in addition to a response to Staff Data Request No. 0354 provided by the Company in Case No. ER-2011-0028, led Staff to propose an adjustment to remove $3,099,975 from Ameren Missouri's pension tracker for non-qualified pension expense accruals in excess of amounts paid for the period June 2007 through December 2010. This calculation was reflected on Appendix 3, Schedule KAB-3, attached to the Cost-of-Service Report in Case No. ER-2011-0028. It is Staff's position that the pension tracker should only include amounts associated with qualified pension expense that is "funded" by Ameren Missouri.

Consistent with the 2007 Agreement and similar stipulations agreed to made in subsequent Ameren Missouri rate cases, Staff is proposing to reflect in rate base pension tracker amounts as follows: (1) rate base will be reduced by ($3,669,299), which represents an estimated unamortized regulatory liability at the true-up date of July 31, 2012, for the pension tracker established in Case No. ER-2008-0318; (2) rate base will be increased by $2,760,358, which represents an estimated unamortized regulatory asset at the true-up date of July 31, 2012, for the pension tracker established in Case No. ER-2010-0036; and (3) rate base will be increased by $5,754,100, which represents an estimated unamortized regulatory asset at the true-up date of July 31, 2012, for the pension tracker established in Case No. ER-2011-0028. In this proceeding, Staff recommends increasing rate base by $6,665,875 for an estimated regulatory asset relating to the period March 1, 2011, through July 31, 2012, for the pension tracker authorized in Case No. ER-2011-0028 resulting from the under-collection in rates of Subtopic 715-30 pension expense as compared to the actual expense and funding incurred since March 2011.

For purposes of calculating its rate base and amortization expense values, Staff is proposing to combine all prior trackers established in Case Nos. ER-2008-0318, ER-2010-0036 and ER-2011-0028 and amortize a total combined balance of $11,511,034 over a five-year period. In Ameren Missouri's next rate increase request case, Staff will consider all over/(under) collections in pension expense beginning August 1, 2012, through the end of the test year or true-up period date established in Ameren Missouri's next general rate proceeding.

Staff Expert/Witness: Roberta A. Grissum

b. Annualization

Staff adjusted qualified pension expense to reflect the Plan Year 2012 estimated expense for FASB ASC Subtopic 715-30 provided by Towers Watson[73] for Ameren Missouri's qualified pension plan. Staff used this amount to determine the adjustment necessary to ensure the amount collected in rates is sufficient to recover the estimated pension expense provided by Towers Watson. In this proceeding, Staff is proposing to decrease test year expense by an amount of $2,764,934. This reduction will appear in Staff's income statement. Staff will examine the 2012 Plan Year Actuarial Report to be provided by Company in July 2012 as part of the true-up audit and will make adjustments to the cost of service calculation in order to reflect Ameren Missouri's final 2012 level of pension expense and required actual funding levels in its case.

It should be noted that Staff has not removed any of the pensions and OPEBs cost savings related to the VS-11 offered by Ameren Missouri on October 21, 2011, from the cost-of-service calculation at this time because the Company has asserted that these savings will be reflected in the Plan Year 2012 Actuarial Report to be provided to Staff in July 2012 as part of the true-up audit. Staff submitted Data Request No. 0438 in order to obtain a calculation of the cost savings that will be reflected as part of the Plan Year 2012 Actuarial Report. Staff will evaluate Ameren Missouri's response to this data request once it is received and also continue to review VS-11 Pensions and OPEBs cost savings as part of the true-up audit and propose adjustments to the cost-of-service calculation as deemed appropriate.

Staff also adjusted nonqualified pension expense to reflect the Plan Year 2012 expense provided by Towers Watson for Ameren Missouri's nonqualified pension plan. As stated previously, nonqualified pension costs will not be included in the pension tracker. Staff, however, recommends reducing nonqualified pension expense in its income statement by $198,091 to reflect the Plan Year 2012 expense provided by Towers Watson in

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[73] Towers Watson is the actuary hired by Ameren Missouri to evaluate is Pensions and OPEBs plans.

Ameren Missouri's September 2011 Actuarial Report. In addition, Staff recommends an adjustment of $3,571,998 to increase pension amortization expense from the negative expense level of ($1,269,791) recorded during the test year ending September 30, 2011, to an estimated positive expense level at the true-up date of July 31, 2012, of $2,302,207. This adjustment represents the annualized amortization related to the current pension tracker as well as the annualized amortizations related to previous trackers established in Case Nos. ER-2008-0318, ER-2010-0036 and ER-2011-0028.

Staff Expert/Witness: Roberta A. Grissum

7. Accounting Standards Codification ("ASC") 715-60 (formerly FAS 106) Other Post Retirement Benefit Costs (OPEBs)

a. Accounting Standards Codification 715-60 OPEBs Tracker

The 2007 Agreement also addresses the ratemaking treatment for annual OPEBs cost under the FASB's ASC Subtopic 715-60, formerly Financial Accounting Standard No. 106 ("FAS 106"). As with pension expense, the 2007 Agreement requires Ameren Missouri to fund the annual OPEB expense and establish a tracker. The difference between the annual OPEBs' cost and the amount included in rates, as accumulated in the tracker, has been included in rate base and amortized over a period of five years as an addition or reduction to OPEBs expense.

Consistent with the 2007 Agreement and similar stipulations agreed to in subsequent Ameren Missouri rate cases, Staff is proposing to adjust the rate base trackers as follows: (1) rate base will be reduced by $6,404,972, which represents an estimated unamortized regulatory liability at the true-up ending date of July 31, 2012, for the OPEBs tracker established in Case No. ER-2008-0318; (2) rate base will be reduced by $11,258,563, which represents an estimated unamortized regulatory liability at the true-up ending date of July 31, 2012, for the OPEBs tracker established in Case No. ER-2010-0036; and (3) rate base will be reduced by $14,425,336, which represents an estimated unamortized regulatory liability at the true-up ending date of July 31, 2012, for the OPEBs tracker established in Case No. ER-2011-0028. In this proceeding, Staff is recommends decreasing rate base by $10,944,694 for an estimated regulatory liability recorded during the period March 1, 2011, through July 31, 2012, for the OPEBs tracker established in Case No. ER-2011-0028 which resulted in an over-collection in rates of OPEBs expense as compared to the actual expense and funding incurred since March 2011.

In the same manner as for pension tracker amounts, for calculation of OPEBs rate base and amortization expense purposes Staff recommends combining all prior OPEBs trackers established in Case Nos. ER-2008-0318, ER-2010-0036 and ER-2011-0028 and amortize a total combined balance of $43,033,566 over a five-year period. In Ameren Missouri's next rate increase request proceeding, Staff will consider all over/(under) collections of OPEBs expense beginning August 1, 2012, through the end of the test year and the end of any true-up period established in Ameren Missouri's next general rate proceeding.

Staff Expert/Witness: Roberta A. Grissum

b. Annualization

Staff adjusted OPEBs expense to reflect the Plan Year 2012 estimated expense for FASB ASC Subtopic 715-60 provided by Towers Watson for Ameren Missouri's post-retirement benefit plan. Staff used this estimated amount to determine the adjustment necessary to ensure the amount collected in rates is sufficient to recover the estimated OPEBs expense provided by Towers Watson. In this proceeding, Staff recommends increasing the amount collected in rates by an amount of $78,455. This increase will appear in Staff's income statement. The Staff will examine the 2012 Plan Year Actuarial Report to be provided by Company in July 2012 as part of the true-up audit and will make adjustments to the cost of service calculation in order to reflect Ameren Missouri's final 2012 level of OPEBs expense and required actual funding levels in its case.

In addition, Staff recommends an adjustment of $665,228 to decrease OPEBs tracker amortization expense from the negative expense level of $7,941,485 recorded during the test year ending September 30, 2011, to an estimated negative expense level at the true-up ending date of July 31, 2012, of $8,606,713. This adjustment represents the annualized amortization related to the current OPEBs tracker as well as all amortizations related to previous trackers established in Case Nos. ER-2008-0318, ER-2010-0036 and ER-2011-0028.

Staff Expert/Witness: Roberta A. Grissum

<u>8. Other Employee Benefits</u>

The Company currently offers employees medical, dental, vision, life insurance, long-term disability, and 401k benefits. Staff has reflected in the cost of service the actual

12-months ending September 30, 2011, level of benefits adjusted to remove benefit costs associated with employees that are no longer with the Company due to the VS-11 and other reductions in employee levels. Staff will continue to analyze actual benefit cost information, as well as employee counts as the information becomes available through July 31, 2012. As a result of this continuing analysis, Staff may propose further adjustment to employee benefits as part of the true-up audit.

Staff Expert/Witness: Lisa M. Ferguson

<u>9. Short-Term Incentive Compensation</u>

The Company has three distinct incentive compensation plans that are offered to employees: short-term compensation, long-term compensation, and an exceptional performance bonus program. Some of Ameren Missouri's incentive compensation costs are allocated from Ameren Services Company ("AMS"), as AMS provides various management and administrative functions to Ameren Missouri.

The short-term incentive compensation plan is broken out into five categories, as follows:

- Executive Incentive Plan - Officers level,
- Executive Incentive Plan - Managers and Directors level
- Ameren Manager Incentive Plan
- Ameren Marketing, Trading & Commodities, and
- Ameren Incentive Plan

The Executive Incentive Plan for Officers ("EIP-O") is designed to incentivize officers of the Company to ensure that they are focused on the overall success of the Company's business. These officers are senior level individuals who hold the positions of vice president, senior vice president, president, and chief executive officer. The officers and the personnel with manager and director positions constitute the Ameren Leadership Team ("ALT"), a group that is responsible for the strategy and direction of all the functional areas within Ameren Missouri. Awards at this level are based upon the individual officer's personal performance and the achievement of certain scorecard key performance indicators ("KPIs"), as determined by the Company. Such KPI measures may include Ameren Missouri's earnings, safety, reliability, and/or customer satisfaction. The Company's EIP-O is entirely funded based on earnings-per-share ("EPS") and has been disallowed by Staff.

The Executive Incentive Plan for Managers ("EIP-M") is a plan designed for members of the ALT below the Officers level. Much like the EIP-O, the EIP-M awards are based upon participants' demonstrated leadership and contributions toward the achievement of the Company's business objectives. However, unlike the EIP-O, the EIP-M funding is based twenty-five percent on EPS and seventy-five percent is based on operational performance as measured by KPIs, and individual performance as determined by supervisors through the performance appraisal process. Staff has removed the twenty-five percent of the EIP-M that is EPS-related from its cost of service calculation, and recommends the commission disallow it.

The Ameren Manager Incentive Plan ("AMIP") is designed for management employees and is funded entirely based on achievement of a set of KPIs. Like the EIP, payouts are based on the achievement of the participant's individual performance objectives and his/her contributions to the group's KPI measure. Similar to individual performance for the EIP-M, individual performance is determined by supervisors through the performance appraisal process. Staff has allowed the costs associated with this incentive program.

The Ameren Marketing, Trading & Commodities ("AMTC") plan is similar to the AMIP and is designed to target management employees who perform specific roles within the Company's trading and fuel divisions. This plan has two components: one, the base plan, which is identical to the AMIP, and two, the second component, called the supplemental plan which provides group or position-specific measures for individuals within this group to achieve. The awards under the supplemental plan are converted into units of stock and are held for 22 months for the purpose of promoting employee retention before they are paid out. Staff has included the base plan costs but the restrictive stock has been removed.

The Ameren Incentive Plan ("AIP") is offered only to contract employees and funding is determined by attaining specified KPI goals. It is designed to provide employees with line of sight to critical financial and operational metrics that they can influence. These rewards are based solely on achievement of specified KPIs. Staff has allowed the actual costs associated with this incentive plan.

The Exceptional Performance Bonus Plan ("EPBP"), unlike the short-term compensation plans, is not determined by either meeting a certain level of EPS or KPIs, but are awarded on the basis of outstanding performance of an individual as determined by his or her supervisor and approved by an officer. The process begins when a supervisor submits a recommendation, by completing a Performance Recommendation Form, to an officer that an employee be considered for a bonus on the basis of an exceptional performance. The supervisor who makes this recommendation also recommends the amount of bonus to be awarded. If this recommendation is approved, the employee is eligible for a bonus ranging from $500 to $4,000. However, EPBP awards are not expected to exceed 10% of the employee's annual base pay in any contract year. Staff has allowed the actual costs associated with this incentive plan.

The criteria Staff uses to evaluate employee incentive plans were established in the Commission's Report and Order for *Re Union Electric Co.*, Case No. EC-87-114:

> At a minimum, an acceptable management performance plan should contain goals that improve existing performance, and the benefits of the plan should be ascertainable and reasonably related to the plan. 29 Mo. P.S.C. (N.S.) 313, 325 (1987).

Staff has reviewed Ameren Missouri's incentive compensation plans as described above and recommends that all incentive compensations that are directly tied to EPS be disallowed from the cost of service. This recommendation is consistent with past Commission rulings. In its Report and Order in *Re Kansas City Power & Light Company*, Case No. ER-2006-0314, at page 58, the Commission noted that, among other things, "because maximizing EPS could compromise service to ratepayers, such as by reducing customer service or tree-trimming costs, the ratepayers should not have to bear that expense." Again, in the most recent Ameren Missouri rate case, Case No. ER-2010-0036, the Commission decided that, "Ameren Missouri shall not recover in rates the cost of its long-term compensation plan" for its executive officers as the plan was based on EPS which in the Commission's view "primarily benefit shareholders and not ratepayers."

Staff has made an adjustment to the test year incentive compensation expense consistent with the VS-11 program which called for the elimination of positions within Ameren Missouri and AMS. Please refer to the VS-11 section of this Cost of Service Report for a more complete discussion of the VS-11 program.

In addition to the adjustment in the Operation and Maintenance ("O&M") expenses, and to be consistent with the position that incentive compensation costs relating to EPS should not be borne by ratepayers, Staff has made corresponding reductions in Ameren Missouri's plant in service and reserve balances to eliminate incentive compensation that was capitalized from 2002 through the end of the test year. As part of its true-up audit, Staff will make further adjustments to Ameren Missouri's plant in service and reserve balances to address all additional incentive compensation that is recorded on Ameren Missouri's books through the end of the July 31, 2012, true-up cutoff established by the Commission as part of this rate proceeding.

Staff Expert/Witness: Lisa M. Ferguson

10. Long-Term Incentive Compensation: Restrictive Stock and Performance Share Units

In addition to the other compensation available (base and incentive), Ameren Missouri through its parent company Ameren Corporation, also offers its executives the possibility of restrictive stock awards and performance share units, and these form the Company's long-term compensation plans. Conditions are placed on the receipt of restrictive stock awards related to earnings performance. The performance share units program is based on the market performance of Ameren Corporation's common stock relative to a peer group of other companies' common stock, over a three-year period. Consistent with the Company's treatment of not seeking recovery in retail rates of these long-term incentive plans, Staff has eliminated all costs relating to these plans from its revenue requirement calculation.

Staff Expert/Witness: Lisa M. Ferguson

E. Other Expenses

1. Rate Case Expenses

With respect to rate case expense, Staff examined what other large utilities in Missouri have spent in order to process recent rate cases and then reviewed the actual costs from Ameren Missouri's two previous rate cases (Case Nos. ER-2010-0036 and ER-2011-0028) and compared that to the projected expenses for the current case. Based on this research, Staff has determined that an annual amount of $1,000,000 of rate case expense should be sufficient for Ameren Missouri to process this case to its conclusion.

Staff Expert/Witness: Lisa K. Hanneken

2. Dues and Donations

Staff reviewed the list of membership dues paid and donations made to various organizations that Ameren Missouri charged to its utility accounts during the test year. Staff recommends disallowance of various dues and donations that were included by Ameren Missouri in test year expenses. Staff disallowed these dues and donations because they were not necessary for the provision of safe and adequate service, and thus have no direct benefit to ratepayers. Allowing the Company to recover these expenses through rates causes the ratepayers to involuntarily contribute to these organizations. Examples of items disallowed by Staff are amounts paid to Civic Progress or the St. Louis Earth Day sponsorship.

In *Re: Missouri Public Service, a Division of UtiliCorp United, Inc.*, Case Nos. ER-97-394, et al., Report and Order, 7 Mo.P.S.C.3d 178, 212 (1998), the Commission stated:

> The Commission has traditionally disallowed donations such as these. The Commission finds nothing in the record to indicate any discernible ratepayer benefit results from the payment of these donations. The Commission agrees with the Staff in that membership in the various organizations involved in this issue is not necessary for the provision of safe and adequate service to the MPS ratepayers.

In addition to the above disallowances, Staff removed all costs related to lobbying that were included in the membership dues to the various organizations as well as dues related to the Edison Electric Institute (EEI); these items are discussed in further detail in the following paragraphs.

Staff Expert/Witness: Erin M. Carle

a. Lobbying

As part of its analysis of dues, the Staff determined that some of the organizations use a percentage of member payments to fund government affairs or lobbying activities. Staff traditionally disallows the cost of these activities and therefore has removed the associated amounts from the Company's test year expense level.

Staff Expert/Witness: Erin M. Carle

3. Edison Electric Institute (EEI) Dues

According to information obtained from the EEI's website (www.eei.org), EEI is an association of investor-owned electric utilities and industrial affiliates. From the information concerning EEI reviewed by Staff in this case, it is clear that part of EEI's function is to represent the interests of the electric utility industry in the legislative and regulatory arenas. By necessity, this role includes engagement in lobbying activities by EEI.

In Case No. ER-83-49, a KCPL rate increase case, 26 Mo.P.S.C. 104, 155 (1983), the Commission stated its position respecting EEI dues:

> ...In the Company's last rate case, ER-82-66, the Commission reiterated its position that while there may be some possible benefit to the Company's ratepayers from Company's membership in EEI, the dues would be excluded as an expense until the Company could better quantify the benefit accruing to both the Company's ratepayers and shareholders.

This position has been re-affirmed by the Commission in subsequent rate proceedings.

In Re: Kansas City Power & Light Co., Case Nos. EO-85-185 et al., ***Report and Order,*** 28 Mo.P.S.C. (N.S.) 228, 259 (1986), the Commission stated:

> . . . The argument that allocation is not necessary if the benefits lessen the cost of service to the ratepayers by more than the cost of the dues, misses the point.
>
> It is not determinative that the quantification of benefits to the ratepayer is greater that the EEI dues themselves. The determining factor is what proportion of those benefits should be allocated to the ratepayer as opposed to the shareholder. It is obvious that the interests of the electric industry are not consistently the same as those of the ratepayers. The ratepayers should not be required to pay the entire amount of EEI dues if there is benefit accruing to the shareholders from EEI membership as well. The Commission finds this to be the case. The Company has been informed in prior rate cases that it must allocate its quantified benefits from membership in EEI. That has not been done herein. Therefore, no portion of EEI dues will be allowed in this case.

Based on the above guidance, Staff disallowed the entire amount of EEI dues.

Staff Expert/Witness: Erin M. Carle

4. Insurance Expense

Ameren Missouri obtains insurance from third-party insurance providers for protection against the risk of financial loss associated with unanticipated events or occurrences. Insurance policies currently in place at Ameren Missouri cover property, terrorism, crime, boilers and machinery, replacement power, nuclear property, fiduciary liability, directors and officers, marine, nuclear liability, and workers' compensation. Ameren Missouri records all insurance expense in FERC's Uniform System of Accounts 924 and 925. Staff adjusted Ameren Missouri's insurance expenses to annualize those expenses based on the most current premiums charged to the Company as of April 30, 2012. As part of its true-up audit, Staff will re-examine insurance expense in order to determine whether any further adjustments to the cost of service are necessary.

Staff Expert/Witness: Kofi A. Boateng

5. Vegetation Management and Infrastructure Inspection Programs

a. Annual Expense

Staff adjusted the non-labor test year expense level associated with Ameren Missouri's vegetation management and infrastructure inspections programs to reflect the write-off of unamortized balances related to prior vegetation management trackers per the Stipulation and Agreement approved by the Commission in Case No. ER-2011-0028 in the amounts of $1,225,000 and ($2,172,212). These write-offs applied to vegetation management trackers established in Case Nos. ER-2007-0002 and ER-2008-0318, respectively. Staff also proposes an adjustment of $220,518 to reflect a correction to the set-up of the vegetation management tracker established in Case No. ER-2011-0028. Based upon the estimated expense[74] incurred by Ameren Missouri for the twelve-months ending July 31, 2012, Staff recommends the Commission rebase the trackers related to vegetation management and infrastructure inspections to an annualized level of $55,057,826 and $6,807,000, respectively.

Staff will re-examine the actual cost through the end of the true-up period July 31, 2012, to determine if further adjustment is necessary and/or appropriate. Staff recommends the actual amount incurred for the twelve-months ending July 31, 2012, also become the new base amount for tracking following the effective date of rates in Case No. ER-2012-0166.

b. Trackers

Case No. ER-2008-0318

In Case No. ER-2008-0318, the Commission allowed Ameren Missouri to recover the costs incurred, in excess of the amount included in base rates from January 1, 2008, through

[74] Actual data for the period 8/1/2011 – 3/31/2012 and forecasted data for the period 4/1/2012 – 7/31/2012.

September 30, 2008, by Ameren Missouri to comply with the Commission's vegetation management and infrastructure inspection rules. In Case No. ER-2010-0036, this amount was adjusted to account for a change in the amount included in base rates from January 1, 2008, through September 30, 2008. In Case No. ER-2011-0028, Staff recommended the unamortized amount at July 31, 2011, related to Ameren Missouri's previous two rate cases be included in expense, thus ending the vegetation management and infrastructure inspection trackers established in Case Nos. ER-2007-0002 and ER-2008-0318. In doing so, the unamortized amount of expense for the tracking periods January 2008 through February 2009 and October 2008 through January 2010 would be fully reflected in rates during the twelve months ending July 31, 2012. Since the amortization of the regulatory asset related to the tracker established for Case No. ER-2007-0002 will be complete by the end of the true-up period established in this rate proceeding, Staff has removed $1.75 million from the cost-of-service calculation associated with the amortization that was reflected on the Company's books during the test year for this tracker. Since the amortization of the regulatory liability related to the tracker established for Case No. ER-2008-0318 will be complete by the end of the true-up period established in this rate proceeding, the Staff has removed approximately ($944,400) from the cost-of-service calculation associated with the amortization that was reflected on the Company's books during the test year for this tracker.

As part of Case No. ER-2008-0318, the Commission allowed Ameren Missouri to defer the amount of cost the Company estimated it would incur, in excess of the amount that was included in base rates, from October 31, 2008, through February 28, 2009, to comply with the Commission's vegetation management and infrastructure inspection rules. An amount associated with this period was identified in Case No. ER-2010-0036 and was offset against the over-collection associated with the amount included in rates for the period March 1, 2009, through February 28, 2010. This net amount was ordered by the Commission to be amortized over three years. The amount previously identified in Case No. ER-2010-0036 for the period March 1, 2009, through February 28, 2010, was based upon forecasted data and, therefore, Staff was required to replace this forecasted data by actual amounts incurred to recalculate the amortizations related to vegetation management and infrastructure inspection program.

In Case No. ER-2010-0036, the Commission also allowed Ameren Missouri to defer the amount of cost the Company estimated it would incur, in excess of the amount included in base rates in the 2008 rate case, to comply with the Commission's vegetation management and infrastructure inspection rules in the amounts of $54.1 million and $10.7 million, respectively. However, during the twelve-months ended February 28, 2010, the amounts collected in rates significantly exceeded the actual non-labor costs incurred. This over-recovery was netted against the corrected amount deferred during the period October 1, 2008, through February 28, 2009.

Case No. ER-2010-0036

In Case No. ER-2010-0036, the Commission ordered a new base for the tracker including vegetation management and infrastructure inspection cost in the amount of $50.39 million and $7.65 million, respectively. The amounts reflected in rates, a combination of the new base established in Case No. ER-2010-0036 and the previous base established in Case No. ER-2008-0318, were then compared to the actual amount incurred for the twelve-months ending February 28, 2011, to identify any over or under-collection. Consistent with the Commission's prior orders, Staff recommended any over or under-collection be amortized over a three-year period.

Case No. ER-2011-0028

In Case No. ER-2011-0028, the Commission ordered a new base for the tracker including vegetation management and infrastructure inspection cost in the amount of $52.2 million and $7.7 million, respectively. The amounts reflected in rates were compared to the actual amount incurred for the twelve-months ending September 30, 2011, to identify any over or under-collection. Staff has identified a net under-collection for the period March 1, 2011, through the true-up ending date of July 31, 2012, in the amount of $2,465,063. Staff recommends this under-collection be amortized over three years consistent with Commission orders in previous cases. This net under-collection amount represents a $2,896,420 under-collection for vegetation management and a ($431,357) over-collection for infrastructure inspections for the true-up period ending July 31, 2012. The annualized amortization recommended is $965,473 and ($143,786), respectively, for a total annualized amortization of $821,688.

Staff also proposes that any unamortized amount related to the tracker established in Case No. ER-2010-0036 be rolled into the current amortization established in this proceeding and be amortized over a three-year period so that only one tracker remains. The unamortized amount related to the tracker established in Case No. ER-2010-0036 at the true-up ending date of July 31, 2012, is ($1,360,259). Therefore, the total to be amortized is a net amount of $1,104,804 [$2,465,063 + (1,360,259) = $1,104,804] with an annual amortization in the amount of $368,268.

Staff Expert/Witness: Roberta A. Grissum

6. Customer Deposit Interest Expense

See discussion in Section VII.D. Rate Base-Customer Deposits.

Staff Expert/Witness: Erin M. Carle

7. Property Tax Expense

For property assessment purposes, each utility company is required to file with its respective taxing authority a valuation of utility property at the beginning of each assessment year, which is January 1st. Several months later, based on information provided by the utility, the taxing authority will in turn send the company what are known as "assessed values" for every category of the company's property. The taxing authority will issue to the utility company a property tax rate later in the year. The final step in the process is when the taxing authority issues a property tax bill to the company late in each calendar year with a "due date" of December 31. The billed amount of property taxes is based on the property tax rate applied to the previously determined assessed values of the utility's plant-in-service balances as of January 1 of the same year. The Staff developed its property tax rate based on the Company's actual taxes paid as of December 31, 2011, which are paid based on investment as of January 1, 2011. The Staff will continue to review this issue in order to determine whether any further adjustments to the cost of service are necessary.

Staff Expert/Witness: Erin M. Carle

a. Property Tax Appeal/Refund

During the previous rate case, Case No. ER-2011-0028, Ameren Missouri was in the process of appealing approximately $28.9 million of property taxes that had previously been paid during 2010. The Commission's Report and Order for Case No. ER-2011-0028 states that:[75]

> Specific Findings of Fact: The only question before the Commission at this time is whether to order Ameren Missouri in this case to return any tax refund it may receive to its customers. There is no disagreement about Ameren Missouri's duty to track that refund. If Ameren Missouri does receive a tax refund, then the Commission would certainly expect that the company would return that refund to its customers who are ultimately paying the tax bill. It is hard to imagine a circumstance in which such a refund would not be ordered. However, such an order must wait until a future rate case in which that decision will be presented to the Commission.
>
> Any such order the Commission could issue in this case would be ineffective, as this Commission cannot bind a future Commission. At this time, the Commission can only order Ameren Missouri to track any possible refund. A decision about how any such tax refund is to be handled must be left to a future rate case.

Since the last case, Ameren Missouri received approximately a $2.9 million refund of the approximate $28.9 million that it was seeking. Therefore, Staff has determined that the refund amount of $2.9 million granted to Ameren Missouri should be refunded back to Ameren Missouri's customers through a two-year amortization, beginning with the effective date of rates in this rate proceeding. Staff has included an adjustment to reduce the cost of service by approximately $1.45 million in order to reflect this refund over two years.

Staff Expert/Witness: Erin M. Carle

8. Uncollectible Expense

Uncollectible expense is the portion of retail rate revenues that Ameren Missouri is unable to collect from retail customers by reason of bill non-payment. After a certain amount of time has passed, delinquent customer accounts are written off and turned over to a third party

[75] In *Re: Union Electric Company, d/b/a Ameren Missouri,* Case No. ER-2011-0028, *Report and Order,* pp 111-112.

collection agency for recovery. Through the third party collection agency, Ameren Missouri is sometimes successful in collecting a portion of the delinquent amounts owed.

Staff examined the five-years ending September 30, for 2007 through 2011, and found no particular upward or downward trend in this expense. Staff then applied an averaging technique and compared the results to the net write-offs recorded for the test year ending September 30, 2011. Finally, Staff determined the rate of recovery of past write-offs experienced by Ameren Missouri over the past five-years ending September 30 for 2007 through 2011. Based upon this historical data, Ameren Missouri's rate of recovery for charge-offs has declined from approximately 46% for the twelve-months ending September 30, 2007, to a recovery rate for charge-offs of approximately 18% for the twelve-months ending September 30, 2011. Based on this analysis, Staff recommends the annualized level of uncollectibles expense be set equal to the test year level of net write-offs in the amount of $14,763,068. Staff, therefore, proposes an adjustment to uncollectible expense of ($790,732) to reflect this decrease from $15,553,800 recorded during the test year ending September 30, 2011, to the recommended level of $14,763,068.

Staff Expert/Witness: Roberta A. Grissum

9. Advertising Expense

In forming its recommendation of the allowable level of Ameren Missouri's advertising expense, Staff relied on the principles it has consistently applied adhering to the Commission's decision in *Re: Kansas City Power and Light Company*, Case Nos. EO-85-185, et al., 28 Mo.P.S.C. (N.S.) 228, 269-71 (1986). In that case, the Commission adopted an approach that classifies advertisements into five categories and provides rate treatment of recovery or disallowance based upon a specific rationale. The five categories of advertisements recognized by the Commission are as follows:

1. General: informational advertising that is useful in the provision of adequate service;

2. Safety: advertising which conveys the ways to safely use electricity and to avoid accidents;

3. Promotional: advertising used to encourage or promote the use of electricity;

4. Institutional: advertising used to improve the company's public image;

5. Political: advertising associated with political issues.

The Commission utilized these categories of advertisements explaining that a utility's revenue requirement should: 1) always include the reasonable and necessary cost of general and safety advertisements; 2) never include the cost of institutional or political advertisements; and 3) include the cost of promotional advertisements only to the extent that the utility can provide cost-justification for the advertisement (Report and Order in KCPL Case Nos. EO-85-185, et al., 28 Mo.P.S.C. (N.S.) 228, 269-271 (April 23, 1986)).

Accordingly, in the current rate case, Staff recommends adjustments to exclude the costs of institutional, political, and promotional advertising from recovery in rates. Costs for safety advertising and general advertising directed towards the benefit of existing customers were not adjusted by Staff. In addition, Staff has reviewed any advertising-related items that have been allocated from the corporate level. Staff proposes adjustments to remove any allocated items deemed to be institutional and promotional.

Staff Expert/Witness: Lisa M. Ferguson

<u>10. Gross Receipt Tax Expense</u>

See the discussion in Section IX.A. – Rate Revenues, subsection 4.b., Adjustment to Remove Gross Receipts Tax.

Staff Expert/Witness: Robert A. Grissum

<u>11. Test Year Storm Cost</u>

From time to time, Ameren Missouri experiences the effects of storms in its service territory that result in it incurring costs in order to restore service to customers. During the test year ending September 30, 2011, Ameren Missouri recorded approximately $14.1 million of non-labor-related storm preparation and restoration O&M costs. Staff recommends including approximately a $6.98 million normalized level of non-labor-related storm preparation and restoration costs in its case based on a 60-month (5-year) average for all storm costs incurred between May 1, 2007, and April 30, 2012. The Staff further recommends that no storm cost amortization pertaining to any portion of the $14.1 million level of test year non-labor related storm preparation and restoration costs in addition to Staff's recommended $6.98 million test year normalized level is necessary. During the first five months of the test year, from October 1, 2010 through February 28, 2011, the Company experienced non-labor storm costs only in February 2011 for storm preparation and restoration of service. No other storm events occurred during this time period. During February 2011, the Company incurred $7.5 million of non-labor related storm preparation costs. The Company has already attempted to seek recovery for this storm event, through an amortization, during the last Ameren Missouri rate proceeding, Case No. ER-2011-0028. This request was rejected by the Commission. Specifically, the Commission's Report and Order stated the following:

> In Ameren Missouri's last rate case, the Commission allowed Ameren Missouri to recover $6.4 million in its cost of service for storm restoration costs.[39] Based on that amount as well as the amount Ameren Missouri was allowed to recover in the next previous rate case, ER-2008-0318, MIEC's witness, Greg Meyer, correctly calculated that from the beginning of the test year in this case (April 1, 2009) through the end of the true-up period (February 28, 2011), Ameren Missouri has recovered $10.8 million in rates for repairs from major storms. During that same time, Ameren Missouri has incurred $9.4 million in storm costs, including the costs for the February 2011 storm preparations for which Ameren Missouri seeks an additional amortization.
>
> Based on those calculations, it is apparent that there is no basis for allowing Ameren Missouri to amortize $1,037,146 for storm costs relating to its preparation for the February 2011 ice storm.
>
> [39] *In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to increase its Annual Revenues for Electric Service, File No. ER-2010-0036, Report and Order, May 28, 2010, Page 68.*

Consistent with this Order, Staff is not recommending any specific recognition of prior Ameren Missouri storm costs incurred during the test year in this case, including the storm costs incurred in February 2011. Staff will continue to evaluate storm restoration costs through the end of the July 31, 2012, true-up cutoff date established by the Commission in this rate proceeding, in order to determine whether any further adjustment to the cost of service are necessary.

In Section IX.E. - Other Expenses, Item 12, subsection a. through d., of this Cost of Service Report, the Staff will describe in detail all storm cost amortizations that Ameren Missouri is already recovering as part of their current rates and Staff's recommendation for ratemaking treatment of each of these amortizations as part of the Commission's determination of rates in the current proceeding.

Staff Expert/Witness: Kofi A. Boateng

a. Storm Assistance Expense

During the test year, Ameren Missouri sent line crews to provide storm assistance to four other utilities. These four utilities paid Ameren Missouri for the labor charges associated with the Ameren Missouri crews that provided the storm restoration assistance. The Company has indicated to Staff that test year O&M labor does not include the labor costs associated with providing storm assistance to these four utilities and, therefore, the test year is understated by $214,594. Staff included an adjustment to increase the cost of service by $214,594 in order to reflect the costs associated with the labor that Ameren Missouri provided. However, Staff has also included a normalized level of revenue associated with the storm assistance that Ameren Missouri provides to other utilities.

Staff Expert/Witness: John P. Cassidy

12. Storm Cost Amortization Expense

a. Storm Cost from ER-2010-0036

In Ameren Missouri's Case No. ER-2010-0036, the Company recorded approximately $10.4 million of non-labor-related storm restoration O&M costs during the twelve-months ending March 31, 2009, test year that was established by the Commission as part of that case. In its Report and Order in that case, the Commission allowed Ameren Missouri to include $6.4 million in its cost of service for storm restoration costs, while the remaining $4 million test year storm cost was to be amortized and recovered over a 5-year period. During the test year ending September 30, 2011, Ameren Missouri recorded a full twelve-month of the annual amortization of $800,000. Therefore, no adjustment is necessary to annualize this storm amortization that was established as part of Case No. ER-2010-00036. Staff recommends that the Company continue to recover $800,000 for this amortization in the determination of rates in the current rate proceeding.

Staff Expert/Witness: Kofi A. Boateng

b. Storm Cost from Case No. ER-2008-0318

As part of an agreement reached in Case No. ER-2008-0318, Ameren Missouri was allowed to recover an amortization of $971,400 annually from March 1, 2009, through February 28, 2014 related to extraordinary storm costs incurred within the test year for that case. During the test year ending September 30, 2011 in the current rate proceeding, the Company recorded a full twelve months of the annual amortization of $971,400. However, since this amortization is scheduled to expire in February 2014, Staff proposes to reset the amortization period for recovery of the amortization balance that exists at January 2, 2013, the effective date of rates in the current rate proceeding, in order to prevent a significant over-recovery of these costs by the Company. At January 2, 2013, the unamortized balance related to the Case No. ER-2008-0318 storm amortization is approximately $1,133,300. Staff recommends a two year amortization period or $566,650 annually during the period covering January 3, 2013 – January 2, 2015, in order to better synchronize the end of the amortization with future rate case recovery.

Staff Expert/Witness: Kofi A. Boateng

c. Storm Cost Accounting Authority Order (AAO) Case Nos. EU-2008-0141 and ER-2008-0318

As a result of Case No. EU-2008-0141, the Commission granted Ameren Missouri an AAO to defer the costs related to the ice storm that occurred on January 13, 2007. As part of Case No. ER-2008-0318, the Commission ruled that the appropriate starting point for the amortization period for the storm costs that were deferred through the AAO should begin in March 2009 and end in February 2014. During the test year ending September 31, 2011, the Company recorded a full twelve months of annual amortization of $4.9 million. However, since this AAO storm cost amortization is also scheduled to expire during February 2014, Staff recommends resetting the amortization period for recovery of the remaining balance of this amortization that exists at January 2, 2013, the effective date of rates in the current rate proceeding, in order to prevent a significant over-recovery of these costs by Ameren Missouri. At January 2, 2013, the unamortized balance related to the ER-2008-0318 storm amortization is approximately $5,730,662. Staff proposes a two year amortization period or $2,865,331 annually during a period covering January 3, 2013 – January 2, 2015, in order to better synchronize the end of the amortization with future rate case recovery.

Staff Expert/Witness: Kofi A. Boateng

d. Storm Cost from Case No. ER-2007-0002

As part of the Stipulation and Agreement that was approved by the Commission in Case No. ER-2007-0002, Ameren Missouri was allowed to recover an amortization of $800,000 annually from July 1, 2007, through June 30, 2012 relating to storm costs in the amount of $4,442,000 incurred in the test year for that case. In the First Non-Unanimous Stipulation and Agreement – Miscellaneous Revenue Requirement Items that was approved by the Commission in Ameren Missouri's last rate case Case No. ER-2011-0028, the parties agreed to reset the unamortized ER-2007-0002 storm cost balance as of July 31, 2011, the effective date of rates established in ER-2011-0028. As part of that agreement, the unamortized balance of $733,333 was rescheduled for two more years of amortization through July 31, 2013, at a $366,667 annual level.

As part of its review in this case, Staff determined that the unamortized balance of the Case No. ER-2007-0002 storm amortization at the effective date of rates in the current rate proceeding (January 2, 2013) will be $213,889. Staff recommends including the entire amount of this unamortized balance in the cost of service calculation because of its relative small remaining balance. However, Staff's recommended treatment for the Case No. ER-2007-0002 storm amortization also requires that there will be no future inclusion in rates for this storm event in any future rate proceeding.

Staff Expert/Witness: Kofi A. Boateng

13. Callaway Refueling Adjustment

Ameren Missouri's Callaway nuclear power plant undergoes a refueling and maintenance outage process approximately every 18 months. While refueling takes place, the Company typically completes numerous maintenance activities, performs inspections and testing and also completes any necessary capital improvements. The Company refueled the Callaway nuclear power plant during the months of October through November of 2011, which was outside the test year ending September 30, 2011. Since the Company refuels the Callaway nuclear power plant on an eighteen-month cycle, the cost of refueling must be normalized to reflect the amount incurred during a twelve-month period. Staff's normalization adjustment adds two thirds of the approximately $31.2 million of non-labor maintenance project costs. All labor-related costs associated with the Callaway refueling are addressed in the Staff's payroll annualization as discussed by Staff witness Lisa M. Ferguson. Staff adjusted expense to include approximately $20.8 million in Staff's cost of service calculation in order to normalize non-labor-related maintenance expenses associated with the Company's refueling of the Callaway nuclear power plant.

Staff Expert/Witness: Lisa K. Hanneken

14. Training Cost

a. Production Training

In the Report and Order as part of Case No. ER-2008-0318, the Commission added $1.41 million to Ameren Missouri's cost of service to fund increased production operations training staff. The Commission also included $360,000 in Ameren Missouri's cost of service to reflect a five-year amortization of $1.8 million to fund training equipment and materials, and external costs related to the training staff. The $1.41 million that was allotted to production operations training staff was fully spent for those employees during the test year and therefore is contained within Staff's payroll and benefits annualizations that are included in the cost of service calculation for this case. Since the time of the Commission's Report and Order in Case No. ER-2008-0318, Ameren Missouri has expended in excess of the $1.8 million for training equipment and materials and external costs due to increased training staff. Some of these costs have been capitalized by the Company. Staff recommends inclusion of a five-year amortization of $360,000, in total, for these costs in the cost of service calculation consistent with the Commission's Report and Order in the above-mentioned case. As a result of including capital cost in the five-year amortization prescribed by the Commission, Staff has removed this cost from plant in service and the associated calculation of depreciation reserve and related depreciation expense. In addition, Staff recommends an adjustment to remove from the cost of service calculation expenses that were recorded during the test year that are already contained within the five-year amortization in order to prevent a double recovery for these costs.

Staff Expert/Witness: Lisa M. Ferguson

b. Distribution Training

In the Report and Order as part of Case No. ER-2010-0036, the Commission added $1.29 million to Ameren Missouri's cost of service to fund increased distribution training staff. The Commission also added $420,000 to Ameren Missouri's cost of service, which represented a five-year amortization of $2.1 million, to fund training equipment and materials, and external costs, due to increased training staff. The $1.29 million that was dedicated to fund distribution training staff was fully spent for those employees during the test year and therefore is contained within Staff's payroll and benefits annualizations that are a component of the cost of service calculation for this case. In order to address the cost incurred for training equipment, materials, and external costs, due to increased distribution training staff, Staff has included a five-year amortization, in total, of the amounts incurred up to $2.1 million consistent with the Commission's Report and Order from the above-mentioned case. ** **

Staff Expert/Witness: Lisa M. Ferguson

c. Heavy Underground Training

In Case No. ER-2011-0028 the Commission added $1.25 million to Ameren Missouri's cost of service to fund Heavy Underground Training. ** **

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Staff will continue to review the costs associated with underground training and address this issue as part of the true-up audit and make further adjustments as necessary.
Staff Expert/Witness: Lisa M. Ferguson

15. Lease Expense

During the test year, Ameren Missouri incurred lease expense on various land, buildings, and equipment it uses in the provision of service. Staff reviewed Ameren Missouri's lease expense for the test year ended September 30, 2011. Staff annualized the test year level of expense to reflect a slight decrease in the overall ongoing expense level.
Staff Expert/Witness: Kofi A. Boateng

16. Injuries & Damages

Injuries and damages represent the portion of legal claims against a utility that are not subject to reimbursement under the utility's insurance policy. Staff reviewed the accruals, actual payments, and reserves for Ameren Missouri's provisions of injuries and damages expense. Ameren Missouri's injuries and damages expenses are charged to FERC account 925 based on accrual method of accounting. Rather than an accrual, Staff recommends that the actual payments be used in the determination of the revenue requirement. Therefore, Staff performed an analysis of the twelve-month periods ending in May 31 for the years 2004-2012. Staff's analysis of this data revealed that actual payments, net of insurance settlements, fluctuated from year to year. With this type of fluctuation, reliance on any one year would not be acceptable for determination of an annual level of expense to be included in the cost of service for setting rates. As a result, Staff recommends utilizing the 5-year average of actual payments, net of insurance settlements ending May 31, 2012, as the ongoing expense level. Staff will continue to review the accruals, actual payments and reserves related to injuries and damages as part of the true-up audit in order to determine if additional adjustments to the cost of service are required.
Staff Expert/Witness: Kofi A. Boateng

17. PSC Assessment

On an annual basis, the Company is assessed a fee from the Commission based upon its revenues from the previous calendar year. This assessment is issued to the Company in July of each year and is payable either as one sum or in quarterly installments due in July, October, January, and April. In July of 2012, the Company was assessed a total of $5,301,224 for the fiscal year ending June 30, 2013. Included in this assessment is $327,694 to fund the Office of the Public Counsel ("OPC"). Missouri House of Representatives Bill 7, section 7.185 (i.e., DED's budget bill), approved on June 10, 2011, established that the OPC should be funded through the PSC budget. Therefore, the total assessment amount includes amounts to fund the OPC as well as the PSC. Previously, the OPC was funded through the general revenue fund and therefore was not included in the PSC assessment. Staff has included this most recent total assessment amount as the ongoing annual expense level to include in the cost of service.

Staff Expert/Witness: Erin M. Carle

a. Amortization of PSC Assessment

In July 2011, Ameren Missouri's PSC Assessment for its electric operations increased. This increase occurred subsequent to the February 28, 2011, true-up cut-off established by the Commission as part of the Company's previous rate proceeding, Case No. ER-2011-0028. The Company is seeking permission to defer the amount of this increase and to amortize this increase over two years. The Staff contends that it has properly annualized the PSC assessment as part of this rate proceeding and that no amortization should be included in the cost-of-service calculation to address the July 2011 increase in the PSC assessment as proposed by the Company.

Staff Expert/Witness: Erin M. Carle

18. Corporate Franchise Tax

Franchise tax is a tax that corporations pay in advance for doing business within the state. Franchise tax must be paid if the corporation's assets (in or apportioned to Missouri) exceed one million dollars for franchise taxable years beginning on or after January 1, 2000, or ten million dollars for franchise taxable periods beginning on or after January 1, 2010. The Staff used the actual taxes paid per form MO-1120 that was filed with the state of Missouri on April 12, 2012, as the basis for its determination of the on-going expense level, with all applicable credits applied that Ameren Missouri received.

Staff Expert/Witness: Erin M. Carle

19. Cyber Security Expense

Cyber security is the technology, process, and practices designed to protect networks, computers, programs, and data from attack, damage or unauthorized access. Ameren Missouri has invested in multiple cyber security programs in order to protect the identities of ratepayers, as well as to protect the software and computers that operate their power plants. Ameren Missouri must also comply with multiple mandates at the federal, state, and local level to remain in compliance with cyber security laws. Staff has reviewed the historical data from January of 2007 through May 2012 and has included the test year expense level as an acceptable level of cyber security expense. Staff will continue to evaluate cyber security expense through the end of the July 31, 2012 true-up cutoff date established by the Commission in this rate proceeding, in order to determine whether any future adjustments to the cost of service are necessary.

Staff Expert/Witness: Erin M. Carle

20. Outside Services

During the test year in this case, the twelve-months ending September 30, 2011, Ameren Missouri paid numerous vendors for outside services. Staff has performed an analysis of these costs and has removed $12,000 related to items which have provided no ratepayer benefit.

Staff Expert/Witness: Lisa K. Hanneken

21. Expense associated with Owensville Acquisition

During March 2012, Ameren Missouri purchased the assets of the City of Owensville's electric distribution system. Through this acquisition, Ameren Missouri now serves these customers directly; therefore, all expenses and revenues related to these customers must be recognized. Due to the unavailability of data for the customers' revenues, Staff Witness Curt Wells has included a true-up estimate for these revenues in this direct filing and will update that amount during Staff's true-up analysis when additional data is available. Also, Staff Witness Erin M. Carle will include the rate base associated with this purchase as part of the rate base totals in this case. In addition, Staff increased its cost of service calculation to include $192,327 for additional operating expenses related to providing service to the customers acquired with the purchase of the Owensville system. Staff will continue to examine this issue through the end of the true up period ending July 31, 2012.

Staff Expert/Witness: Lisa K. Hanneken

22. SO_2 Allowance Tracker

In Case No. ER-2007-0002, the Commission established an accounting mechanism to track Ameren Missouri's SO_2 emission allowance sales revenues, net of SO_2 expenses. The Company realizes SO_2 revenues from gains on the sale of SO_2 emission allowances. SO_2 expenses are realized from the premiums paid, net of the discounts received, as a result of SO_2 content variations from the terms of the contacts through which Ameren Missouri purchases its coal supply related to the coal it actually received. Beginning on January 1, 2007, the Company was required to account for all SO_2 premiums, net of any SO_2 discounts, in a regulatory liability account. The Commission also ordered that all gains from SO_2 allowance sales, in excess of $5,000,000, be recorded in this same regulatory liability account. This regulatory liability account, referred to as the SO_2 Tracker, also accumulates interest at Ameren Missouri's short-term borrowing rate. This SO_2 tracker was continued as part of Case No. ER-2008-0318; however, in Case No. ER-2010-0036, the SO_2 tracker was discontinued, and it was agreed that going forward, the cost associated with the SO_2 premiums, net of discounts, and the revenues from gains on the sale of SO_2 emission allowances will be included in Ameren Missouri's Fuel Adjustment Clause. Therefore, tracking of SO_2 -related costs was discontinued on June 21, 2010, the effective date of new rates in Case No. ER-2010-0036.

Prior to June 21, 2010, the SO_2 tracker had a regulatory asset balance of $22,457,622. This amount continues to be reduced through monthly amortizations approved by the Commission. As of Ameren Missouri's last rate case, Case No. ER-2011-0028, the Company had a SO_2 regulatory asset balance of $7,960,483 at July 31, 2011. In a Stipulation and Agreement in that rate case, the parties agreed to amortize this balance over a two-year period to expire by July 31, 2013. Staff is further recommending that the remaining unamortized amount, $2,321,808, not reflected in rates as of the effective date (January 2, 2013) of rates in this current rate proceeding be amortized over a period of two years. Staff recommends this treatment in order to better synchronize the end of the amortization with future rate case recovery.

Staff Expert/Witness: Kofi Agyenim Boateng

23. Maryland Heights Renewable Energy Facility

In May 2009, Ameren Missouri entered into an agreement with Fred Weber, Inc., to install combustion turbines capable of generating electricity by burning methane gas captured from Fred Weber, Inc.'s solid waste landfill at Maryland Heights, Missouri. In December 2010, IESI MO Champ Landfill, LLC acquired the Fred Weber Sanitary Landfill. According to Ameren Missouri, this project is expected to boost the Company's renewable energy capabilities as well as meet state and federal regulatory requirements to generate or procure a specified percentage of retail electric sales through renewable sources. The Maryland Heights Renewable Energy facility, as it is referred to, consists of three gas-fired combustion turbines generator units, generating enough electricity to meet the demands of approximately 10,000 homes. The Company anticipates the facility will become operational to generate power and provide service to customers in July 2012.

At this time, Staff witness Michael Taylor has not received information from Ameren Missouri needed to complete an evaluation of in-service criteria for this facility. Staff expects that this evaluation will be completed as part of it true-up audit. Once this evaluation is complete and it is determined that this facility has met all in-service criteria Staff will include an ongoing level of costs related to the operation and maintenance of the Maryland Heights Energy Center in its cost of service calculation as part of the true-up audit.

Staff Expert/Witness: Kofi Agyenim Boateng

24. Miscellaneous Expenses

During the test year, the Company had numerous miscellaneous costs booked to various FERC USOA expense accounts. After reviewing these expenses, Staff has removed a total of $527,063 from the Company's test year costs for items which provide no ratepayer benefit. These charges include items such as donations, sponsorships of community events, and sponsorships of sporting events among other similar items.

Staff Expert/Witness: Erin M. Carle

25. Taum Sauk Failure

Ameren Missouri has agreed to hold ratepayers harmless for costs associated with the Taum Sauk reservoir failure and all related clean-up activities. Therefore, Staff has eliminated from the cost-of-service calculation nearly $1 million of expense that was incurred by the Company during the test year that related to the reservoir failure and related clean-up activities. In addition, the Company incurred labor expense related to the Taum Sauk failure. This amount will be removed through Staff's annualization of labor costs sponsored by Staff witness Lisa M. Ferguson.

Staff Expert/Witness: Lisa K. Hanneken

26. Renewable Energy Standard

a. Summary

The Missouri Renewable Energy Standard ("RES")[76] was enacted as a voter initiative petition in November 2008. Provisions of the resulting statute and regulations require Ameren Missouri (and the other investor-owned utilities) to meet certain requirements regarding the use of renewable energy. Beginning January 1, 2010, the RES requires Ameren Missouri to provide a rebate ($2.00 per installed watt)[77] to its retail customers for installation of solar electric systems on their premises.[78] Utilization of a Standard Offer Contract ("SOC") for the purchase of Solar Renewable Energy Certificates ("S-RECs") from customer-owned solar electric systems is optional for the utility companies.[79] Ameren Missouri submitted tariff sheets for 2011 and 2012 to provide for a SOC with an annual expenditure limit of two million dollars ($2,000,000). Ameren Missouri filed, and the Commission approved, the 2011 tariff sheets at one hundred dollars ($100) per S-REC and the 2012 tariff at fifty dollars ($50) per S-REC.

For calendar years 2011 through 2013, the RES requires Ameren Missouri to generate or purchase two percent (2%) of its retail sales using renewable energy resources.[80] For each portfolio requirement, Ameren Missouri must derive two percent (2%) of the requirement from solar energy.[81] RECs can be banked for three (3) years and utilized for future compliance purposes.[82] Ameren Missouri filed the required RES Compliance Plans (calendar years 2011 and

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[76] Mo. Rev. Stat. § 393.1020.(2000).

[77] Mo. Rev. Stat. § 393.1030.3 (2000).

[78] The rebate provision has a specific limitation on the size of the system, namely no larger than 25 kilowatts per system.

[79] 4 CSR 240-100 (4)(H)1.

[80] Mo. Rev. Stat. § 393.1030 .1(1) (2000).

[81] Mo. Rev. Stat. § 393.1030.1 (2000).

[82] "An unused credit may exist for up to three years from the date of its creation." Mo. Rev. Stat. § 393.1030.2 (2000)

2012) and RES Compliance Report (calendar year 2011)[83]. Each RES Compliance Plan provides information regarding the utility's plan for the current calendar year and the subsequent two (2) calendar years. The RES Compliance Report is a status report on the utility's compliance for the preceding calendar year. For the 2011 calendar year, Ameren Missouri utilized renewable energy and RECs from Keokuk Hydro-electric Generation Station for the non-solar requirement and S-RECs from various third-party brokers for the solar requirement.[84]

Staff continues to monitor Case No. EO-2012-0351 concerning Ameren Missouri's Renewable Energy Standard Compliance Report for calendar year 2011, and its Renewable Energy Standard Compliance Plan for calendar years 2012-2014. The 2012 RES Compliance Plan and 2011 RES Compliance Report case is currently pending and Staff may have additional testimony in rebuttal or surrebuttal based on any decision made by the Commission.

Staff Expert/Witness: Michael E. Taylor

b. Renewable Energy Standard Costs

As part of the last rate case, Case No. ER-2011-0028, the Commission ordered that:

> Ameren Missouri shall include $885,266 in its rates for ongoing solar rebate expenses. Ameren Missouri shall accumulate in an AAO the amount it has paid for solar rebates from the beginning of the program until new rates become effective in this case. The recovery of those costs and future costs deferred in the AAO will be decided in Ameren Missouri's next rate case.[85]

Commission rule 4 CSR 240-20.100, Electric Utility Renewable Energy Standards Requirements, Section (6), (A) through (D), discusses two alternative cost recovery or pass-through of benefits mechanisms. The first option for recovery is through a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM"). This mechanism would allow Ameren Missouri to recover prudently-incurred costs relating to compliance with RES requirements. Under the RESRAM, Ameren Missouri can file for RESRAM adjustments either within or outside of a general rate proceeding. Ameren Missouri is not seeking a RESRAM as part of this rate proceeding.

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[83] Ameren Missouri filed its RES Plan for calendar years 2011-2013 in EO-2011-0275, its RES Plan for calendar years 2012-2014 and RES Report for calendar year 2011 in EO-2012-0351.

[84] EO-2012-0351, *Renewable Energy Standard Compliance Report*, pp. 6 - 8.

[85] ER-2011-0028, *Report and Order*, pp. 101.

The second recovery option is specifically discussed in 4 CSR 240-20.100-(6)(D). Under this second option, Ameren Missouri may opt to:

> ...recover RES compliance costs without the use of a RESRAM through rates established in a general rate proceeding. In the interval between general rate proceedings, the electric utility may defer the costs in a regulatory asset account and monthly calculate a carrying charge on the balance in that regulatory asset account equal to its short-term cost of borrowing. All questions pertaining to rate recovery of the RES compliance costs in a subsequent general rate proceeding will be reserved to that proceeding, including the prudence of the costs for which rate recovery is sought and the period of time over which any costs allowed rate recovery will be amortized.

Furthermore, the RES compliance retail rate impact on average retail customer rates may not exceed one percent (1%) as detailed in 4 CSR 240-20.100-(5).

Ameren Missouri's direct filed case differs from either of the two options discussed above and proposes a treatment not authorized by rule. Ameren Missouri requests the following rate treatment: (1) Ameren Missouri proposes to include a $6.9 million level of RES costs estimated to be incurred between March 1, 2011, through July 31, 2012 in its cost of service as an ongoing level of expense. This $6.9 million level is net of the $885,266 that was built into permanent rates based upon Ameren Missouri's actual costs through February 28, 2011, in the last Ameren Missouri rate case; (2) Ameren Missouri also proposes to include an additional $3.9 million, which represents a two-year amortization of the $7.8 million of RES costs estimated to be spent between January 1, 2010, the time that Ameren Missouri first incurred RES costs, through July 31, 2012. This level includes the $885,266 that was built into permanent rates in the last rate case; (3) Ameren Missouri also proposes to include the estimated deferred regulatory asset balance of $7.8 million for RES costs as an addition to rate base.

Staff recommends reflecting in the cost of service the level of RES expenditures over the twelve months ending March 31, 2012, as a base level to be included in permanent rates. Staff recommends amortizing the deferred expenditures from January 1, 2010, through March 31, 2012, over three years with no rate base inclusion for the unamortized RES deferred regulatory asset balance. Alternatively, Staff would consider amortizing the RES deferred regulatory asset balance over six years with rate base inclusion for the unamortized balance. Staff further recommends that as part of Ameren Missouri's next general rate proceeding, the level included in permanent rates in this case be netted against any future deferred expenditures that occur beyond the July 31, 2012, true-up cut-off date as established for the current rate proceeding. As part of its true-up audit, Staff will continue to examine RES costs through July 31, 2012, and make additional adjustments as needed to both the Staff proposed level for inclusion in permanent rates as well as the proposed amortization expense level.

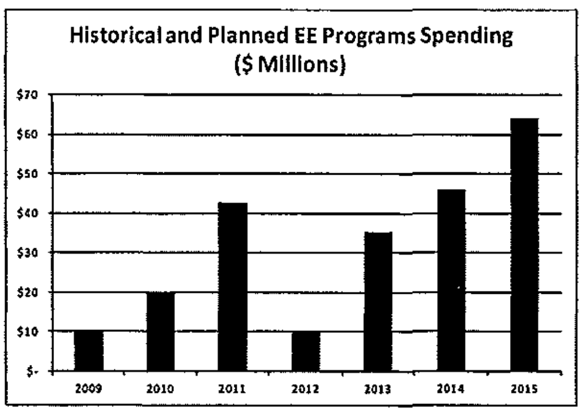
Staff Expert/Witness: John P. Cassidy

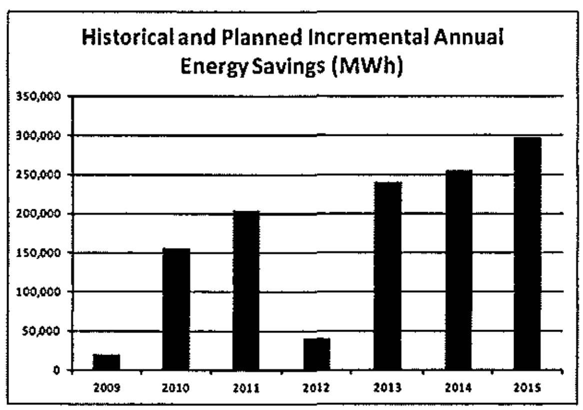
27. MEEIA DSM Programs and Demand-Side Programs Investment Mechanism (DSIM)

a. Request for Approval of DSM Programs

In its MEEIA application in Case No. EO-2012-0142, Ameren Missouri requested approval of eleven DSM programs.[86] Ameren Missouri plans to transition from its current "bridge" DSM programs to its Commission-approved three-year MEEIA DSM programs in early 2013. Ameren Missouri will have independent EM&V performed on each of its MEEIA DSM programs following completion of each program year.

Following is Staff's summary of the historical and planned spending and incremental annual energy MWh savings for Ameren Missouri's "Cycle 1" programs (historic for 2009, 2010 and 2011), "bridge" programs (planned for 2012) and MEEIA programs (planned for 2013, 2014 and 2015).





[86] See Table 3.4 of the *2013 – 2015 Energy Efficiency Plan* in Case No. EO-2012-0142 for a summary description of each program.

b. Request for Approval of DSIM

In its MEEIA application, Ameren Missouri requested approval of a DSIM tracker which includes the following features and components:

- DSIM rates;
- Cost recovery component;
- Shared net benefits component (relating to the throughput disincentive);
- Performance incentive component; and
- Opt-out provision.

c. Unanimous Stipulation and Agreement Resolving Ameren Missouri's MEEIA Filing

On July 5, 2012, following extensive negotiations, the parties to Case No. EO-2012-0142 filed a *Unanimous Stipulation and Agreement Resolving Ameren Missouri's MEEIA Filing* ("*MEEIA Stipulation and Agreement*"). Staff recommends that the Commission approve the highly confidential *MEEIA Stipulation and Agreement* and include the following annual revenue requirement in this general rate proceeding:

- $49,108,352 – which is one-third of the estimated costs for the eleven MEEIA DSM programs for the three-year program plan; and
- $30,450,000 – which is ninety percent of the annualized value of a three year annuity of 26.34 percent of the estimated pre-tax net shared benefits arising from the three-year program plan.

Both of the above components of annual revenue requirement will be tracked and trued-up in subsequent general electric rate proceedings in accordance with the terms and conditions contained in the *MEEIA Stipulation and Agreement*.

Staff Expert/Witness: John A. Rogers

d. MEEIA DSM Costs Included in Expense

As previously discussed, DSM costs incurred by Ameren Missouri on or after the effective date of the MEEIA DSM tariff sheets will no longer be treated using a regulatory asset and expense-amortization approach. Instead, they will be treated as defined in the *MEEIA Stipulation and Agreement* filed in Case No. EO-2012-0142. Under the *MEEIA Stipulation and Agreement*, a three-year average of projected DSM program costs is to be included in Ameren Missouri's cost of service in this case, as well as Ameren Missouri's share of the projected net benefits associated with its three-year DSM program plan. The program costs, in the amount of $49,108,352, are included as an adjustment to administrative and general expense in Staff's income statement. Ameren Missouri's share of projected net benefits, in the amount of $30.45 million, are included in Staff's case as an adjustment to other power supply expense in Staff's income statement. Both amounts are subject to true-up pursuant to the provisions of the *MEEIA Stipulation and Agreement*, with any under-collections or over-collections of those amounts in rates being charged to or refunded to customers with interest in subsequent Ameren Missouri general rate proceedings.

Staff Expert/Witness: Mark L. Oligschlaeger

28. Low-Income Weatherization Program

The Ameren Missouri low-Income Weatherization Program is not a MEEIA program. Therefore with respect to the Ameren Missouri Low Income Weatherization program, Staff recommends the Commission order:

1) That the Ameren Missouri un-utilized low-income weatherization funds from previous allocations remain in the Missouri State Environmental Improvement and Energy Resource Authority ("EIERA") account for future use by the Ameren Missouri Weatherization Agencies;
2) That Ameren Missouri continue to collect $1.2 million in rates annually, of which $1.14 million will be for low-income weatherization as currently allocated between the Weatherization Agencies, and $60,000 allocated annually to the biennial evaluation of the low-income weatherization program;
3) That the second evaluation of Ameren Missouri's weatherization program include a component that evaluates the impact on the gas service of the weatherization of the Company's low-income customers that are provided both natural gas and electricity from Ameren Missouri; and
4) That the timing of any evaluation subsequent to the second biennial evaluation should be at the discretion of the Company in consultation with the stakeholder group, but not less often than every five years.

There are specific programs designed to help low-income customers with energy conservation. Low-income consumers often live in housing that is energy inefficient with substandard insulation and other deficiencies. These customers would benefit from building-shell energy conservation measures such as weatherization or energy-efficient appliances. The Missouri Low Income Weatherization Assistance Program ("Weatherization Program") is administered by the Missouri Department of Natural Resources ("MDNR") using federal, state, and utility funding. The MDNR Weatherization Program is administered locally by Community Action Agencies or other local agencies ("Weatherization Agencies"). The Ameren Missouri Weatherization Program is administered by the MDNR and the twelve MDNR Weatherization Agencies listed in Appendix 3, Schedule HEW-1. In addition, the areas served by all the MDNR Weatherization Agencies in Missouri, with those receiving funding from Ameren Missouri annotated, are shown in Appendix 3, Schedule HEW-2. Ameren Missouri has chosen to use the Missouri State EIERA[87] to administer its weatherization funds. Ameren Missouri deposits its annual authorized low income weatherization funds for the MDNR and the Weatherization Agencies it supports with the EIERA. Subsequently, the EIERA provides these funds to Ameren Missouri's Weatherization Agencies.

The federal government, through the American Recovery and Reinvestment Act ("ARRA"), provided special funding of $128 million statewide for the MDNR Weatherization Program for the period of April 2009 – March 2012 ("ARRA Period"). The ARRA provided an average of $6,500 of weatherization for households with income at 200% or less of the Federal Policy Guidelines. In the previous three-year period (2006-2008) prior to the ARRA Period, federal funding for the MDNR Weatherization Program was approximately $18 million, and the average amount of weatherization per household was $3,000. The Weatherization Agencies had to utilize the ARRA funding before the March 2012 deadline.

[87] The Missouri State EIERA was established to manage and disburse federal and other weatherization funds for MDNR to the Weatherization Agencies according to MDNR guidelines. Currently, Ameren Missouri and other Missouri jurisdictional utilities utilize the EIERA to manage their weatherization funds. The funds at the EIERA are invested to earn a return until they are distributed so the value of the funds is enhanced.

In the July 13, 2011, *Report and Order*[88] ("Order") in Case No. ER-2011-0028, Ameren Missouri was ordered to continue its annual payments of $1.2 million for funding weatherization of residences of low-income Ameren Missouri electric customers and was authorized to collect $1.2 million in rates annually for the Ameren Missouri low-income weatherization program. For the most recently concluded Program Year 2010-2011, the projected budget has been modified for the period as shown in Appendix 3, Schedule HEW-1. Due to a carryover of funds from the previous year, ** _______ ** was available at EIERA. During the 2011 Program Year, ** ___________ ** was utilized by the Ameren Missouri Weatherization Agencies, so ** ___________ ** was carried over into the 2012 program year. Some of the under-utilization of Ameren Missouri funds is because of the Weatherization Agencies' focus on using the ARRA funding and some restrictions on ARRA funds being combined with Ameren Missouri funds in the weatherization of a residence. At the end of the ARRA period, the Weatherization Agencies anticipate using any surplus Ameren Missouri funds to help provide for a higher level of weatherization activity than before ARRA. The allocation and actual expenditure of each of the Ameren Missouri Weatherization Agencies over the 2011 program year is also shown in Appendix 3, Schedule HEW-1.

In the 2012 program year (November 2011 - October 2012), Ameren Missouri funding of $1.14 million is budgeted to be sent to the Weatherization Agencies for the weatherization of qualifying customers. Combined with the carryover from the previous year, the Ameren Missouri weatherization agencies are provided a total of ** _________ ** to weatherize residences. As of March 31, 2012, ** _______ ** had been expended by the weatherization agencies. Of the $1.2 million Ameren Missouri was ordered to provide for the weatherization program, $60,000 has been allocated for the evaluation of the program for the January-December 2011 time period. The details of the funding and expenditures are in Appendix 3, Schedule HEW-3.

Staff recommends that the Ameren Missouri un-utilized low-income weatherization funds from previous allocations remain in the EIERA account for future use. In addition, in order to have some additional Ameren Missouri funds for weatherization now that ARRA funds

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[88] *In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase its Annual Revenues for Electric Service*, Case No. ER-2011-0028, (*Report and Order*, issued July 13, 2011, effective July 23, 2011), pp. 44-47 (Missouri Public Service Commission).

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are no longer available, Staff recommends that Ameren Missouri continue to collect $1.2 million in rates annually, of which $1.14 million will be for low-income weatherization, as currently allocated between the Weatherization Agencies, and $60,000 allocated annually to the biennial evaluation of the low-income weatherization program. Consistent with the provisions of the order, this is intended to provide $120,000 as the maximum funding for each evaluation. In the event an evaluation costs less than $120,000, the remaining funds will serve to reduce the next annual $60,000 withholding. Staff notes the due date of the first evaluation was modified by the Commission Order in Case No. ET-2012-0358 from April 30, 2012, to July 31, 2012.

Ameren Missouri is unique among jurisdictional utilities in having combination customers. Therefore, Staff recommends that the second evaluation include a component that evaluates the impact on the gas service of the weatherization of the Company's low-income customers that are provided both natural gas and electricity from Ameren Missouri. These results would be beneficial not only to Ameren Missouri, but also for Staff, the Office of the Public Counsel and MDNR in understanding the overall impact of weatherization on low-income households. The low-income weatherization program and evaluation should continue to be conducted in consultation with the Ameren Missouri energy efficiency stakeholder group.

Staff does not support the continuous biennial evaluations of the Ameren Missouri Weatherization Program. After the second evaluation, the stakeholder group should compare results of the two evaluations and should determine if there is a significant difference in results. Staff recommends that any subsequent evaluations be at the discretion of the Company in consultation with the stakeholder group but at least every five years. Any funding for evaluation not used should be provided to the Weatherization Agencies for their use in weatherizing additional residences

Staff Expert/Witness: Henry E. Warren

29. Keeping Current Pilot Program

Ameren Missouri's Keeping Current ("KC") Pilot Program went live October 15, 2010. It was approved by the Commission in the Third Non-Unanimous Stipulation and Agreement ("Agreement") in ER-2010-0036 as a two-year pilot program. The program was designed to study assistance to very low-income residential customers with payment of current or future heating or cooling electricity bills on a timely basis and, at the same time, to eliminate arrearages to the Company. The program provided a comprehensive approach including: a) tiered bill credits for heating bills; b) flat rate credit for monthly cooling bills; c) arrearage forgiveness; and d) a requirement for eligible participants to apply for available Low-Income Home Energy Assistance Program ("LIHEAP") and weatherization assistance. The purpose of the comprehensive approach was to assist and evaluate the effects of a more affordable bill for the very low income customer group based on level of poverty, the impact of credits received and the arrearage forgiveness incentive. The KC tariff sheets, which took effect August 7, 2010, stated that program funding would cease effective July 31, 2012, and no further funding would be provided beyond that date unless the term is extended. As set forth in the Agreement, an evaluation of KC would be conducted by an independent, third-party evaluator under contract with a company acceptable to the Company, Commission Staff, the Office of the Public Counsel, Missouri Industrial Energy Consumers (MIEC), AARP, Consumers Council of Missouri, and Missouri Retailers Association (collectively, the Collaborative). In addition, the Agreement allowed the KC pilot to be funded by an annual contribution of $500,000 from the Company and an annual contribution from the Company's ratepayers of approximately $581,000, which is collected through a surcharge added to the customer charge of each customer class.

a. Recommendation

Based on Staff's review of the initial evaluation of the program conducted by the program evaluator (Apprise, Inc.) and of the direct testimony of Company witness Mark F. Mueller, Staff can neither support nor oppose the continuation of the KC pilot program based on the information seen to date. Given that the program is a two-year program that has not yet expired as of the date of this report, and given that Company witness Mark F. Mueller has stated in his direct testimony that the it is not likely that the final evaluation will be available to the Collaborative until September 2012, Staff cannot make a final recommendation in favor of or against the program.

Staff would not be opposed to the continuation of the KC program through September 2012, if a component is added to the pilot to provide cooling bill credits to those customers who participate during the months of June through August. Staff would like to review the effectiveness of this component of the KC program since Staff is unaware of any similar program. The cooling credits component of KC may allow customers who otherwise would not have the benefit of a heating bill credits component the opportunity to receive the monthly cooling bill credits. This benefit would provide very low-income customers education regarding hot weather safety and why the use of air conditioning during the extreme hot weather months may reduce health and safety risks.

Staff's primary concern with the continuation of the KC program at this time is the customer surcharge that partially funds the program. Staff cannot agree to any increase in the surcharge at this time because of the lack of data regarding the program. Staff could agree to allowing the amount to remain the same; however, if the Company or the Collaborative would like to modify the program and the customer surcharge amount at a later date, Staff would not be able to agree unless the surcharge amount were to stay the same or be reduced. Staff would view any increase in the surcharge outside of a rate case to be single-issue ratemaking, which is not allowed. Therefore, it is possible the KC program will continue unchanged until the Company's effective date of rates in its next general rate case.

b. Overall Evaluation to Date

Staff's overall evaluation to date of the KC program is as follows:

- Tiered credits are too complex, and long-term effectiveness is currently unknown;
- The program is too complex to explain and to be understood by customers;
- Eligibility should perhaps be modified to include up to 125% of the Federal Poverty Guidelines, but more data is needed;
- Appears the program does assist with behavior modification for on-time payments;
- Appears arrearage forgiveness could be a good incentive for timely payments;
- Appears program reduces uncollectibles;
- Appears program encourages weatherization;
- Appears the inclusion of LIHEAP energy assistance is beneficial to both the consumer and Company;
- Appears third-party evaluation with interview surveys has increased knowledge of customer and program impact; and
- Uncertain at this time if ratepayers should be subsidizing the program through a surcharge; however, appears cost and benefits could be a wash for ratepayers given the program has the potential to reduce uncollectibles, which otherwise could result in an increase to ratepayers.

c. **Qualifying Criteria**

The program was designed to help residential very low-income customers whose annual household income is no more than 100% of the Federal Poverty Level ("FPL") as established by the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. § 9902 (2). Other eligible customers are those whose household income is up to 135% FPL who use electricity for cooling and are either elderly, disabled, or have a chronic medical condition, or live in households with children five years of age or younger.

d. **Credits**

- Participant's account must be current within two billing cycles to continue on the program.
- Participants that default on payments for two consecutive months will be removed from the program and not be allowed back into the program for 12 months.
- Participants must have no arrearage that includes current or historical mishandling of their account, i.e., theft, tampering, or diversion.
- Participants receiving electric heating monthly credits must be enrolled in budget billing.
- Monthly heating bill credits will only be applied for those bills where the participant makes an on-time (before delinquent date) payment equal to the amount due, less the pre-determined monthly credit, based on FPL.
- Billing statements will reflect the amount due, the credit and the new payment required.
- Participants must complete a signed release provided by the intake agency to allow the sharing of their customer-specific account information to participate in the program.
- Participants will apply for LIHEAP and weatherization.

The credit amount varies based on "Electric Heating" versus "Non-electric Heating" and based on FPL at the time of enrollment as follows:

Electric Heating Customers Monthly Bill Credit

0-25% FPL	$55.00
26%-50% FPL	$40.00
51%-75% FPL	$25.00
76%-100% FPL	$10.00

Non-Electric Heating Customers Monthly Bill Credit

0-25% FPL	$20.00
26%-50% FPL	$15.00
51%-75% FPL	$10.00
76%-100% FPL	$5.00

e. Arrearages

0-100% FPL - Arrearage forgiveness - Monthly arrearage bill credit amount will be 1/12th of the customer's arrearage amount until arrears are paid. Participant must make an initial payment of at least 1/12th of any arrearage through energy assistance pledge or personal funds. The arrearage reduction agreement will remain in effect as long as the participant remains current.

Participant must remain current within two billing cycles to continue on KC. Participants that default on two consecutive months will be removed from the program and not allowed back into the program for 12 months.

Monthly arrearage bills credits will only apply for those bills where customer makes an on-time (before the delinquent date) payment equal to the amount due less the pre-determined monthly credit, based on FPL. The bill statement will reflect the amount due, the credit and the new payment required.

f. Cooling Credits

Monthly cooling credits participants may not receive "Cooling Bill Credits" concurrently with electric heating bill credits, non-electric heating bill credits or arrearage credits.

Criteria for participants in the monthly cooling credit component of KC are as follows:

Monthly Cooling Bill Credit (June–August Billing Periods)

0-100% FP	$25.00
101%-135% FPL (Seniors, Disabled, Chronically Ill per Doctor's Letter, or Households with Children 5 years or younger)	$25.00

g. Program Administration

The Company's "DollarMore" participating agencies provide the screening and determination of applicants' FPL per federal guidelines. The Company agreed to provide the agencies with a set of participation criteria to assure proper application and acceptance into the program. Intake agencies must obtain a signed release from applicants to allow the sharing of their specific account information to participate in the program. The Company will have a tracking program to track participants in the program for obtaining the data or measurements of the evaluation, and the Company agreed to provide to the Collaborative a semiannual evaluation following program implementation date.

Staff Expert/Witness: Carol Gay Fred

F. Depreciation Expense

1. Depreciation Summary

Staff recommends that for purposes of setting rates in this matter, the Commission reduce Ameren Missouri's rate base by $2,528,567. Staff also recommends that the Commission direct Ameren Missouri to achieve compliance with all applicable depreciation regulations and Commission orders by June 1, 2013, to avoid prosecution of a complaint by Staff. Finally, Staff recommends that the Commission authorize Ameren Missouri to establish a new account numbered as Account 391.003 Enterprise Systems to be depreciated at an ordered depreciation rate of 5%.

In response to Staff Data Requests, Ameren Missouri is unable to provide responsive information that demonstrates it is in compliance with the Commission rules for utility plant recordkeeping. This alerted Staff to the issues that support its recommendations.

Staff's recommendations stem from three issues. First, Ameren Missouri's failure to comply with relevant depreciation regulations is not only, in and of itself, unlawful, but it also impedes the performance of accurate depreciation studies and potentially impairs Ameren Missouri's ability to provide safe and adequate service.

Second, Ameren Missouri has not been recording sufficient details of retirement activities to facilitate future depreciation studies, and as required by the FERC instruction. Ameren Missouri's failure to separately record retirement information as required by the FERC instructions for Account 108 at C also impedes the ability of Ameren Missouri and other parties – including Staff – to perform future depreciation studies.

Third, Ameren Missouri unreasonably delays reflecting retirements on its books. This delayed recording affects several matters, described below, relating to the calculation of average service lives and interim and terminal costs of removal, which ultimately impact the calculation of depreciation rates themselves, and also the level of depreciation expense included in rates. It also affects overall rates by misstating the rate base to which Ameren Missouri's rate of return is applied. In a given case at a given time, these costs could net to the benefit of either shareholders or ratepayers. In this case at this time, the accounts studied benefit shareholders by inappropriately increasing rate base in the amount of $2,528,567. Staff has not quantified the effects of the delayed retirement recordings on net depreciation expense at this time, as doing so would require a full depreciation study.

Also, Ameren Missouri is in the process of implementing a new enterprise software system. Staff recommends a new depreciation asset account be created for the assets associated with this software system, and numbered as Account 391.003 Enterprise Systems with an ordered depreciation rate of 5%.

a. Records Maintenance and Accessibility

Commission Rule 4 CSR 240-20.030 directs electric corporations like Ameren Missouri to comply with the FERC Uniform Systems of Accounts (USOA) for electric companies.[89] In pertinent part, 4 CSR 240-20.030 (3) requires utilities to:

[89] Commission Rule 4 CSR 240-20.030 (4) specifically states that "[t]his rule shall not be construed as waiving any recordkeeping requirement in effect prior to 1994."

(A) Maintain plant records of the year of each unit's retirement as part of the "continuing plant inventory records," as the term is otherwise defined at Part 101 Definitions 8. and paragraph 15,001.8;

. . .

(C) Record electrical plant acquired as an operating unit or system at original cost, estimated if not known, except as otherwise provided by the text of the intangible plant accounts, when implementing the provisions of Part 101 Electric Plant Instructions 2.A. and paragraph 15,052.2.A;

. . .

(F) Use the list of retirement units contained in its property unit catalog when implementing the provisions of Part 101 Electric Plant Instructions 10.A. and paragraph 15,060.10.A;

. . .

(H) Charge original cost less net salvage to account 108., when implementing the provisions of Part 101 Electric Plant Instructions 10.F. and paragraph 15,060.10.F;

(I) Keep its work order system so as to show the nature of each addition to or retirement of electric plant by vintage year, in addition to the other requirements of Part 101 Electric Plant Instructions 11.B. and paragraph 15,061.11.B;

(J) Maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year, when implementing the provisions of Part 101 Electric Plant Instructions 11.C. and paragraph 15,061.11.C;

(K) Maintain subsidiary records which separate account 108 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Account 108.C. and paragraph 15,110.108.C;

(L) Maintain subsidiary records which separate account 111 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Accounts 111.C. and paragraph 15,113.111.C; and

(M) Keep mortality records of property and property retirements that will reflect the average life of property which has been retired and will aid in estimating probable service life by actuarial analysis of annual additions and aged retirements when implementing the provisions of Part 101 Income Accounts 403.B. and paragraph 15,404.403.B.

Ameren Missouri is apparently maintaining its Continuing Plant Records and the Company does appear to record electrical plant acquired as an operating unit or system at original cost, in apparent conformity with subsection (A). However, the Company does not use the list of retirement units contained in its property unit catalog, as required by subsection (F). The Company does not adequately maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year as required by subsection (H). By failing to keep mortality records of property and property retirements on a complete and timely basis, Company records do not reflect the average life of property which has been retired to aid in estimating probable service life by actuarial analysis of annual additions and aged retirements. These failures have the effects of overstating the cost of removal component of depreciation expense and inflating the value of Ameren Missouri's rate base.

The FERC USOA under GENERAL PLANT INSTRUCTIONS states in pertinent part the following:

> No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission. (18 CFR Ch. I SUBCHAPTER C—ACCOUNTS, FEDERAL POWER ACT PART 101—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSEES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT).

> Each transfer of data from one media to another must be verified for accuracy and documented. Software and hardware required to produce readable records must be retained for the same period the media format is used. (18 CFR Ch. I (4–1–11 Edition) PART 125—PRESERVATION OF RECORDS OF PUBLIC UTILITIES AND LICENSEES 125.2, 2. Records. Part C (3)).

In discussions, the Company has offered the Staff the opportunity to review printouts of the old system's data. Upon transition to the current system, Ameren Missouri made printouts of the old system's data and in violation of 18 CFR Ch. I SUBCHAPTER C[90] Ameren Missouri transitioned the old data systems <u>without retirement records</u> to the new electronic systems and disposed of the old system.

[90] Pursuant to Commission rule 4 CSR 240-3.175. Ameren Missouri is required to comply with the FERC USOA.

b. Retirement Recording

The Company does continue to maintain a data set that has been used for actuarial analysis in apparent compliance with 4 CSR 240-20.030-(3)-(M), but that data now appears to be incomplete or inaccurate for certain accounts.

For example, Staff reviewed the retirements made when the new scrubbers were installed at the Sioux Power Station. Ameren Missouri retired plant that was no longer needed after the installation of the scrubbers, or that was in the way for the placement of the scrubbers. In response to a Staff Data Request seeking information related to retirements at Sioux, Ameren Missouri stated that "all assets retirements related to the installation of the scrubber have been recorded," and provided a spreadsheet listing what Ameren Missouri purported to be retirements.

Staff visited the Sioux power Station on June 14, 2012 and found numerous retired items that had not yet been removed from the site. Also, Staff reviewed Ameren Missouri's books to study the accuracy of Ameren Missouri's retirement recordings. Staff focused its review on Account 312, Boilers, with a balance exceeding $550 million. As recorded, the retirements at Sioux involved plant valued at nearly $10 million, but Ameren Missouri did not record any salvage or cost of removal as is required by the Commission (4 CSR 240-3.175) and the FERC-USOA under the Code of Federal Regulations Title 18 Federal Powers Act Part 101. The FERC instructions for Account 108 at C state, in pertinent part, that:

> These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification:
>
> . . .
>
> (b) The book cost of property retired,
>
> (c) Cost of removal,
>
> (d) Salvage,
>
> . . .

Ameren Missouri's failure to follow the directions stated for USOA account 108 is indicated by its failure to record, separately, the book cost of the property retired, the cost of removal, and the salvage values associated with the Sioux retirements.

In Staff's Data Request No. 0130, the following request was made:

> Please provide the portion of the depreciation accrual in Account 108 attributable to future costs of removal. Please include entries showing how the Company tracks and accounts for net salvage amounts received separately from other components of the depreciation expense. A description of this calculation can be found in the Commission's Third Report and Order, GR-99-315, at page 16.

For the period October 1, 2010, to September 30, 2011, the portion of the depreciation accrual in Account 108 attributable to future interim retirements (costs of removal) totaled $76,209,396. Ameren Missouri's Power Plant Asset Management system tracks the net salvage component of depreciation expense separate from the life component of depreciation expense. Because the Power Plant system tracks this, separate entries are not booked to account for the two separate components of depreciation expense.

However, Ameren Missouri is admittedly unable or unwilling to comply with the details required by its favored method when it states: "Because the Power Plant system tracks this, separate entries are not booked to account for the two separate components of depreciation expense."

In prior depreciation studies, Ameren Missouri has calculated the depreciation rate for a particular asset or group of assets as follows:

$$\text{Depreciation Rate} = \frac{100\% - \%\text{ Net Salvage}}{\text{Average Service Life (years)}}$$

In this formula, net salvage equals the gross salvage value of the asset minus the cost of removing the asset from service. The net salvage percentage is determined by dividing the net salvage experienced for a period of time by the original cost of the property retired during that same period of time.

Thus, Ameren Missouri's failure to separately record retirement information as required by the FERC instructions for Account 108 at C also impedes the ability of Ameren Missouri and other parties – including Staff – to perform future depreciation studies.

c. Unreasonable Delays in Recording Retirements

Ameren Missouri uses software Power Plan also known as "PowerPlant" for tracking all depreciable assets, and asserts, in response to Staff data requests, that the PowerPlant information - in conjunction with printed out paper records from older software – comprises its continuing property records.[91] These records are Ameren Missouri's basis for its calculation of the rate base used for purposes of setting rates in this case.

Unitization is when the work orders are entered into the CPR with the individual parts being listed with their associated costs so as to better describe and true-up and adjust the project expenses. Work orders are initiated within PowerPlant, with approvals, cost estimates, etc., which get the appropriated locations (division) and accounts assigned. As a work order progresses, the work in progress costs (purchase orders, invoices, estimates) are recorded as open, authorized to accept charges. When the asset is placed in service, the appropriate closing of the work order costs are to be booked within (normally) three months of in-service or added to rate base. A unitization is required to complete the project and complete the work order process before it can be closed. In this system, a unitization includes the recording of any retirements along with cost of removal and salvage. A history of all the steps is retained in the system.

Ideally, all retirements should be booked immediately, but Staff recognizes that some degree of delay is unavoidable in order to mitigate the expense associated with maintaining Ameren Missouri's books. Unitization is when the components of a larger item of plant are consolidated for book keeping purposes. For example, many individual pumps, tubes, valves, and controls are unitized as the Sioux I Boiler.

Unitization is a critical component of accurate and correct record keeping. Without unitization all costs are estimated and future retirements cannot be accurately booked. Unitization should be completed within a few months of a project's completion.

Historically, Staff has included any plant additions that have become used and useful as of a predetermined date in Ameren Missouri's rate base when calculating rates. For example, in Ameren Missouri's last rate case, Staff recommended inclusion of both the Taum Sauk investment and the Sioux Scrubbers in Ameren Missouri's rate base. Staff has not, in the recent past, done an extensive audit of retirements that occur prior to the applicable cutoff date in a rate case.

Ameren Missouri provided Staff a demonstration of the PowerPlant software now in use at Ameren Missouri. Given this demonstration, Staff became aware that Ameren Missouri's

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[91] The Company initiated the use of PowerPlant software 2005 for tracking all depreciable assets. This is package software specifically designed and marketed for use in FERC-regulated utilities. Thus the first full year CPR, work orders, plant records, retirements, salvage and cost of removal are complete starting in 2005.

retirement records from 2005 onward required for a depreciation study are reliable and readily accessible. This was demonstrated by the fact that the unitization of projects in some instances goes back to the implementation of this "new" system in 2005 and the failure to move the old retirement data system into the new system.[92]

This overstatement of retirements inflates rate base and in a depreciation study will make assets appear to have shorter average service lives then they may actually experience. Following the demonstration of the work order process, Staff requested a demonstration of the CPR database. Specifically, Staff requested to see the burner entries for the Labadie Power Station. Upon querying the database, only 33 out of 96 burners were found with the rest having not yet been unitized.

Staff's analysis of the relevant burner information based upon the last version of the CPR Staff had received from Ameren Missouri follows:

Burner Analysis

Activity Code	Asset ID	Property Unit Code	Work Order	Work Order Description	Asset Location	vintage	2005	2006	2007	2008	2009	2010	2011	Grand Total
Addition	6208337	Non-Unitized	21789	LBD U1 Replace	LB01-Labadie-Unit #1	2008				871,473.31				871,473.31
Addition	8425737	Non-Unitized	21789	LBD U1 Replace	LB01-Labadie-Unit #1	1994				(1,200,000.00)				(1,200,000.00)
Addition	8425744	Non-Unitized	22792	LB4S U4 Coal Burner	LB04-Labadie-Unit #4	2009					668,306.00			668,306.00
Addition	10557379	Non-Unitized	22792	LB4S U4 Coal Burner	LB04-Labadie-Unit #4	1992					(1,200,000.00)			(1,200,000.00)
Retirement	1085527	BOILER,CORNER BURNER	22811	LB3S U3 Coal Burner	LB03-Labadie-Unit #3	2009					705,887.44			705,887.44
Retirement	1085528	BOILER,CORNER BURNER	22811	LB3S U3 Coal Burner	LB03-Labadie-Unit #3	1993					(1,200,000.00)			(1,200,000.00)
Retirement	1085529	BOILER,CORNER BURNER	25726	LB2S - U2 Coal Burner	LB02-Labadie-Unit #2	2010						457,170.82		457,170.82
Retirement	1085534	BOILER,CORNER BURNER	25726	LB2S - U2 Coal Burner	LB02-Labadie-Unit #2	1995						(750,000.00)		(750,000.00)
												Net Total		2,702,837.57

Four work orders representing the burner replacements are shown. Simply stated, rate base is plant in service minus depreciation reserve. In the example above, the apparently arbitrary combination of original cost less net salvage in three out of four cases results in a charge of $1.2 million to the depreciation reserve. The fourth is for $750,000, the net effect of which is to increase rate base by an additional $4.35 million based on net salvage of a yet to be accurately accounted for unitized amount.

[92] During discussions, Staff learned that the Company has completed projects on the books from 2005 that have not yet been unitized.

Remembering: Rate Base = (Plant in Service) minus (negative Depreciation Reserve)

Negative depreciation reserve is an addition to rate base, because a double negative (minus a negative) is a positive.

Consequently at a Rate of Return of 5% this amounts to $675,000 so far and an additional $217,500 of earnings going forward annually. So over the asset life, an estimated additional $3,371,250 of earnings is gained. In addition, were a depreciation study to be conducted using these numbers, the depreciation reserve would appear deficient and the cost of removal inflated, adding yet additional costs on ratepayers. Consequently, in this example, for every dollar the Company adds in plant assets, it gains another $1.61 of inadequately documented costs. Thus, Ameren Missouri has a financial incentive NOT to comply with the Commission's rules on a timely basis.

Based on its analysis of only Account 312 Boilers, Staff has determined that the account is likely overstated by 161%. In another instance of an attempt to verify Ameren Missouri's CPR, Staff verified the retirements of the four 900 horsepower motors used to drive the retired induced draft fans. All four motors had been removed. However, only three of the fans had been removed from the CPR. The three retired fans were each valued at a retirement of $167,958.

Ameren Missouri
MPSC 0281
Sioux Scrubber Retirements

Sub Account	Utility Account	Retirement Unit	Month	Work Order	Asset Id	Quantity	Cost	Asset Description	Asset Location
53-SIOUX	1312000-BOILER PLANT EQUIPMENT	17508:BDS-ST-EA:MOTOR,INDUCED DRAFT FAN	Dec-10	15443	889840	-1	($167,957.97)	MOTOR,INDUCED DRAFT FAN, UNIT #1A 7000 HP 900	SX0100A-Sioux-Unit #1-Item A
53-SIOUX	1312000-BOILER PLANT EQUIPMENT	17508:BDS-ST-EA:MOTOR,INDUCED DRAFT FAN	Dec-10	15443	889841	-1	($167,957.97)	MOTOR,INDUCED DRAFT FAN, UNIT #1B 7000 HP 900	SX0100B-Sioux-Unit #1-Item B
53-SIOUX	1312000-BOILER PLANT EQUIPMENT	17508:BDS-ST-EA:MOTOR,INDUCED DRAFT FAN	Dec-10	15443	889842	-1	($167,957.97)	MOTOR,INDUCED DRAFT FAN, UNIT #2A 7000 HP 900	SX0200A-Sioux-Unit #2-Item A

By failing to retire the fourth fan, rate base is inflated by $167,958. Additionally, there is a likelihood that salvage would have been earned as the result of selling the old motors. Because no adjustments have been made in the years since these motors were retired, there is further overstatement of rate base in the Company's books and records.

During Staff's site visit visual confirmation was attempted for the following list of items:

MPSC Case No. ER-2012-0166					
Data Request No.: MPSC 0276					
Continuing Plant Inventory Record Account 312					
03/31/2012					
Plant	53-SIOUX				
Account	Unit Of Property	Add'l Asset Description	Asset Location	Vintage	Total
1312000-BOILER PLANT EQUIPMENT	BARGE	BALANCE RECORD	SX00-Sioux Plant Common Area	2002	1,604,625
1312000-BOILER PLANT EQUIPMENT	BARGE	Barge-Personnel Emer Access 18'x80'	SX00-Sioux Plant Common Area	2010	5,498
1312000-BOILER PLANT EQUIPMENT	BOILER,FLAME SCANNERS	BOILER,FLAME SCANNERS	SX01-Sioux Unit 1	2000	133,064
1312000-BOILER PLANT EQUIPMENT	BOILER,FLAME SCANNERS	BOILER,FLAME SCANNERS	SX02-Sioux Unit 2	2002	146,208
1312000-BOILER PLANT EQUIPMENT	COMPACTOR,COAL	COMPACTOR,COAL	SX00-Sioux Plant Common Area	1968	20,059
1312000-BOILER PLANT EQUIPMENT	CRUSHER	Coal Crusher 'A'	SX0000A-Sioux-Common-Item A	1997	531,619
1312000-BOILER PLANT EQUIPMENT	CRUSHER	CRUSHER	SX0000B-Sioux-Common-Item B	1997	531,619
1312000-BOILER PLANT EQUIPMENT	DOZER	DOZER	SX00-Sioux Plant Common Area	1982	300,000
1312000-BOILER PLANT EQUIPMENT	DOZER	DOZER	SX00-Sioux Plant Common Area	1994	519,578
1312000-BOILER PLANT EQUIPMENT	DOZER	DOZER	SX00-Sioux Plant Common Area	1995	722,981
1312000-BOILER PLANT EQUIPMENT	DOZER	Work Order Addition	SX00MEB-Sioux-Common-Mobile Equipment Building	2007	958,873
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1968	34,158
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1969	33,334
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1977	5,599
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1981	7,834
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1984	6,792
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1994	165,095
1312000-BOILER PLANT EQUIPMENT	FRONT LOADER	FRONT LOADER	SX00-Sioux Plant Common Area	1997	28,292
1312000-BOILER PLANT EQUIPMENT	HVAC SYSTEM	HVAC SYSTEM	SX00STH-Sioux-Common-Stacker House	1967	6,112
1312000-BOILER PLANT EQUIPMENT	HVAC SYSTEM	HVAC SYSTEM	SX00MEB-Sioux-Common-Mobile Equipment Building	1984	2,386
1312000-BOILER PLANT EQUIPMENT	HVAC SYSTEM	HVAC SYSTEM	SX00STH-Sioux-Common-Stacker House	1992	1,869
1312000-BOILER PLANT EQUIPMENT	HVAC SYSTEM	HVAC SYSTEM	SX00MEB-Sioux-Common-Mobile Equipment Building	1995	1,478
1312000-BOILER PLANT EQUIPMENT	HVAC SYSTEM	HVAC SYSTEM	SX00STH-Sioux-Common-Stacker House	1997	65,868
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX0006A-Sioux-Common-Coal Conveyor #6A	1984	10,275
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX0006B-Sioux-Common-Coal Conveyor #6B	1984	10,275
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX005A2-Sioux-Common-Conveyor 5A2	1997	30,622
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX005A3-Sioux-Common-Conveyor 5A3	1997	33,896
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX005B2-Sioux-Common-Conveyor 5B2	1997	30,622
1312000-BOILER PLANT EQUIPMENT	METAL DETECTOR	METAL DETECTOR	SX005B3-Sioux-Common-Conveyor 5B3	1997	33,896
				Total	5,982,526

Staff was only able to confirm the presence of two bulldozers and a front end loader. This may also result in an overstatement of rate base. Of the 29 items sought for verification, seven could not be identified and were missing. This implies that 29% of the CPR consists of property that is no longer used and useful, and that 28% of the dollars listed above are related to nonexistent rate base.

Staff has significant concerns about the validity of Ameren Missouri's current Continuing Property Record for use as accounting documents in future depreciation studies, and recommends the Commission order Ameren Missouri to conduct a depreciation study to demonstrate that its permanent continuous record is a workable system. Staff evaluated Ameren Missouri's plant records with respect to assessing the validity of the historical record for use in depreciation studies. Staff submitted data requests for specific retirement information, and conducted a limited physical inventory check. Staff derived additions and retirement information from the limited information delivered by the Company and only about 70% of the items sought for the physical inventory could be found. A number of retired items were still in place but not in service. The problem is, if an item is removed from service and retired and removed from the CPR (as the Venice Power Station was) for no longer being "used and useful," the Company has no record of account to which it may charge future cost of removal or record any benefit from the sale of old equipment. During Staffs' site visit at the Sioux power station, Staff saw that the "retired" smoke stacks had actually only been partially dismantled, had roofs and doors installed, and were in the process of being repurposed for other uses such as road salt storage and possibly a workshop. Furthermore, if one were to only review the CPR for Sioux, there would be no recognition of the continuing liability for the ultimate cost of removal for these units and systems that have been abandoned in place. Regarding the large fans that were used before the scrubber installation, all four of the very large retired motors that were used to drive the fans are gone, but there currently is no record of what salvage may have been gained.

With respect to rate base, given the limited scope of items audited and the number of instances where rate base was overstated, there exists a significant potential that there are additional misbooked assets and cost of removal charges. This overstatement of rate base results in higher than actual revenue requirements.

d. Conclusion

Ameren Missouri is not in compliance with the Commission Rules at 4 CSR 240-50.030, Uniform System of Accounts.

Non-compliant utility plant record keeping may result in:

1. Inaccurate and inappropriate statement of rate base,
2. Excess return on equity,
3. Erroneous depreciation study results,
4. Inaccurate and inappropriate depreciation accruals,
5. Inaccurate and inappropriate depreciation reserve amounts,
6. Inaccurate and inappropriate collection for net salvage expense,
7. Inaccurate or erroneous information in times of emergency.

This failure to comply with the Commission's rules regarding accounting for utility plant grossly limits the Commission's ability to apply its ratemaking decisions and principles to known and measurable amounts.

Ameren Missouri's inability to accurately record additions and retirements on a timely and accurate manner casts serious doubt on the validity of Ameren Missouri's current CPR for use in determining the appropriate amount of rate base.

Ameren Missouri's inability to retrieve historical retirement records from its current accounting system casts serious doubt on the validity of Ameren Missouri's current CPR for use in conducting a depreciation study.

Staff recommends that for purposes of setting rates in this matter, the Commission reduce Ameren Missouri's rate base by $2,528,567. Staff also recommends that the Commission direct Ameren Missouri to achieve compliance with all applicable depreciation regulations and Commission orders by June 1, 2013, to avoid prosecution of a complaint by Staff. Finally, Staff recommends that the Commission authorize Ameren Missouri to establish a new account numbered as Account 391.003 Enterprise Systems to be depreciated at an ordered depreciation rate of 5%.

Staff Expert/Witness: Guy C. Gilbert

2. Project First (Enterprise System)

During the test year in this case, the twelve-months ending September 30, 2011, Ameren Missouri initiated Project First to replace a number of Ameren Corporation's unsupported and high-risk financial systems, including the general ledger; budgeting; property, plant and equipment; tax compliance; shared services allocations and financial consolidations. The scope of the project also included moving from an unsupported reporting system to a new Oracle reporting system. As part of Project First, Ameren Missouri replaced existing enterprise systems such as their Corporate Budgeting System, Corporate Reporting System, and PowerPlant v9. These systems were replaced by UIPlanner, Internal Management Reporting (IMR), Hyperion Financial Management (HFM) and Powerplant v10.2.

Ameren Missouri recorded the costs associated with its investment in Project First in USOA accounts 303, Intangible Assets and 391.2, Office Furniture and Equipment – Software. As part of this rate proceeding, Staff witness Guy Gilbert recommends that all plant amounts related to Project First be included in USOA account 391.003--Enterprise Systems. Therefore, Staff has determined the amount of plant placed in service during the test year, as well as the estimated amount through July 31, 2012, related to Project First and has made adjustments to remove these costs from USOA accounts 303 and 391.2, the existing accounts in which they were booked, to USOA account 391.003. Similarly, Staff has made corresponding reserve adjustments. In addition, Staff witness Gilbert has develop a new depreciation rate for USOA account 391.003--Enterprise Systems to replace the five year amortization that currently exists for USOA accounts 303 and 391.2. Therefore, Staff made an adjustment to the remove the amortization recorded by the Company during the test year related to Project First.

Staff Expert/Witness: Lisa K. Hanneken

3. Capitalized Depreciation and O&M

Staff made an adjustment to remove a portion of the annualized depreciation expense calculated on transportation and power-operated equipment. This equipment is used by the Company to perform both maintenance and construction activities. A portion of the depreciation calculated on this equipment is capitalized and charged to construction projects. Therefore, this depreciation must be removed from the annualized depreciation expense included in the calculation of net operating income in order to prevent a double recovery. As part of this issue, the Staff reduced the cost-of-service calculation in order to annualize O&M related depreciation.

Staff Expert/Witness: Lisa M. Ferguson

G. Income Tax

Income tax expense, as calculated by Staff, is largely consistent with the methodology used in Ameren Missouri's last rate case, Case No. ER-2011-0028. As in that case, Staff has reflected for income tax expense a tax deduction that was reflected on Ameren Corporation's (the parent of Ameren Missouri) tax return related to the Employee Stock Option Plan ("ESOP") in the cost of service calculation. Staff contends that Ameren Missouri should receive a representative portion of this deduction because it is driven, in part, by the Ameren Missouri employees that participate in the ESOP, and therefore Staff has adjusted the level of income tax expense to reflect this deduction. The Company indicated to Staff that it expects to receive an empowerment zone tax credit. Staff has made an inclusion in the cost of service calculation for income tax expense to address this expected tax credit. Staff will review income tax expense as part of its true-up audit and make additional adjustments as necessary.

Staff Expert/Witness: John P. Cassidy

X. Fuel Adjustment Clause (FAC)

A. Policy

In summary, Staff makes the following recommendations to the Commission regarding Ameren Missouri's Fuel Adjustment Clause ("FAC"):

- The sharing mechanism should be changed to 85% returned to/recovered from Ameren Missouri's customers and 15% kept/absorbed by Ameren Missouri from 95% returned to/recovered from the customers and 5% kept/absorbed by Ameren Missouri.

- Terms in Ameren Missouri's FAC tariff sheets should be changed to standardize them with the terms in the FACs of other investor-owned electric utilities in Missouri. These changes will be discussed in the Staff Class Cost-of-Service/Rate Design Report to be filed on July 19, 2012.

- What is currently "Net Base Fuel Costs" or "NBFC Factor" in Ameren Missouri's FAC tariff sheets should be renamed "Net Base Energy Cost"

("B"), and the associated seasonal factors (presently called "Summer NBFC Rate" and "Winter NBFC Rate") should be eliminated so that there is only one factor, which is applicable for each of the twelve calendar months—the Net Base Energy Cost Factor ("BF").

- Ameren Missouri's costs to serve and revenues from municipal utilities should continue to be included in its FAC, as they are now.

- Ameren Missouri's FAC tariff sheets should be revised to clarify that the only transmission costs that are included in it are those that Ameren Missouri incurs for purchased power and off-system sales ("OSS").

- Ameren Missouri's FAC tariff sheets should be revised to clarify that only Ameren Missouri's hedging gains and losses associated with mitigating volatility in its cost of fuel and SO_2 and NO_X allowances are included in Ameren Missouri's FAC.

- Ameren Missouri's FAC tariff sheets should be revised to clarify that if there is a reduction in the usage of the Large Transmission Class of 40,000,000 kWh or greater, the amount of off-system sales revenues that are excluded from the FAC can be no greater than Ameren Missouri's revenues not recovered due to the reduction in usage of the Large Transmission Class

- Ameren Missouri should provide additional filings that will aid the Staff in performing FAC tariff, prudence and true-up reviews.

Staff Expert/Witness: Lena M. Mantle

1. History

Senate Bill 179[93] ("SB 179") was passed and enacted in 2005. It authorizes investor-owned electric utilities to file applications with the Commission requesting authority to make periodic rate adjustments outside of general rate proceedings for their prudently-incurred fuel and purchased power costs. SB 179 also granted the Commission the authority to approve, modify, or reject the electric utility's request. SB 179 also states that the rate schedules implementing these rate adjustments outside of the rate case may provide the electric utility with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased power procurement activities.

[93] Section 386.266, RSMo. 2010 Cum. Supp.

Prior to the passage of SB 179, fuel and purchased power costs were estimated and included in the determination of the utility's revenue requirement in general rate proceedings. If the electric utility managed its fuel and purchased power procurement activities in a manner that allowed it to reliably serve its customers at a cost lower than what was included in its revenue requirement in the rate case, the savings were retained by the electric utility. If actual fuel and purchased power costs were greater than the cost included in the revenue requirement, the electric utility absorbed the increased cost.

Ameren Missouri, then doing business as AmerenUE, first requested that the Commission authorize it to use a FAC when it filed a general electric rate increase case, Case No. ER-2007-0002, on July 3, 2006. This request was prior to the finalization of the Commission's FAC rules. In its May 22, 2007, *Report and Order* in that case, the Commission concluded:

> After carefully considering the evidence and arguments of the parties, and balancing the interests of ratepayers and shareholders, the Commission concludes that AmerenUE's fuel and purchased power costs are not volatile enough [to] justify the implementation of a fuel adjustment clause at this time.

Ameren Missouri filed another general electric rate increase case on April 4, 2008, docketed as Case No. ER-2008-0318. In its February 2009, *Report and Order* in that case, the Commission authorized Ameren Missouri to implement a FAC. On February 19, 2009, the Commission approved FAC tariff sheets that took effect on March 1, 2009.

On July 24, 2009, less than five months after its original FAC tariff sheets became effective, Ameren Missouri, still then doing business as AmerenUE, filed another general electric rate increase. In its Report and Order in that case—Case No. ER-2010-0036—the Commission concluded AmerenUE should be allowed to continue to implement the FAC the Commission had approved in the prior rate case. Revised tariff sheets, including FAC tariff sheets, became effective in that case on June 21, 2010.

On August 31, 2010, Staff filed in File No. EO-2010-0255 the results of its first prudence audit which covered Ameren Missouri's accumulation periods 1 and 2 (March 1, 2009 through September 30, 2009). In its *Report and Order* issued on April 27, 2011 in that case, the Commission determined that "Ameren Missouri acted imprudently, improperly and unlawfully when it excluded revenues derived from power sales agreements with [American Electric Power

Operating Companies ("AEP")] and [Wabash Valley Power Association ("Wabash")] from off-system sales revenue when calculating the rates charged under its fuel adjustment clause." Ameren Missouri began flowing back revenues from the AEP and Wabash contracts plus accrued interest of approximately $18 million in the twelve-month recovery period beginning with its October 2011 billing month.

On July 30, 2010, just 37 days after the changes to the rates in Ameren Missouri's general rate Case No. ER-2010-0036 became effective; Ameren Missouri filed another rate case docketed as Case No. ER-2011-0028. In that case Ameren Missouri requested, and received, authority to continue its FAC with a few minor changes. The tariff changes from Case No. ER-2011-0028 became effective July 31, 2011.

On December 1, 2010, Ameren Missouri initiated File No. ER-2010-0274 seeking to true-up its first recovery period. As a part of this true-up filing, Ameren Missouri asserted that the NBFC rate[94] in the original FAC tariff sheets was calculated incorrectly; therefore, it was entitled to the additional revenue that would have been collected had the NBFC rate been correctly calculated. In its *Report and Order* issued in this case on June 29, 2011, the Commission authorized Ameren Missouri to include the under-collection amount for that true-up period and for all subsequent true-up filings in which the incorrect calculation had an impact. This positive adjustment to the true-up amount was also included in the twelve-month recovery period beginning October 2011 and, as ordered, subsequent true-up filings included the corrected NBFC rate, as applicable.

On October 28, 2011, Staff filed in File No. EO-2012-0074 its report of the results of its second prudence audit with respect to the revenue margins from Ameren Missouri's contracts to sell energy to AEP and Wabash for the time period of October 1, 2009, through May 31, 2011. In its report, Staff recommended that the Commission order Ameren Missouri to refund the revenue margins with interest from the AEP and Wabash contracts for the time period of October 1, 2009, through June 20, 2010, based on the Commission's decision in Case No. EO-2010-0255. A hearing in that case was held on June 21, 2012.

Staff Expert/Witness: Lena M. Mantle

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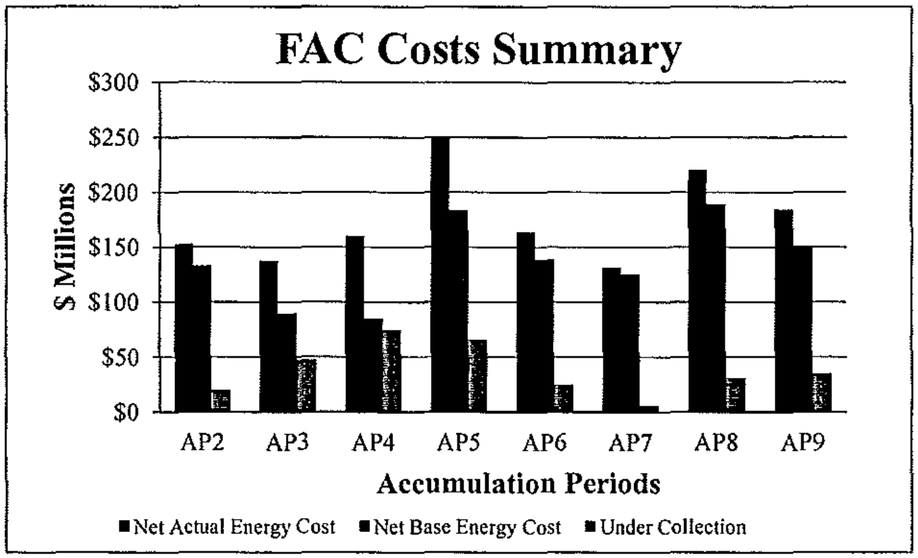
[94] Staff proposes to rename the NBFC rate to "BF" in this case

2. Summary of Ameren Missouri's Fuel and Purchased Power Costs Net Off-System Sales

The graph below shows for each full accumulation period[95] since the Commission authorized Ameren Missouri to use a FAC, a summary of Ameren Missouri's Net Actual Energy Cost, Net Base Energy Cost, and the under-collection of fuel costs through its permanent rates.

Chart 1



The time periods of the Accumulation Periods are as follows:

AP2	Jun 2009 – Sep 2009	AP6	Oct 2010 – Jan 2011
AP3	Oct 2009 – Jan 2010	AP7	Feb 2011 – May 2011
AP4	Feb 2010 – May 2010	AP8	Jun 2011 – Sep 2011
AP5	Jun 2010 – Sep 2010	AP9	Oct 2011 – Jan 2012

At the conclusions of its general electric rate cases, during AP5 and AP8 - Case Nos. ER-2010-0036 and ER-2011-0028, respectively—the net base energy cost factors (then called NBFC rates) in Ameren Missouri's FAC were re-set. Over each of its full accumulation periods, Ameren Missouri under-collected its fuel and purchased power costs in its permanent rates.

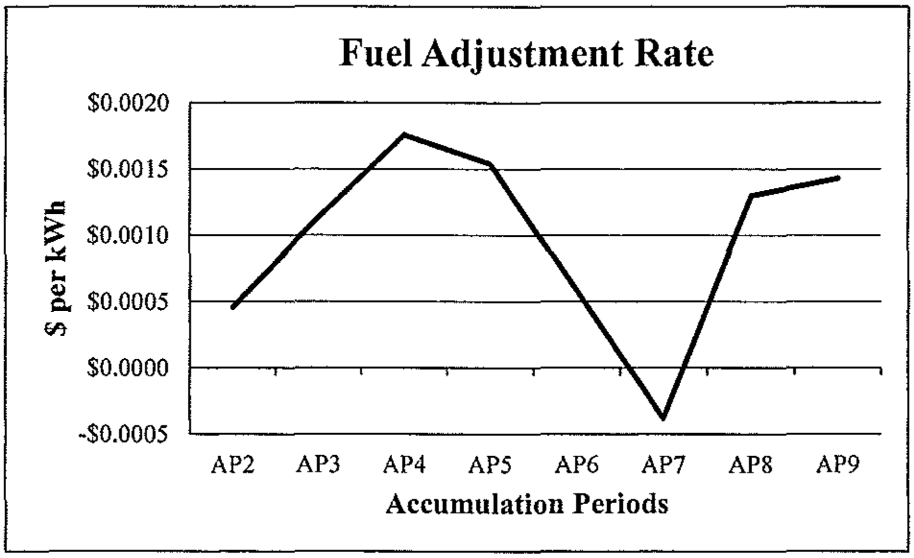
[95] Accumulation Period 1 was not a full accumulation period because it only covered the three calendar months of March 2009 through May 2009. All other accumulation periods cover four calendar months.

Ameren Missouri's net actual total energy costs exceeded the net base energy costs for every full accumulation period.

The bar graph also shows that the range of Ameren Missouri's net actual energy costs ranges from just less than $130 million for AP7 (February 2011 – May 2011), to approximately $250 million for AP5 (June 2010 – September 2010).

The graph below shows the actual Ameren Missouri FAC Fuel Adjustment Rates ("FARs") for accumulation periods 2 through 8.

Chart 2



This graph shows that for AP2 through AP4. The FAR for AP5 was lower than the FAR for AP4. However, this does not indicate that Ameren Missouri's fuel costs decreased after AP4. The previous chart actually shows that the net actual energy costs in AP5 were higher than the net actual energy costs for any other accumulation period. The FAR for AP5 was lower than that for AP4, because the Net Base Energy Cost rate was re-set when revised FAC tariffs sheets became effective during AP5 in Case No. ER-2010-0036. It is likely that if the Net Base Energy Cost rate had been rebased before the beginning of AP5 and if the weather during the summer of 2010 had been "normal" or cooler than "normal," the FPA for AP5 would have been even lower (closer to zero or negative); however, since the summer of 2010 (AP5) was hotter than normal and marginal fuel cost is higher than average fuel cost, the FAR for AP5 was greater than zero. The FAR continued to drop in AP6. The Commission-ordered refunds from the AEP and

Wabash contracts of approximately $18 million, combined with a small difference between actual and net base energy costs for AP7, resulted in a negative FAR for AP7. The FARs for AP8 and AP9 were slightly below the FAR for AP5.

Staff Expert/Witness: Lena M. Mantle

3. Sharing Mechanism

In determining which sharing mechanism to recommend in this case, Staff took into consideration the following:

1) The comparisons of the actual fuel costs Ameren Missouri did not collect with the 95%/5% mechanism with what Ameren Missouri would not have collected with an 85%/15% sharing mechanism and with what Ameren Missouri would not have collected if Ameren Missouri did not have a FAC during accumulation periods 2 through 9;

2) The variability in Ameren Missouri's OSS margins that are used to off-set fuel costs is greater than the variability in the fuel and purchased power costs Ameren Missouri incurs to meet the load requirements of its customers;

3) A 85%/15% sharing mechanism would provide greater incentive to Ameren Missouri to reduce its fuel and purchased power costs and increase its OSS than the 95%/5% mechanism;

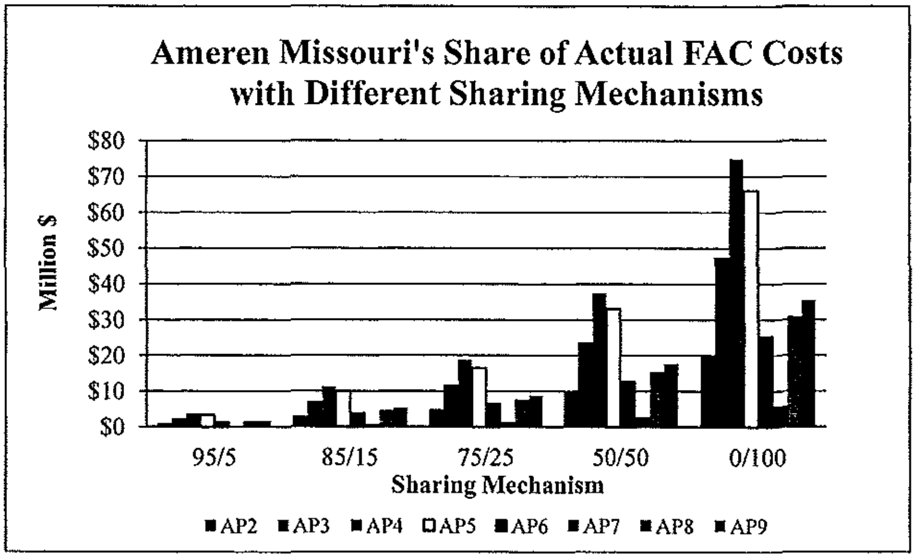
4) A sharing mechanism of 85%/15% would provide Ameren Missouri with more incentive to accurately estimate the net base energy cost factors in general rate cases; and

5) The regulatory lag Ameren Missouri created with respect to the Staff's second prudence review of Ameren Missouri's FAC.

Staff recommends the Commission modify the sharing mechanism of Ameren Missouri's FAC to 85%/15% sharing from 95%/5% sharing. With this modification, Ameren Missouri's retail customers would pay 85% of any increase in fuel and purchased power costs above the net base fuel and purchased power costs included in retail rates ("Net Base Energy Cost") and receive 85% of any decrease. At the same time, Ameren Missouri would absorb 15% of any increase above the Net Base Energy Cost included in retail rates and keep 15% of any decrease. In the paragraphs following, Staff addresses each of the above considerations in detail.

Staff compared what the revenue impacts to Ameren Missouri would have been for various sharing mechanisms to the impact of the 95%/5% sharing mechanism. The graph below shows, for various sharing mechanisms, the costs Ameren Missouri would have absorbed for AP2 through AP9.

Chart 3



The 0/100 (or 0%/100%) sharing mechanism in the chart above shows the amount of net energy cost Ameren Missouri would have absorbed if the Commission had not authorized Ameren Missouri to use a FAC. This $306 million was 21.8% of its total fuel and purchased power costs over the same time period. For the 95%/5% sharing mechanism, where 95 percent of the difference in net fuel and purchased costs was recovered from the customers and 5 percent was absorbed by Ameren Missouri, over the eight accumulation periods, Ameren Missouri has absorbed less than $15.3 million[96] out of its total fuel and purchased power costs of $1,400 million or about 1.1% of its net energy costs. Had the sharing mechanism been the 85%/15% Staff proposes in this case, Ameren Missouri would have absorbed less than $45.9 million[97] or 3.3% of its net energy costs and its customers would have paid $30.6 million less.

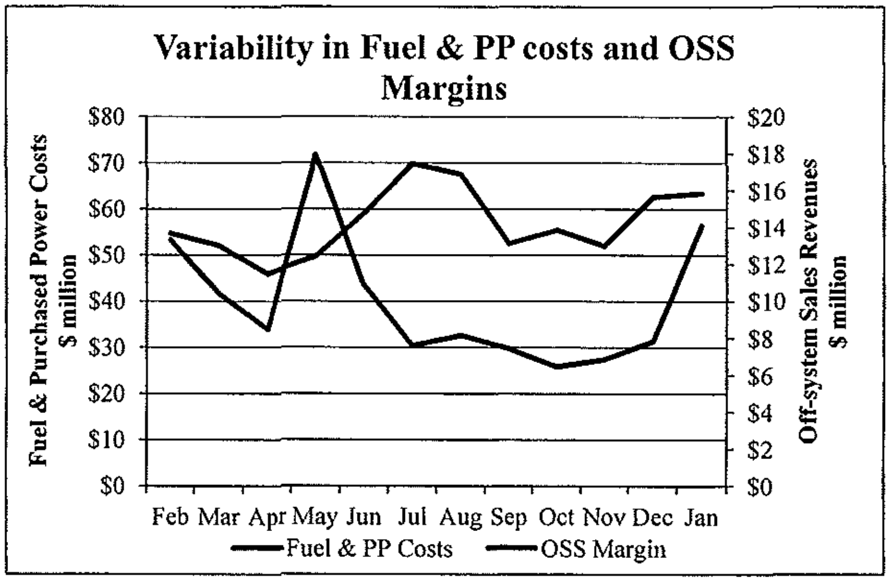
The second consideration is that Ameren Missouri's OSS margins, which are netted against the fuel and purchased power costs that it incurs to meet the load requirements of its

[96] This does not include the revenue margins from the AEP and Wabash contracts that the Commission ordered returned in Case No. EO-2010-0255. If these revenues were included, this percentage would be even lower.

[97] *Id.*

customers, are more volatile than those fuel and purchased power costs. The chart below shows the Staff's estimates for the test year in this case, as modeled to determine fuel and purchased power expense in Staff's revenue requirement for this case,[98] of Ameren Missouri's monthly fuel and purchased power costs and its monthly OSS margins.

Chart 4



As shown in this graph, there is much more volatility in the estimates of Ameren Missouri's OSS revenues than there is in the estimates of Ameren Missouri's fuel and purchased power costs. If Ameren Missouri's FAC sharing mechanism were 85%/15% as Staff proposes, then Ameren Missouri would get to keep three times as much of the OSS margins above that included in the Net Base Energy Costs than it can with the current sharing mechanism of 95%/5%.

The third consideration is that a sharing mechanism of 85%/15% would allow Ameren Missouri to keep more of any fuel and purchased power savings and more of any OSS margins that are above what was included in the retail rates. This would include any fuel savings that result from Ameren Missouri-initiated energy-efficiency programs or fuel savings resulting from federal or state energy efficiency initiatives. In addition, it would give Ameren Missouri more incentive to search out and find additional OSS opportunities.

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[98] With annualized and normalized inputs.

The fourth consideration is that a sharing mechanism of 85%/15% would provide Ameren Missouri with more incentive to accurately estimate the net base energy cost factors in general rate cases. Chart 1 above shows that the net actual energy costs have been higher than the net base energy costs. This may have occurred because of higher fuel costs or because the net base energy costs were set too low. The sharing mechanism proposed by Staff would provide Ameren Missouri more incentive to accurately estimate fuel and purchased power costs and OSS margins that are included in retail rates.

The fifth consideration is that Ameren Missouri used the FAC process in its second FAC prudence review case, Case No. EO-2012-0074, to create regulatory lag that may benefit Ameren Missouri and its shareholders to the detriment of its customers.[99] If the Commission finds in favor of Ameren Missouri in Case No. EO-2012-0074, there is no regulatory lag; however, there is considerable regulatory lag for the ratepayers if the Commission again finds Ameren Missouri should flow the AEP and Wabash revenues back to its customers through its FAC. The customers will have waited longer to have the revenues begin to flow back to them than the regulatory lag Ameren Missouri complains occurs in a rate case[100] for the increased revenues to flow to them.

In making its determination of the appropriate sharing mechanism, Staff recommends the Commission take into consideration how little incentive Ameren Missouri has with its current sharing mechanism to improve the efficiency and cost-effectiveness of its fuel and purchased power procurement activities. SB 179 expressly provides the Commission may include features in a FAC that are designed to improve the efficiency and cost-effectiveness of the utility's fuel

[99] Staff filed its prudence report regarding the remainder of the AEP and Wabash contracts early in its prudency review process on October 28, 2011, because the Commission had already made a decision during the first prudence audit proceeding regarding the AEP and Wabash revenues and because Staff could find no new evidence regarding Ameren Missouri's treatment of these revenues. Within ten days of the Staff's filing, Ameren Missouri asserted its right for a hearing and also stated that it would request a hearing after the rest of the prudence audit was completed – approximately 130 days later. This allowed Ameren Missouri to keep and use the revenues from the AEP and Wabash contracts during not only the full 180 days, but much longer since the hearing was just held in June 21, 2012. If the same timeline had occurred after the Staff's first report, the hearing would have been held in in late February 2012.

[100] The last revenues that were not flowed through the FAC were received in June 2010. They would have been included in the recovery period that began September 2010. Staff is calculating regulatory lag as the difference between when the customers should have begun receiving the revenues and when the customers actually will, if the Commission finds the revenues should be flowed through the FAC in Case No. EO-2012-0074, which at the earliest would be September 2012.

and purchased power procurement activities. Changing the sharing mechanism of Ameren Missouri's FAC to 85%/15% will increase that incentive.

Staff Expert/Witness: Lena M. Mantle

<u>4. Changes to FAC Tariff Sheet Terminology</u>

The Commission, Staff and the electric utilities have been refining FACs, and the tariff sheets that implement them, since the Commission first authorized Aquila, Inc., n/k/a KCP&L Greater Missouri Operations Company ("GMO"), to use a FAC in Case No. ER-2007-0004. While each utility's FAC operates in the same fashion and are fundamentally the same, each utility has unique FAC tariff sheets with unique acronyms and definitions. Different nomenclature for the same thing is used across the utilities and sometimes even within a single utility's tariff sheets. For example, the dollar amount of the adjustment is only referred to in Ameren Missouri's tariff sheets.

For example, the dollar amount of the adjustment is only referred to:

In Ameren Missouri's tariff sheets as:

<u>Third Subtotal</u>

In GMO's tariff sheets, it is referred to as:

<u>Fuel Adjustment Clause</u>, <u>Fuel and Purchased Power Adjustment</u>, <u>FPA</u>, <u>FAC costs</u>, and just <u>FAC</u>

In The Empire District Electric Company ("Empire") tariff sheets, it is:

<u>FAC</u> and <u>Fuel Adjustment Clause</u>

Staff proposes that the dollar amount of the adjustment be referred to uniformly as the "Fuel and Purchased Power Adjustment" or "FPA." Staff plans to make this same recommendation in the pending GMO rate case, Case No. ER-2012-0175, and the upcoming Empire rate case, Case No. ER-2012-0345.

This is just one of many "clean-up" changes that Staff will propose in its Rate Design Report to be filed in this case on July 19, 2012. Staff has been working with all of the electric utilities, including Ameren Missouri, on these proposals and hopes to come to a consensus on the terminology to be used within the electric utility industry in Missouri. It is not Staff's intent to change the meaning of different phrases in each utility's FAC tariff sheets, but to help avoid and minimize confusion when discussing the FACs of electric utilities in Missouri.

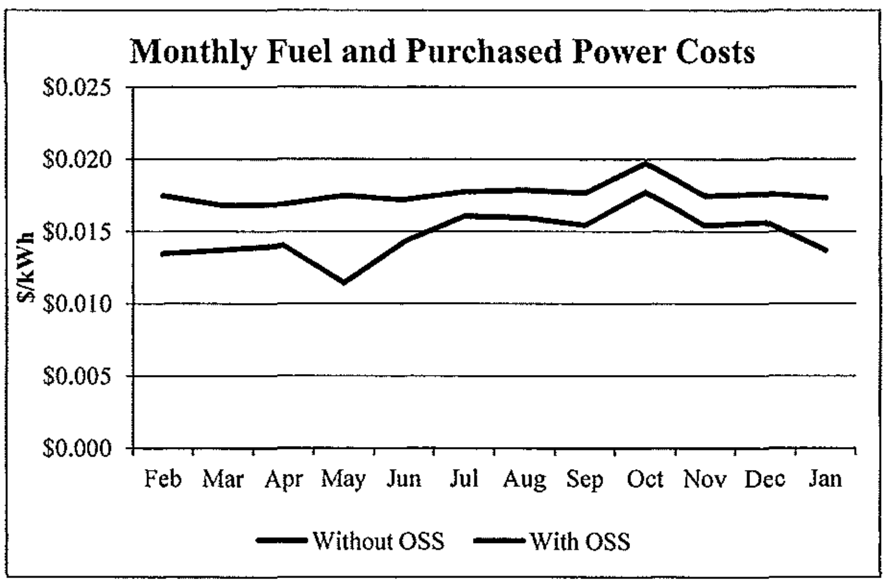
Staff Expert/Witness: Lena M. Mantle

5. Net Base Energy Cost

In Ameren Missouri's current FAC tariff sheets, there are two Net Base Energy Cost Factors[101] – one for the summer months of June, July, August, and September and one for the other eight months of the year. This was because, when the FAC was originally developed for Ameren Missouri, its average cost of energy for the four summer months was higher than the average cost of energy for the other eight months. Staff is recommending elimination of this seasonal difference so that there will be only one Net Base Energy Cost Factor of $0.01586 per kilowatt-hour ($/kWh), which will be used to determine the Net Base Energy Cost for each accumulation period, or portion thereof.

Ameren Missouri's fuel and purchased power $/kWh cost as estimated by Staff's fuel model for the test year in this case is shown below.

Chart 5



[101] These are referred to as "Summer NBFC rate" and "Winter NBFC rate" in the current tariff sheets.

The top line of this graph shows Staff's estimate of Ameren Missouri's monthly normalized and annualized fuel and purchased power costs on a $/kWh basis necessary to meet Ameren Missouri's load requirements. The bottom line on the graph is Staff's estimate of the same fuel and purchased power costs, but offset by OSS revenues. The top line is flatter than the bottom line and shows that Ameren Missouri's normalized fuel costs in the summer months (June through September), expressed in $/kWh, are comparable to the fuel costs in the other eight months of the year.

Fuel cost is the $/kWh multiplied by the load requirements in kWh and the kWh demands of Ameren Missouri's customers are greater in the summer than in the other months of the year. What this shows is that Ameren Missouri meets most of its load requirements using the same generation mix; using mostly coal and nuclear fuel that does not vary much in cost across the year. The increase in fuel cost in October is because a normalized outage of the Callaway nuclear plant was modeled in October, which resulted in the use of more expensive generation to meet Ameren Missouri's load requirements and less generation available to make OSS.

It is noteworthy that Ameren Missouri's estimates of which seasons have a higher Net Base Energy Cost Factor flip-flop in this case from what they are currently. Presently, the summer months have a higher Net Base Energy Cost Factor, but Ameren Missouri is proposing a higher Net Base Energy Cost Factor for the non-summer months. Ameren Missouri's witness Lynn M. Barnes, in her direct testimony in this case, states that Ameren Missouri is supporting a Net Base Energy Cost Factor[102] for the summer months of $0.01527/kWh and a BF of $0.01553/kWh for the other months. The current Net Base Energy Cost Factor for the summer months is $0.01319/kWh, which is higher than the current $0.01213/kWh Net Base Energy Cost Factor for the other months. Also noteworthy is that Ameren Missouri's estimates of the summer and non-summer month Net Base Energy Cost Factors are very close.

Because of the closeness of Ameren Missouri's estimates and the small variation in Staff's estimates, Staff recommends there should only be one Net Base Energy Cost Factor in Ameren Missouri's FAC.

Staff Expert/Witness: Lena M. Mantle

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[102] NBFC in Ms. Barnes testimony

6. Inclusion of Ameren Missouri's Municipal Customers in the FAC

Ameren Missouri's FAC currently includes the costs of serving and the revenues from Ameren Missouri's municipal customers. Staff has reviewed Ameren Missouri's revenues from and its costs to serve the municipal customers, and has determined that the revenues exceed the costs. Therefore, Staff is recommending no change regarding the treatment of Ameren Missouri's revenues from and costs to serve its municipal customers.

Staff Expert/Witness: Lena M. Mantle

7. Transmission Costs and Revenues

Staff recommends that Ameren Missouri's FAC continue to only include the transmission costs Ameren Missouri incurs that are necessary for it to serve the load requirements of its customers and those that are necessary for it to make OSS. No other transmission costs or revenues should flow through Ameren Missouri's FAC without Ameren Missouri first proposing that they do so in a general rate proceeding where all parties have an opportunity to make recommendations to the Commission on the appropriateness of doing so. Staff recommends that the Commission clarify that only the transmission costs Ameren Missouri incurs that are necessary for it to serve the load requirements of its customers and those that are necessary for it to make OSS are flowed through its FAC by specifically stating that only these transmission costs and revenues are allowed to flow through Ameren Missouri's FAC. Doing so will avoid potential confusion in future prudence audits. Staff will propose tariff language changes to effectuate this clarification in the Staff's Class Cost-of-Service/Rate Design Report to be filed on July 19, 2012.

Staff Expert/Witness: Lena M. Mantle

8. Hedging Gains and Losses

Staff recommends that Ameren Missouri's FAC continue to include only hedging gains and losses associated with mitigating volatility in its fuel costs and allowances for SO_2 and NO_X emissions. No other hedging gains or losses should flow through Ameren Missouri's FAC without Ameren Missouri first proposing that they do so in a general rate proceeding where all parties have an opportunity to make recommendations to the Commission on the appropriateness of doing so. Staff recommends that the Commission clarify that only hedging gains and losses associated with mitigating volatility in its fuel costs and allowances for SO_2 and NO_X emissions are flowed through its FAC by specifically stating that only these hedging gains and losses are allowed to flow through Ameren Missouri's FAC. Doing so will avoid potential confusion in future prudence audits. Staff will propose tariff language changes to effectuate this clarification in the Staff's Class Cost-of-Service/Rate Design Report to be filed on July 19, 2012.

Staff Expert/Witness: Lena M. Mantle

9. Clarification of Amount of OSS Revenues That May Be Excluded From the FAC

Ameren Missouri's current FAC tariff sheets include a provision that allows Ameren Missouri to keep a certain amount of its OSS revenues if the 12(M) Large Transmission Class usage drops below a specified level. The current tariff language is not clear on the amount of OSSR revenues that Ameren Missouri would keep, i.e., not flow through its FAC. Ameren Missouri's currently effective tariff sheet, MO. P.S.C. Schedule 5, Original Sheet No. 98.18, provides:

> Should the level of monthly billing determinants under Service Classification 12(M) fall below the level of normalized 12(M) monthly billing determinants as established in Case No. ER-2011-0028 an adjustment to OSSR shall be made in accordance with the following levels:
>
> a) A reduction of less than 40,000,000 kWh in a given month - No adjustment will be made to OSSR.
>
> b) A reduction of 40,000,000 kWh or greater in a given month - All Off-System Sales revenues derived from all kWh of energy sold off-system due to the entire reduction shall be excluded from OSSR. (Emphasis added.)

This language clearly states that all OSS revenues due to the entire reduction of the class kWh energy will not flow through Ameren Missouri's FAC, i.e., if the 12(M) billing units decrease by 40,000,000 kWh, the OSS revenues from the sale of 40,000,000 kWh does not pass through the FAC, even if the OSS revenues are greater than the revenue Ameren Missouri would have billed the 12(M) class for using the same kWh.

However, that tariff sheet also contains the definition of the "N" term, which is subtracted from the fuel and purchased power amount, and which follows:

> The positive amount by which, over the course of the Accumulation Period, (a) revenues derived from the off-system sale of power made possible as a result of reductions in the level of 12(M) sales (as addressed in the definition of OSSR above) exceeds (b) the reduction of 12(M) revenues compared to normalized 12(M) revenues as determined in Case No. ER-2011-0028.

This definition seems to state that OSS revenues in excess of the revenues that Ameren Missouri would have billed the 12(M) class, flow through the FAC.

Fortunately, there has not yet been an occurrence where monthly billing determinants under Service Classification 12(M) fell below the level of normalized 12(M) monthly billing determinants established in Case No. ER-2011-0028. However, these terms within the FAC tariff sheets need to be clarified ***before*** such an occurrence. Staff recommends that the tariff sheet be clarified to state that if monthly billing determinants under Service Classification 12(M) fall below the level of normalized 12(M) monthly billing determinants as established in Case No. ER-2012-0166 by 40,000,000 kWh or more, Ameren Missouri does not have to flow through its FAC the portion of its OSS revenues that equals the revenues it did not bill the 12(M) class due to that reduction in usage. Staff will propose tariff language changes to effectuate this clarification in the Staff's Class Cost-of-Service/Rate Design Report to be filed on July 19, 2012.

Staff Expert/Witness: Lena M. Mantle

<u>10. Additional Filing Requirements</u>

Due to the accelerated review process necessary with FACs, just as it did in the last Ameren Missouri rate cases, Case Nos. ER-2010-0036 and ER-2011-0028, Staff is recommending the Commission order Ameren Missouri to do the following to aid the Staff in performing FAC tariff, prudence and true-up reviews:

- As part of the information Ameren Missouri submits when it files a tariff modification to change its Fuel and Purchased Power Adjustment rate, include Ameren Missouri's calculation of the interest included in the proposed rate;
- In addition to the monthly reports required by 4 CSR 240-3.161(5), provide Ameren Missouri's MISO Ancillary Services Market ("AMS") market settlements and revenue neutrality uplift charges;
- Maintain at Ameren Missouri's corporate headquarters or at some other mutually-agreed-upon place within a mutually-agreed-upon time for review, a copy of each and

every nuclear fuel, coal and transportation contract Ameren Missouri has that is in or was in effect for the previous four years;

- Within 30 days of the effective date of each and every nuclear fuel, coal and transportation contract Ameren Missouri enters into, provide both notice to the Staff of the contract and opportunity to review the contract at Ameren Missouri's corporate headquarters or at some other mutually-agreed-upon place;

- Maintain at Ameren Missouri's corporate headquarters or provide at some other mutually-agreed-upon place within a mutually-agreed-upon time, a copy for review of each and every natural gas contract Ameren Missouri has that is in effect;

- Within 30 days of the effective date of each and every natural gas contract Ameren Missouri enters into, provide both notice to the Staff of the contract and an opportunity for review of the contract at Ameren Missouri's corporate headquarters or at some other mutually-agreed-upon place;

- Provide a copy of each and every Ameren Missouri hedging policy that is in effect at the time the tariff changes ordered by the Commission in this rate case go into effect for Staff to retain;

- Within 30 days of any change in an Ameren Missouri hedging policy, provide a copy of the changed hedging policy for Staff to retain;

- Provide a copy of Ameren Missouri's internal policy for participating in the MISO ASM, including any Ameren Missouri sales/purchases from that market that is in effect at the time the tariff changes ordered by the Commission in this rate case go into effect for Staff to retain;

- If Ameren Missouri revises any internal policy for participating in the MISO ASM, within 30 days of that revision, provide a copy of the revised policy with the revisions identified for Staff to retain; and

- The monthly as-burned fuel report supplied by Ameren Missouri required by 4 CSR 3.190(1)(B) shall explicitly designate fixed and variable components of the average cost per unit burned including commodity, transportation, emission, tax, fuel blend, and any additional fixed or variable costs associated with the average cost per unit reported (Staff is willing to work with Ameren Missouri on the electronic format of this report).

Staff Expert/Witness: Lena M. Mantle

B. Fuel Adjustment Clause Heat Rate and Efficiency Testing

If an electric utility requests that a Rate Adjustment Mechanism (RAM) such as a FAC be continued or modified, Commission Rule 4 CSR 240-3.161(3)(Q) requires that the electric utility shall file specific information as part of its direct testimony in a general rate proceeding:

> (Q) The results of heat rate tests and/or efficiency tests on all the electric utility's nuclear and non-nuclear steam generators, HRSG, steam turbines and combustion turbines conducted within the previous twenty-four (24) months;

The Commission authorized Ameren Missouri's FAC in Case No. ER-2008-0318. The FAC was continued in Case Nos. ER-2010-0036 and ER-2011-0028. Ameren Missouri has requested the FAC again be continued in the current general rate proceeding, Case No. ER-2012-0166.

Company witness Lynn M. Barnes filed the results of the most recent heat rate/efficiency tests for the Company's generating units. Staff has reviewed the summary results of those tests and compared the results with the summary results from the previous two general rate proceedings, Case Nos. ER-2010-0036 and ER-2011-0028. Detailed results were provided for most generating units.[103] The testing methodologies used by Ameren Missouri were consistent with the testimony of both Staff and Company witnesses in Case No. ER-2008-0318.

In a footnote to Schedule LMB-E1-12 of her testimony, Company witness Lynn M. Barnes states:

> The Company can make available all of the reports during the prior 24 months (some of which were already submitted with the FAC Minimum Filing Requirements in Case No. ER-2010-0036) upon the request of the Commission or any party, but given their voluminous nature, has only provided the most recent reports with this filing. To the extent necessary, the Company requests a waiver of the literal requirement to "file" all such reports.

Heat rate testing results were filed for all units except Venice CTG1 and Viaduct. With the exception of Venice CTG1, all generating units were tested within the previous 24 months (based on the filed data for the current general rate proceeding).

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[103] The detailed results for combustion turbine generators appear to be addressed to a member of Staff, however, that Staff member has not received these documents independently of the current general rate proceeding.

Staff reviewed the heat rate testing results filed in Case No. ER-2011-0028 for the Viaduct unit. Summary data for Venice CTG1 was provided in Case No. ER-2010-0036. Venice CTG1 and Viaduct are relatively small generating units. Venice CTG1 and Viaduct are utilized infrequently and have a negligible effect on the overall generating unit heat rate/efficiency for the Company.

Staff recommends that fuel for the Venice CTG1 should not be included in the FAC due to the lack of heat rate/efficiency testing information required by 4 CSR 240-3.161(3)(Q). Since Staff was able to review the Viaduct heat rate/efficiency test results filed in Case No. ER-2011-0028 and that test was conducted within twenty-four (24) months of the filing of the current general rate proceeding, Staff is not making the same recommendation for Viaduct.

However, Staff recommends that the Commission grant Ameren Missouri a variance from the requirement to file all of its heat rate testing results in this case. In addition, Staff recommends that the Commission order the Company in future rate cases to properly ask for a waiver from 4 CSR 240-3.161(3)(Q), identify what units it is not filing heat rate testing results for, and to identify the case in which heat rate test results can be found.

The heat rate/efficiency testing information and results for all other generating units appear to be reasonable.

Staff Expert/Witness: Michael E. Taylor

C. FAC Adjustments for Updated System Loss Study

System energy losses largely consist of the energy losses that occur in the electrical equipment (e.g., transmission and distribution lines, transformers, etc.) of Ameren Missouri's system between Ameren Missouri's generating sources and the customers' meters. In this case, Case No. ER-2012-0166, Ameren Missouri provided an updated system loss study as part of Ameren Missouri's witness William M. Warwick's workpapers. Staff used the information contained in Ameren Missouri's updated system loss study to develop the following voltage level adjustment factors.[104] These factors are used for adjusting the fuel adjustment rates in the

[104] These factors adjust the fuel adjustment rate to account for energy losses from the customers meter to the AMMO.UE MISO node.

Company's Rider FAC to the fuel adjustment rates applicable to the individual voltage service classifications:

Secondary Voltage Service	1.0575
Primary Voltage Service	1.0252
Large Transmission Voltage Service	0.9917

Staff Expert/Witness David C. Roos

XI. Other Issues

A. Energy Independence and Security Act of 2007 (EISA)

On December 19, 2007, the Energy Independence and Security Act of 2007 ("EISA"), which amended various sections of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), was signed into law. PURPA's purposes are to encourage: 1) conservation of electric energy, 2) efficiency in the use of facilities and resources by electric utilities, and 3) equitable rates to consumers of electricity.[105] EISA established four additional PURPA standards for electric utilities as follows: Integrated Resource Planning (IRP), Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information.

On December 15, 2008, Staff filed requests for the Commission to open dockets for the purpose of establishing records for consideration and determination as to whether it is appropriate to implement the new standards encompassed within EISA to carry out the above noted purposes. EISA establishes timeframes within which the Commission is to perform this consideration and determination. The Commission should begin consideration within one year after enactment of the standard (i.e., by December 19, 2008) and complete its consideration and determination no later than two years after enactment (i.e., by December 19, 2009). Absent such determination, the Commission should consider in a general rate case for each individual electric utility whether or not it is appropriate to implement such standard to carry out the above noted purposes. Should the Commission decline to implement a PURPA standard for which it

[105] PURPA Section 101.

determines the standard is appropriate to carry out the above-noted purposes, the Commission is directed to state in writing its reasons.

In response to Staff's request, the Commission opened the following dockets in accordance with the mis-numbering of the four new standards as had occurred in the original EISA legislation:

1) Case No. EW-2009-0290: In the Matter of the Consideration of Adoption of PURPA **Section 111(d)(16)** Smart Grid Investments Standard as Required by Section 532 of the Energy Independence and Security Act of 2007. ("Smart Grid Investment Docket")

2) File No. EW-2009-0291: In the Matter of the Consideration of Adoption of the PURPA **Section 111(d)(16)** Integrated Resource Planning Standard as Required by Section 532 of the Energy Independence and Security Act of 2007. ("IRP – Docket")

3) File No. EW-2009-0292: In the Matter of the Consideration of Adoption of the PURPA **Section 111(d)(17)** Rate Design Modifications to Promote Energy Efficiency Investments Standard as Required by Section 532 of the Energy Independence and Security Act of 2007. ("Rate Design Docket")

4) Case No. EW-2009-0293: In the Matter of the Consideration of Adoption of PURPA **Section 111(d)(17)** Smart Grid Information Standard, as Required by Section 1307 of the Energy Independence and Security Act of 2007. ("Smart Grid Information Docket").

Congress corrected the mis-numbering of the four new EISA standards in Section 408, Technical Corrections, as enacted as part of the American Recovery and Reinvestment Act of 2009.[106] By May 6, 2009, the Commission issued orders correcting the numbering of the four new PURPA standards and re-numbered and consolidated the workshop dockets as follows:

1) File No. EW-2009-0290: In the Matter of the Consideration of Adoption of the PURPA Section 111(d)(16) Integrated Resource Planning Standard as Required by Section 532 of the Energy Independence and Security Act of 2007. ("IRP Docket");

2) File No. EW-2009-0291: In the Matter of the Consideration of Adoption of the PURPA Section 111(d)(17) Rate Design Modifications to Promote Energy

[106] Pub. L. No. 110-140, 121 Stat. 1492 (2007), amended by Section 408 of The American Recovery and Reinvestment Act of 2009 (the EISA, prior to this amendment, is codified at 16 USCS 2621 and 2622 (Cum. Supp. 2008)). PURPA is codified generally in 16 USCS 2601 et seq., but various provisions appear elsewhere in the United States Code.

Efficiency Investments Standard as Required by Section 532 of the Energy Independence and Security Act of 2007. ("Rate Design Docket");

3) File No. EW-2009-0292: In the Matter of the Consideration of Adoption of PURPA Section 111(d)(18), Smart Grid Investments Standard, and PURPA Section 111(d)(19), Smart Grid Information Standard, as Required by Section 1307 of the Energy Independence and Security Act of 2007. ("Smart Grid Docket").

On November 23, 2009, the Commission issued its *Order Finding Consideration / Implementation Of New Federal Standards Through Workshop And Rulemaking Procedures Is Required* in File Nos. EW-2009-0290, EW-2009-0291, and EW-2009-0292. The Commission stated in its order at page 5, "The Commission has satisfied the requirements for consideration of the new EISA standards, and on the basis of the quasi-legislative record created in these workshops, the Commission determines that no comparable standards have been considered that would constitute prior state action and prohibit the Commission from taking any further action in relation to the new EISA standards."

Since there has been no specific determination to date by the Commission, Staff recommends the Commission consider each standard and make its determination with respect to Ameren Missouri in this rate case based on the following discussion.

1. IRP Docket

PURPA Section 111(d)(16), Integrated Resource Planning Standard as required by Section 532 of the Energy Independence and Security Act of 2007, requires state commission consideration of whether to implement the following:

(A) integrate energy efficiency resources into utility, State, and regional plans; and

(B) adopt policies establishing cost-effective energy efficiency as a priority resource.

Staff held several workshops, which culminated in the Commission's promulgation of a rulemaking in File No. EX-2010-0254, *In the Matter of a Proposed Rulemaking Regarding Revision of the Commission's Chapter 22 Electric Utility Resource Planning Rules*. The revised Chapter 22 rules became effective on June 30, 2011, which requires the screening and integration of cost-effective energy efficiency resources to be included in the electric utility resource planning process. After opportunity for input from the public which included comments being submitted by the electric utilities, Office of the Public Counsel, Missouri Department of Natural Resources, Renew Missouri, Great Rivers Environmental Law Center, and Dogwood Energy, LLC, the Commission approved the policy in Chapter 22 of requiring demand-side resources be evaluated on an equivalent basis with supply-side resources subject to compliance with all legal mandates.[107]

In addition, the Commission has a workshop docket, Case No. EW-2010-0187, opened to investigate how to achieve its statutory responsibilities under the Missouri Energy Efficiency Investment Act ("MEEIA"), Section 393.1075, RSMo., within the background of FERC policies that eliminate barriers to demand response and that direct the Midwest Independent Transmission System Operator ("MISO") and the Southwest Power Pool ("SPP") to accommodate state policy regarding retail customer demand-side activity. This docket was opened to explore the best model or models to achieve the requirements of the MEEIA through state demand-side programs, wholesale market opportunities available in MISO or SPP, or possible hybrid approaches, and the implications for resource planning under various approaches. The roles for utilities, aggregators of retail consumers ("ARCs"), customers in all classes, and other stakeholders in designing the appropriate means of achieving Missouri's policy objectives, and for interacting with MISO and SPP are also to be evaluated.

While not specifically making a determination to implement PURPA Section 111(d)(16), the Commission has promulgated rulemakings to address the principles of that section; therefore, Staff suggests there is nothing that remains for the Commission to determine in response to PURPA Section 111(d)(16), and recommends the Commission make such a finding in this rate case.

2. Rate Design Docket

PURPA Section 111(d)(17), Rate Design Modifications to Promote Energy Efficiency Investments Standard as required by Section 532 of the Energy Independence and Security Act of 2007, requires state commissions to consider whether to implement: 1) removing the throughput incentive and disincentives to energy efficiency; 2) providing utility incentives for

[107] 4 CSR 240-22.010(2)(A)

successful management of energy efficiency programs; 3) including the impact of energy efficiency as one of the goals of retail rate design; 4) adopting rate designs that encourage energy efficiency; 5) allowing timely recovery of energy efficiency related costs; and 6) offering energy audits, demand-response programs, publicizing the benefits of home energy efficiency improvements and educating homeowners about Federal and State incentives. Similarly, in 2009, Governor Jeremiah "Jay" Nixon signed Senate Bill 376, the "Missouri Energy Efficiency Investment Act," with a stated policy to "value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs." Section 393.1075.3

The Commission held several workshops, which culminated in the promulgation of a rulemaking in File No. EX-2010-0368, *In the Matter of the Consideration and Implementation of Section 393.1075, The Missouri Energy Efficiency Investment Act.* The rules became effective on May 30, 2011 – Rules 4 CSR 240-20.093, 20.094, 3.163, and 3.164. Ameren Missouri submitted its MEEIA application on January 20, 2012, in Case No. EO-2012-0142 and a *Unanimous Stipulation and Agreement Resolving Ameren missouri's MEEIA Filing* was filed int hat case on July 5, 2012. In this case, the Commission will be determining what mechanisms adequately remove the disincentive to energy efficiency for Ameren Missouri, what incentives will be provided for successful management of energy efficiency programs, and how energy efficiency costs will be recovered.

SB 376 contains a provision which states, "Prior to approving a rate design modification associated with demand-side cost recovery, the commission shall conclude a docket studying the effects thereof and promulgate an appropriate rule." (Section 393.1075.5) The Commission held additional workshops on this provision of SB 376, and on March 20, 2012, Electric Utility Consultants, Inc. ("EUCI"), provided to the Commission, Staff and interested stakeholders, an in-house, specialized training course on Electric Rate Design Modifications Associated with Demand-Side Cost Recovery.

The revised Chapter 22 rules incorporate requirements for rate design analysis. For instance, 4 CSR 240-22.030(5)(C) requires, at a minimum, that load forecast models assess the impact of legal mandates, economic policies, and rate designs on future energy and demand requirements. Likewise, 4 CSR 240-22.050(4)(B) requires the utility to describe and document its demand-side rate planning and design process, and when appropriate, to consider multiple demand-side rate designs for the major classes.

The Commission sets rates in Missouri based on the cost to serve the customer. This gives the customer accurate cost information on which it can determine whether or not it wants to implement energy efficiency measures. Increasing rates to encourage energy efficiency or setting rates lower for customers that implement energy efficiency sends inaccurate costs signals to the customers. Therefore, without getting into a discussion of general ratemaking principles, but for purposes of the Commission's consideration as to whether it should implement PURPA Section 111(d)(17), setting rates based on cost to serve the customer sends the appropriate price signal to the customer to make decisions on energy efficiency. The Commission's revised Chapter 22 rules require the electric utilities to look at all forms of incentivizing energy efficiency including home energy audits and demand-response programs.

As a result of these activities, Staff recommends that the Commission, in this case, make a determination that, although additional activities related to SB 376 are contemplated, no further determination is needed in response to PURPA Section 111(d)(17) for Ameren Missouri.

3. Smart Grid Docket

In response to **PURPA Section 111(d)(18)**, Smart Grid Investments Standard, and **PURPA Section 111(d)(19),** Smart Grid Information Standard, as required by Section 1307 of the Energy Independence and Security Act of 2007, the Commission, on December 29, 2010, issued an order to open File No. EW-2011-0175 as a repository for information concerning the Smart Grid in Missouri.

On January 13, 2011, Staff filed the *Missouri Smart Grid Report* ("Report") in File No. EW-2011-0175. The Report discusses Smart Grid technologies, provides a status update on various Smart Grid opportunities in Missouri and presents issues and concerns related to Smart Grid deployment. It identifies key issues requiring further emphasis, including planning, implementation, cost recovery, cyber security and data privacy, customer acceptance and involvement, and customer savings and benefits. The Report recommends the Commission hold a Smart Grid workshop every six months for information exchange and sharing of best practices and educational opportunities; and also recommends the Commission open a docket to address cost recovery issues.

The Commission has held Smart Grid conferences on June 28, 2010, and November 29, 2011. Panelist and speaker topics included such items as updates on Smart Grid projects in Missouri, customer views, education and engagement, and challenges to deployment.

The information provided in the workshop is provided to the public through the Commission's electronic filing and information system. The Smart Grid was also the most recent subject of the *PSConnection*, a publication of the Commission which is available online, at public hearings, at the State Fair booth, and at all other opportunities where the Commission interacts with the public.

PURPA Section 111(d)(19) requires all electricity purchasers and other interested parties to be provided access to information from their electricity provider related to time-based prices, usage, and sources of power provided by the utility and type of generation, with associated greenhouse gas emissions for each type of generation, to the extent such information is available, on a cost-effective basis. While the Commission has not specifically addressed these issues in the context of PURPA Section 111(d)(19), there have been several forums in which stakeholders have discussed related issues and Staff recommends these issues continue to be addressed as they arise.

Staff recommends the Commission make a determination in this case that it has established the appropriate avenues for monitoring Smart Grid activities and no greater ongoing activity is needed in response to PURPA Section 111(d)(18) and PURPA Section 111(d)(19) in the context of Ameren Missouri.

Staff Expert/Witness: Natelle Dietrich

B. Smart Grid Status

This section provides information on the history and status of Ameren Missouri's Smart Grid deployment and does not address any particular revenue requirements in this rate case. Information for this section was provided by Ameren Missouri through presentations, its website,[108] in workshops and meetings with the Staff, and Ameren Missouri's Smart Grid report dated February, 2012.

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[108] http://www.ameren.com/AboutAmeren/Pages/SmartGrid.aspx, information provided.

Ameren Missouri has been "100 percent deployed" with Automated Meter Reading ("AMR") since 2000. In September 2009, Ameren Missouri conducted a study comparing the costs and benefits of AMR versus Advanced Metering Infrastructure ("AMI") and concluded the benefits of AMI do not outweigh the estimated costs. However, Ameren Missouri is closely monitoring other AMI deployments with plans to revisit this issue in the future.

The Company is currently upgrading and modernizing its AMR system with the deployment of new field equipment that will provide increased network capacity for adding additional meters and increased communication flexibility.[109] New field equipment includes Concentrators and Collectors in addition to the existing Cell Masters[110] and Micro Cell Controllers ("MCC").[111] The Concentrator receives wireless radio broadcasts from the electric meters and then transmits digital information to the Collectors. The Collector receives the information from the Concentrators and then transmits bundled digital information in "packets" to a central operating system for processing. Currently there are 3 Collectors, 226 Concentrators, 90 Cell Masters and 8,155 MCCs in the Company's service territory. Additional Cell Masters and Micro Cell Controllers will be added as required to maintain the current MCC and AMR coverage areas.

Ameren Missouri placed in service a plug-in hybrid (diesel fuel and electric powered) bucket truck in the St. Louis metropolitan area in 2011 as part of an Electric Power Research Institute (EPRI) demonstration project. The Company is also participating with St. Louis Clean Cities on a Plug-In Readiness Task Force as a means of monitoring initial discussions on how to create a local market for new Plug-In Hybrid Electric Vehicles ("PHEVs"). The Company has a Chevrolet Volt hybrid automobile that employees are testing and evaluating. An August 2009 technology study concluded that there would be no significant system effects or impacts anticipated on Ameren Missouri's service territory until PHEV penetration approached approximately 150,000 vehicles.[112]

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[109] Ameren's Smart Grid report dated February, 2012.

[110] A wireless high capacity router device that receives and collects wireless data from Micro Cell Controllers and then transmits this data via a leased line to the central operating system.

[111] A small pole mounted data collection device that receives wireless AMR data and transmits this data to a Cell Master.

[112] Ameren Missouri Presentation; "The Smart Grid @ AmerenUE", May 18, 2010, item 84, EFIS File No. EW-2009-0292

Ameren Missouri has focused investments to improve its electric system grid service reliability, operating efficiency, asset optimization, and the energy delivery infrastructure. Ameren Missouri has deployed both mature and new technology solutions on its system. Appendix 3, Schedule RSG-1 contains a more detailed description of the mature and new technology solutions employed by Ameren Missouri.

Staff Expert/Witness: Randy Gross

C. Light Emitting Diode (LED) Street and Area Lighting

In the Company's last rate case, Case No. ER-2011-0028, the Commission in its July 13, 2011, *Report and Order* agreed with Staff that "...LED street lighting is an exciting technology that should be examined and implemented if appropriate. [113]" In its Report and Order, the Commission directed Ameren Missouri to either file an LED street lighting tariff by July 31, 2012, or to provide a status report to Staff by that date, indicating when it will be able to file such a tariff. Based on Staff's recommendation, the Commission emphasized that "...Ameren Missouri does not have to file a tariff until it is appropriate to do so. If its further study of the potential of LED street lighting reveals that such lighting will not be a benefit to its customers, Ameren Missouri may inform the Staff of that conclusion in its status report.[114]"

Ameren Missouri has not filed a LED street lighting tariff and has not provided a status report to Staff. Any Staff recommendations resulting from Ameren Missouri's status report will be included in Staff's rebuttal or surrebuttal testimony in this case.

Staff Expert/Witness: Hojong Kang

D. Pure Power Program - Tariffed as "Voluntary Green Program"

Staff recommends that the Pure Power Program, tariffed as the "Voluntary Green Program" program be terminated. In the alternative, Staff recommends that the Commission de-tariff Ameren Missouri's program and place a notification on all Pure Power marketing and informational material, including all material on any websites associated with Pure Power, that

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[113] *Report and Order*, ER-2011-0028, Page 94.

[114] *Id.*

"Pure Power is a deregulated activity. The Missouri Public Service Commission exercises no authority over this activity."

The Pure Power program is best described as a customer choice mechanism that allows an Ameren Missouri customer to purchase and retire Renewable Energy Certificates (RECs) on the customer's behalf. A REC is the "renewable attribute" of a MWh of energy generated with a "green" fuel source.

The tariffed purpose of Pure Power is: *to provide customers with an option to contribute to the further development of renewable energy technologies (MO. P.S.C. Schedule No. 5, 2nd Revised tariff Sheet 216)*. However, by analyzing four years of data, it is clear that only ** _______ ** the monies collected went to green energy producers. (See Appendix 3, Schedule MJE-1) Ameren Missouri[115] retains $1.00 of every $15.00 collected (6.67%) as an administrative fee. Pursuant to contract, a third party, 3Degrees acquires RECs from green energy producers and sells them to Ameren Missouri for a fixed price of $14.00 per-REC. [116] Ameren Missouri is not directly involved in the acquisitions of energy or RECs from green energy producers, and maintains that it is not privy to the details of the transactions between 3Degrees and the green energy producer [117]. Ameren Missouri does not audit 3Degrees' expenditures[118] of the $14. 3Degrees does not provide Ameren Missouri with the REC-specific detailed information regarding REC acquisitions provided in Appendix 3, Schedule MJE-1. 3Degrees only supplies Ameren Missouri with annual "averages" figures which are ultimately relayed to Staff as requested.

This summary information indicates that only ** _______ ** of the $15 per REC that is paid by Ameren Missouri's customers is ultimately used to retire RECs.

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[115] *Response to DR 0306 – AGREEMENT FOR TRADABLE RENEWABLE CERTIFICATES AND RETAIL MARKETING SERVICES-* signed by Ameren Energy Fuels and Services Company, (AFS) on behalf of Ameren Missouri.

[116] The use of RECs for this program does not necessarily address the program's stated purpose *to further develop renewable energy technologies*, in that a REC is indicative of past production in that it does not require development of additional renewable energy production.

[117] Response to DR 373 asserts that Ameren lacks the detail to verify the accuracy of the average per-REC wholesale cost submitted to the Commission as part of Response to DR 351. Response to DR 371 asserts that Ameren lacks the detail to verify the accuracy of the average per-REC advertising expense submitted to the Commission as part of Response to DR 351.

[118] As structured, the Commission lacks any jurisdiction over either 3Degrees or any of the producers – who are the final recipients of the contributions that have been collected pursuant to Ameren Missouri's tariff.

NP

Contributing to the purchase of a REC is not a traditional transaction for service rendered by a utility. This program was first tariffed by Ameren Missouri on June 4, 2007, as part of ER-2007-0002. The concept of RECs has been around (at the federal level) since before 1992. But, RECs were a fairly new concept in Missouri when Pure Power was initially tariffed. Even today, no other Missouri utility utilizes a similar voluntary program. Ameren Illinois has been unsuccessful in its attempt to tariff the same[119] program in Illinois, and a similar program in Florida has been rejected.

The major point of the data shown on Appendix 3, Schedule MJE 1 is to demonstrate that Ameren Missouri and 3Degrees has kept ** ______________ ** of the payments collected for the entire four year period that Ameren Missouri has offered the Pure Power program.

Appendix 3, Schedule MJE-1 shows that (between 2008 & 2011) producers of RECs received as little as ** _____ ** of Pure Power payments, and never more than ** _____ ** of the customers' payments over the four years that data was provided. Appendix 3, Schedule MJE-1 shows that little of the customers' payments go to the tariffed purpose - "*to contribute to the further development of renewable energy technologies*".

Staff has found no evidence that even the portion of the payment that goes towards REC retirement meets the tariffed purpose of the Pure Power Program to further development of renewable energy technologies. Staff has reviewed the following documents that REC producers must sign or abide by, in order to get RECs certified for sale at the federal level:[120]

- Green-E Generator Registration Form and Attestation;
- Green-E Renewable Electricity Certification Program - National Standards Version 1.2; and
- Code of Conduct Certification.

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[119] Initially, the contract between Ameren and 3Degrees addressed both Missouri and Illinois, but subsequent versions removed the Illinois references.

[120] Response to Data Request No. 0306 – AGREEMENT FOR TRADABLE RENEWABLE CERTIFICATES AND RETAIL MARKETING SERVICES - Exhibit D – Exhibit F – Exhibit G

Nowhere in any of these documents are there any encumbrances on how REC monies can be spent, once received, even though the tariff language is clear that monies-given will be used *to the further development of renewable energy technologies"*.

Staff also finds Ameren Missouri's Pure Power information on its website problematic. In previous rate cases, Ameren Missouri removed website quotes Staff found to be misleading. However, replacement ads are in the same misleading vein.

Ameren Missouri's website, which is summarized in Appendix 3, Schedule MJE-2, indicates to Pure Power customers that they are getting green energy by subscribing to the program, and is also misleading the customer as to where their charges for green power go. Examples are:

- Ameren Missouri + Renewable Energy = Pure Power
- Pure Power means renewable energy
- Simply purchase RECs today and reap the benefits of renewable energy tomorrow.
- Residential and small business customers can offset 100% of their energy with clean power.

Staff notes that Appendix 3, Schedule MJE-2 is not an all-inclusive list, and that additional ads on the website fail to give a true and honest representation of how Pure Power collections are spent. Staff's position is that ads of this nature lead customers to a false conclusion that they are purchasing green power with their subscriptions

Given the percentage of the customer payment that ultimately goes towards the purchase and retirement of RECs, Ameren Missouri's failure to verify that customers' money goes to the intended purpose, the questionable suitability of RECs as a means to achieve the program's tariffed purpose of furthering the development of renewable energy technologies, and Ameren Missouri's misleading website information, Staff recommends that the program be terminated, or at least de-tariffed and de-regulated. De-tariffing the service eliminates the Commission's responsibility to oversee the execution of this program. If this program is de-tariffed, Ameren Missouri could still be allowed to facilitate the transactions between customers and 3Degrees, but should not be allowed to place the charge for Pure Power on customers' bills, and all revenues and expenses of the program must be treated below the line for ratemaking purposes.

In addition, Ameren Missouri should be required to post on all marketing and informational material regarding Pure Power including promotional material on its website, at a minimum, 12-point print, a notice informing the public that "Pure Power is a deregulated activity. The Missouri Public Service Commission exercises no authority over this activity."

Staff Expert/Witness: Michael J. Ensrud

Appendices

Appendix 1: Staff Credentials

Appendix 2: Support for Staff Cost of Capital Recommendation

Appendix 3: Alphabetical Listing of Testimony Schedules

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF ALAN J. BAX

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Alan J. Bax, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Alan J Bax

Alan J. Bax

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF KOFI AGYENIM BOATENG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Kofi Agyenim Boateng, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Kofi Agyenim Boateng

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF ERIN M. CARLE

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Erin M. Carle, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Erin M. Carle

Erin M. Carle

Subscribed and sworn to before me this 6th day of July, 2012.

D. Suzie Mankin

Notary Public

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

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 Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

John P. Cassidy

John P. Cassidy

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
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D Suzie Mankin

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OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Natelle Dietrich, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Natelle Dietrich

Natelle Dietrich

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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D Suzie Mankin

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AFFIDAVIT OF DAVID W. ELLIOTT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David W. Elliott, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

David W. Elliott

David W. Elliott

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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My Commission Expires: December 08, 2012
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D. Suzie Mankin
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Michael J. Ensrud, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Michael J. Ensrud

Michael J. Ensrud

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
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State of Missouri
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OF THE STATE OF MISSOURI

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AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa M. Ferguson, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Lisa M. Ferguson

Lisa M. Ferguson

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
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D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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AFFIDAVIT OF CAROL GAY FRED

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Carol Gay Fred, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Carol Gay Fred

Carol Gay Fred

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
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D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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AFFIDAVIT OF GUY C. GILBERT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Guy C. Gilbert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Guy C. Gilbert

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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D Suzie Mankin
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AFFIDAVIT OF ROBERTA A. GRISSUM

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Roberta A. Grissum, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Roberta A. Grissum

Roberta A. Grissum

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
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D. Suzie Mankin

Notary Public

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AFFIDAVIT OF RANDY S. GROSS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Randy S. Gross, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Randy S. Gross

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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AFFIDAVIT OF LISA K. HANNEKEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa K. Hanneken, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Lisa K Hanneken

Lisa K. Hanneken

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
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D Suzie Mankin

Notary Public

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AFFIDAVIT OF HOJONG KANG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Hojong Kang, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Hojong Kang
Hojong Kang

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
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State of Missouri
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AFFIDAVIT OF ROBIN KLEITHERMES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Robin Kliethermes, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Robin Kliethermes

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
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D Suzie Mankin
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AFFIDAVIT OF SHAWN E. LANGE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Shawn E. lange, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Shawn E. Lange

Shawn E. Lange

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D. Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF ERIN L. MALONEY

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Erin L. Maloney

Erin L. Maloney

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Lena M Mantle
Lena M. Mantle

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Murray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

David Murray

David Murray

Subscribed and sworn to before me this 6th day of July, 2012.

D. Suzie Mankin

Notary Public

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Mark L. Oligschlaeger

Mark L. Oligschlaeger

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

John A Rogers

John A. Rogers

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	)))	File No. ER-2012-0166

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David C. Roos, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

David C. Roos

David C. Roos

Subscribed and sworn to before me this 6th day of July, 2012.

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AFFIDAVIT OF MICHAEL E. TAYLOR

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Michael E. Taylor, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Michael E. Taylor

Michael E. Taylor

Subscribed and sworn to before me this 6th day of July, 2012.

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OF THE STATE OF MISSOURI

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AFFIDAVIT OF HENRY E. WARREN, PHD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Henry E Warren, PhD, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Henry E. Warren

Henry E. Warren, PhD

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
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State of Missouri
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D Suzie Mankin

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AFFIDAVIT OF CURT WELLS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Curt Wells, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Curt Wells

Curt Wells

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
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D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

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AFFIDAVIT OF SEOUNG JOUN WON, PHD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Seoung Joun Won, PhD, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections as identified in the Table of Contents of said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Seoung Joun Won

Seoung Joun Won, PhD

Subscribed and sworn to before me this 6th day of July, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public