

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. GT-2009-0413 / File No. JG-2009-0813 – Union Electric Company d/b/a  
AmerenUE

FROM: Lisa Hanneken, Auditing Department  
Michael Ensrud, Tariffs/Rate Design - Energy

/s/ Tom Imhoff      07/13/09      /s/ Sarah Kliethermes 07/13/09  
Project Coordinator / Date      General Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding the Application of Union Electric Company  
d/b/a AmerenUE ISRS Rate Seeking the Missouri Public Service Commission's Approval  
to Increase an Infrastructure System Replacement Surcharge

DATE: July 13, 2009

### **BACKGROUND**

On May 15, 2009, Union Electric Company d/b/a AmerenUE (AmerenUE or Company), filed its "Verified Petition of Union Electric Company d/b/a AmerenUE To Change Its Infrastructure System Replacement Surcharge" (Application) in order to implement a change in AmerenUE's Infrastructure System Replacement Surcharge (ISRS) with the Missouri Public Service Commission (Commission). AmerenUE's initially filed tariff sheet had an effective date of June 14, 2009.

The Commission's Rule 4 CSR 240-3.265; Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges allows gas corporations to recover certain infrastructure system replacement costs outside of a formal rate case filing through a surcharge on customers' bills. AmerenUE filed this tariff sheet to reflect a total revenue requirement of \$2,704,850 annually. In this proposed ISRS filing, AmerenUE initially sought to recover an additional \$1,030,599 of revenues for qualifying related ISRS costs for the timeframe June 1, 2008 to March 31, 2009.

In its filing, AmerenUE included as a separate component an additional \$71,983 in "True Up" dollars. These "True Up" dollars are in addition to the \$1,030,599 ISRS related revenues requested by AmerenUE, and relate to the prior ISRS filings, GT-2008-0184 and GT-2009-0038.

On May 19, 2009, the Commission issued an order suspending the tariff for 120 days, with an effective date of September 12, 2009. That order also directed that a notice be filed and established an intervention date of June 8, 2009.

On June 12, 2009, the Commission issued an order directing Staff to file a report no later than July 14, 2009. The Commission also directed that any responses to the Staff report be filed by July 24, 2009.

On June 22, 2009, AmerenUE filed its “Motion to Amend Verified Petition”, which clarified that the “billing units” (generally called “customer counts”) used to calculate the filed ISRS rates were based on 12 months of actual customer class counts for the 12 months ending March 2009, not customer class counts used in the last rate case.

On July 6, the Commission issued its “Order Granting Motion to Amend Verified Petition”.

### **STAFF’S INVESTIGATION**

#### **Company’s Revision of Filed Revenue Requirement**

During Staff’s review process the Company provided Staff with two revisions of their revenue requirement. These revisions were made to account for updated plant investment through May 31, 2009, as well as a correction to the Company’s original filing for depreciation rates and a formula error in its tax calculation. These revisions resulted in a revised revenue requirement of \$945,099, excluding the additional reconciliation amount of \$71,983 provided in the original filing.

#### **Retirement Issue**

During the Auditing Staff’s review of the Company’s filing, it found that in the Company’s first ISRS case (GT-2008-0184) the Company’s percentage of total retirements to total plant was 9.7%. In its last ISRS case (GT-2009-0038), the Company’s percentage jumped to 43.1%. Staff determined that because of the methods used by the Company to book retirements, additions are placed on the books prior to when the correlating retirements are booked. This resulted in a large amount of retirements being booked during the second ISRS period which were actually related to the additions in the first ISRS period. Consequently, this accounted for the variance in the addition/retirement ratio and altered the revenue requirement calculations. Because of this delay the last ISRS calculation was skewed, resulting in an overstatement of the revenue requirement by approximately \$17,256. Staff made adjustments on this issue.

In the current case (GT-2009-0413), the company indicated to Staff that the issue causing this matching problem had been corrected, with the exception of “natural retirement lag.” However, upon review, Staff found that the Company still has issues related to its booking of retirements. While the Company has used a 20% assumed retirement amount in this filing when actual numbers were not available, Staff has applied this methodology to all additions in this case, with the exception of Project No. 15930, to account for discrepancies in the amounts that were booked. In order to specifically address the irregular matching of retirements for Project 15930, Staff has made an adjustment to spread the retirement amount over the three ISRS filings. In aggregate, the adjustments related to retirements in this case resulted in an overall reduction to the revenue requirement of \$2,117. Staff believes that the recognition and matching of retirements to additions is required and should be addressed by the Company; and that any future irregularities should be addressed promptly to ensure the booking of retirements is timely and accurate.

### **Plant Additions**

During its review, Staff discovered additions which took place prior to May 31, 2008. These additions should have been included in the Company's 2<sup>nd</sup> ISRS filing which included additions through May 31, 2008. Since these additions were omitted from the last ISRS filing, Staff has allowed their inclusion in the current filing.

### **Revised Dating**

In its filing, the Company calculated its net ISRS plant by including a full year of tax depreciation for 2009 and accumulated depreciation through July 31, 2009. However, Commission Rule 4 CSR 240-3.265 (12) requires that the Commission issue an Order with an effective date no later than 120 days after the utility files an ISRS petition. This would make the effective date of the customer surcharge from this case approximately September 14, 2009. Therefore, Staff utilized August 31, 2009 in its cut-off date for the calculation of accumulated depreciation and deferred taxes, thereby more accurately reflecting the value of net investment in the ISRS plant nearer to when the surcharge will go into effect. The difference in this methodology resulted in an increase to the revenue requirement of \$14,369.

### **Bonus Depreciation**

During Staff's review of the Company's ISRS filing it was discovered that the Company had omitted the calculation of bonus depreciation on its 2008 plant in service amount related to the second ISRS filing (GT-2009-0038). Therefore, Staff made an adjustment in order to account for this omission, which resulted in an overall revenue requirement reduction of \$39,218.

### **Property Tax**

Staff has made adjustments to the Company's calculation of property taxes to recognize the value of the additions net of retirements, rather than utilizing only the gross additions. Property taxes will be assessed on the amount of plant in service as shown on the Company's books, which is a net amount of the retirement amount. Therefore, Staff utilized the net plant amount in its calculations to reflect the methodology used to calculate actual property taxes. This adjustment resulted in an overall reduction to the Company's revenue requirement of \$45,046.

### **Reconciliation**

Staff has included a reconciliation adjustment in its calculations, pursuant to the rules regarding ISRS surcharges; specifically 4 CSR 240-3.265 (17), which requires the reconciliation of the differences between the actual revenues resulting from the ISRS rates and the appropriate pretax revenues recognized by the Commission. In this case, Staff has increased the Company's ISRS revenue requirement by the amount of \$74,242 to include a reconciliation of the first two ISRS cases (GT-2008-0184 and GT-2009-0038) in its calculations. This is a \$2,259 increase over what the Company originally filed in this case related to its true-up/ reconciliation adjustment.

The increase represents an extension of the date through which the reconciliation was calculated. The Company originally calculated its amount based on a time period through April 30, 2009; however the calculation was revised to reflect the time period through May 31, 2009.

### **Depreciation Rate Correction**

During the review of the data provided in this case, Staff discovered that the Company was utilizing incorrect depreciation rates to calculate its ISRS revenue requirements. While the Company revised its workpapers for the immediate filing to correct this error, it failed to make adjustments which would correct the previous ISRS filings. Therefore, Staff has made adjustments in this current case to recognize the correction of the depreciation rates utilized in the previous two filings. These adjustments resulted in an increase to the Company's revenue requirement of \$29,678.

### **ADJUSTED FIGURES**

The Staff recommends the Commission approve an incremental revenue requirement of \$902,767, based on ISRS net investment. In addition to that revised incremental revenue requirement, a revised "true up" component of \$74,242 is also included in this filing. The sum of these two components makes the total increment in this filing \$977,009. AmerenUE's ISRS rates are based on a total combined revenue requirement of \$2,579,277 which is a composite amount applicable for this case and the two past ISRS cases - Case Number GT-2008-0184 plus GT-2009-0038. The existing increment is \$1,602,268 and was approved by the Commission in the two previous ISRS cases.

The difference between AmerenUE's requested increment for this ISRS filing and Staff's recommended increment for this filing can be summarized as follows:

	<b>AmerenUE's Requested</b>	<b>AmerenUE's Revised</b>	<b>Staff's Revised</b>	<b>Difference</b>
\$ for New ISRS	\$1,030,599	\$945,099	\$902,767	<b>\$(42,332)</b>
\$ for True-up for established ISRS	\$71,983	\$71,983	\$74,242	\$2,259
<b>TOTAL REV. REQ.</b>	<b>\$1,102,582</b>	<b>\$1,017,082</b>	<b>\$977,009</b>	<b>\$(40,073)</b>

AmerenUE submitted corrections, revisions and updates while the filing was pending which have reduced the initial request of \$1,102,582 to \$1,017,082. Staff's adjustments and revisions further reduced the revenue requirement by \$40,073. Staff's annual revenue requirement (including "true-up") is \$977,009. That is \$125,573 less than the amount initially filed, and the amount upon which the pending ISRS rates are based.

Staff's and AmerenUE's proposed reductions from the initially-filed revenue requirement would result in the rates that AmerenUE initially proposed being excessive. Staff has recalculated ISRS rates to reflect

Staff's proposed revisions (\$977,009 annually) to the initially-filed revenue requirement. Appendix B reflects ISRS rates consistent with revised revenue requirement.

### **THE ISRS RATE SCHEDULES**

The proposed rates are consistent with the methodology used to establish AmerenUE's initial ISRS rates and are consistent with the overall methodology used to establish ISRS rates for other utilities. The only unique aspect of this filing relates to AmerenUE's adjustments to past ISRS filings known as the "true up". Staff is not aware of any prohibition preventing a company for presenting discrete "true-ups" to past filings, as is being done here.

The Staff has verified that the Company has filed its 2008 annual report and is not delinquent on any assessment. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

P.S.C. MO. No. 5

---

3rd Revised Sheet No. 34, CANCELLING 2nd Revised Sheet No. 34

### **RECOMMENDATION**

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (YG-2009-0813) filed by AmerenUE on May 15, 2009;
2. Approves the Staff's determination of the composite ISRS surcharge revenues in the amount of annual pre-tax revenues of \$2,651,260 ; and
3. Authorizes AmerenUE to file an ISRS rate for each customer class as reflected in Appendix B.

**AmerenUE GAS COMPANY**

**CASE NO. GT-2009-0413**

**FILE NO. JG-2009-0813**

**ISRS RATE DESIGN**

**Company's Total ISRS Revenues \$2,579,277**

<b>Customer Rate Class</b>	<b>Number of Customers</b>	<b>Customer Charges</b>	<b>Ratio To Res. Cust. Charge</b>	<b>Weighted Customer #</b>	<b>Customer Percentage</b>	<b>ISRS charge</b>	<b>ISRS Revenues</b>
Residential	112,450	\$15.00	1.0000	112,450	83.0964%	<b>\$1.59</b>	\$2,143,287
General Service	13,177	\$24.00	1.6000	21,083	15.5797%	<b>\$2.54</b>	\$401,844
Interruptible Service	18	\$221.00	14.7333	265	0.1960%	<b>\$23.40</b>	\$5,055
Standard Transp Service	0	\$24.00	1.6000	0	0.0000%		\$0
Large Vol Transp Serv	19	\$1,205.00	80.3333	1526	1.1279%	<b>\$127.60</b>	\$29,092
<b>TOTAL</b>	<b>125,664</b>			<b>135,325</b>	<b>100.0000%</b>		<b>\$2,579,277</b>

\* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$2051. However, it should be noted that the total amount collected will be true-up at a later date.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Verified Petition of )  
Union Electric Company d/b/a AmerenUE to )  
Change Its Infrastructure System )  
Replacement Surcharge )

Case No. GT-2009-0413

AFFIDAVIT OF LISA K. HANNEKEN

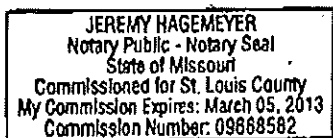
STATE OF MISSOURI )  
 )  
COUNTY OF ST. LOUIS )


ss.

Lisa K. Hanneken, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in memorandum form, to be presented in the above case; that the information in the Staff Report was developed by her; that she has knowledge of the matters set forth in such Staff Report; and that such matters are true and correct to the best of her knowledge and belief.

  
Lisa K. Hanneken

Subscribed and sworn to before me this 9<sup>th</sup> day of July, 2009.



  
Notary Public

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

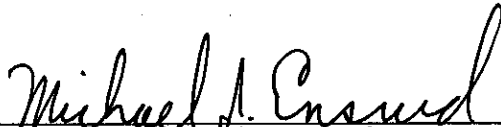
In the Matter of the Verified Petition of )  
Union Electric Company d/b/a )  
AmerenUE to Change Its Infrastructure )  
System Replacement Surcharge. )

Case No. GT-2009-0413

**AFFIDAVIT OF MICHAEL J. ENSRUD**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

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

  
\_\_\_\_\_  
Michael J. Ensrud

Subscribed and sworn to before me this 13th day of July, 2009.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

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