BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for the Issuance of an Accounting Authority Order Relating to their Electrical Operations and for a Contingent Waiver of the Notice Requirement of 4 CSR 240-4.020(2).	)))))	File No. EU-2014-0077

STATEMENT OF POSITIONS OF
AMEREN MISSOURI

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Company" or "Ameren Missouri") and pursuant to the *Order Adopting Procedural Schedule* issued on October 22, 2013, hereby files its Statement of Positions according to the *Joint List Of Issues, List Of Witnesses, Order Of Cross-Examination, And Order Of Opening Statements* (*List of Issues, etc.*) filed on January 7, 2014, as follows:

Issue 1: What standards and /or factors should be considered in granting or denying an AAO in this proceeding?

> There are no "standards" that limit the Commission's discretion in ruling upon a request for an Accounting Authority Order ("AAO"). As the Commission has long stated, decisions on AAO requests are "best performed on a case by case basis." *In re: Missouri Public Service*, Report and Order, 1 Mo. P.S.C. 3d 200 (Dec. 20, 1991). While the Commission has examined various factors in the past – most notably whether the AAO request involves something "extraordinary" (which the Commission has in the past defined as "unusual and nonrecurring" (*Id.*)) -- the Commission is not bound to any one standard or factor and has broad discretion to determine each AAO request based upon the particular circumstances of the request at issue. *In re: KCP&L*, Order Approving Stipulation and Agreement, File No. EU-2012-0131 (Eff. Apr. 30, 2012) ("there is nothing in the Public Service Commission Law or the Commission's regulations that would limit the grant of an AAO to a particular set of circumstances.").

Issue 2: Should KC&PL and GMO be authorized an AAO to defer and record in Account 182 of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") certain incremental transmission costs charged to them by the Southwest Power Pool ("SPP") and other providers of transmission service above the level included in current base rates or defer and record in USOA Account 254 said transmission

costs below the amount included in current base rates, with the calculation of the deferrals beginning with the effective date of rates in the Companies' last general rate case proceedings, which was January 26, 2013, as proposed by KCP&L and GMO?

Utilities participating in regional transmission organizations ("RTOs") that have approved and are mandating the construction of large, regional transmission projects, which in turn are leading to substantial increases in RTO transmission charges that are beyond the utility's control (and who, like KCP&L and GMO, do not have a mechanism in place to recover those charges), should be allowed to defer changes in those charges as compared to the level assumed in base rates for potential future recovery. An AAO is one such mechanism that could accomplish that.

a. Are there mitigating factors affecting the current operations and earnings levels of KCP&L and GMO that are relevant to the KCP&L and GMO request for AAOs?

Ameren Missouri is not aware of what "factors affecting the current operations and earnings levels of KCP&L and GMO" may exist, but states that in general such mitigating factors are irrelevant to whether an AAO should be issued. The Commission has consistently rejected application of various "factors" that the Staff and others typically argue for, stating that such factors "would have the Commission address issues in a deferral case which are not particularly relevant to the issue of deferral or which should be considered in a rate case." *In re: Missouri Public Service*, supra. Ameren Missouri agrees with the Commission's longstanding view of this issue.

Issue 3: Should KCP&L and GMO be authorized to include carrying costs based on the Companies' latest approved weighted average cost of capital on the balances in this regulatory asset or regulatory liability of transmission costs as proposed by KCPL and GMO?

In order to reflect the full cost to the utility of any amortized cost, carrying costs should be included.

Issue 4: Should KCP&L and GMO be authorized to defer such amounts in a separate regulatory asset or regulatory liability with the disposition to be determined in each Company's next general rate case?

Yes.

Issue 5: Should KCP&L and GMO be authorized trackers for their transmission costs in this proceeding rather than AAOs?

The relief requested in this case is for an accounting authority order.

Issue 6: If the Commission grants KCP&L and/or GMO AAOs or trackers, should it also adopt all or any of the following conditions proposed by Staff and addressed by one or more of the other Parties?

1. That the deferral reflects both transmission revenues and expenses, and thereby be based upon the level of net transmission costs experienced by KCP&L and GMO.

While Ameren Missouri's fuel adjustment clause includes both transmission revenues and expenses, KCP&L and GMO have articulated a sound and fair justification for deferring only transmission expenses, which the Commission should carefully consider.

2. That KCP&L and GMO provide to all parties in this case on a monthly basis copies of billings from SPP for all SPP rate schedules that contain charges and revenues that will be included in the deferral and report, per its general ledger, all expenses and revenues included in the deferral by month by FERC USOA account and KCP&L/GMO subaccount or minor account. KCP&L and GMO shall also provide, on no less than a quarterly basis, the internally generated reports it relies upon for management of its ongoing levels of transmission expenses and revenues. KCP&L and GMO shall also notify the Parties of any changes to its existing reporting or additional internal reporting instituted to manage its transmission revenues and expenses.

Ameren Missouri takes no position on this proposed condition given that it is unfamiliar with KCP&L and GMO's records and reports, but would note that it provides much of the information listed in this proposed condition in its monthly fuel adjustment clause reports.

3. That KCP&L and GMO maintain an ongoing analysis and quantification of all benefits and savings associated with participation in SPP not otherwise passed on to retail customers between general rate proceedings.

This condition is inappropriate and impractical. While Ameren Missouri is not intimately familiar with the workings of the Southwest Power Pool ("SPP"), Ameren Missouri's general understanding is that transmission upgrades are approved by SPP pursuant to SPP's Federal Energy Regulatory Commission ("FERC")-approved transmission expansion plan, which is a part of SPP's FERC-approved tariff. It is further Ameren Missouri's understanding that a wide array of stakeholders, including an organization of states of which the Commission is a member, consumer advocates and others have a great deal of input on the transmission expansion plan and the resulting regional projects that SPP approves and mandates to be built. Moreover, as in the case of Ameren Missouri KCP&L and GMO have sought and received permission from the Commission to transfer functional control of their transmission systems to an RTO based upon a fully vetted cost-benefit study. These

cost-benefit studies involve a very significant, complex and expensive undertaking that cannot practically be done on an ongoing basis. The overall costs/benefits of RTO participation is an issue separate and apart from the issue in this case – deferral of transmission charge changes that KCP&L and GMO must pay and can't avoid so long as they are part of SPP. Indeed we would point out that under FERC Order 2000 and its progeny, there are substantial questions regarding whether a utility could avoid such charges even if it were not part of the RTO. This condition is unreasonable and impractical and goes well beyond the scope of the issues in this case.

4. That KCP&L and GMO maintain documentation of its efforts to minimize the level of costs deferred under any AAOs or trackers authorized for it.

This proposed condition is inappropriate, both because it goes well beyond the issue in this docket and because the premise of the proposed condition is flawed. The entire point of RTO approval of regional transmission projects such as those that are driving the costs at issue here is that the benefits of such projects outweigh the costs. The best way to "minimize the level of costs deferred" is to not build the projects. Not only do KCP&L and GMO not have the ability to prevent the projects from being built, it is likely not in their customers' interest to prevent the building of the projects

5. That all ratemaking considerations regarding transmission revenue and expense amounts deferred by the Company pursuant to Commission authorization be reserved to the next KCP&L and GMO rate proceedings, including examination of the prudence of the revenues and expenses.

By the very nature of what an AAO is and is not, this proposed condition already exists. For that reason, the condition, while unnecessary, is appropriate.

6. That an amortization to expense over a 60-month period of the amounts accumulated in any deferral commence on KCP&L's and GMO's books in the first full calendar month following Commission approval of the AAOs or trackers.

Decisions about amortization periods for sums deferred under an AAO are generally best left for a future rate proceeding where the deferred sums are at issue.

7. That deferrals addressed by the AAOs or trackers cease when KCP&L or GMO report it is earning at or in excess of its authorized ROE on a twelve-month rolling forward average basis in quarterly earnings "surveillance" reporting on an overall basis. Deferrals addressed by the AAOs or trackers begin again when KCP&L or GMO report it is below its authorized ROE on a twelve-month rolling

forward average basis in quarterly earnings "surveillance" reporting on an overall basis.

For the reasons outlined in detail in Ameren Missouri's Initial and Reply Briefs filed in its prior general rate case (Case No. ER-2012-0166), this proposed condition is arbitrary, illogical and inappropriate. As we explained there, just because a surveillance report may indicate an actual earned return on equity that is greater than the last-allowed return does not tell us much of anything about whether there are "over-earnings." Surveillance reports are not normalized. A number of adjustments would have to be made to raw surveillance report data in order to gauge whether a utility's earnings at a given time reflect a level that would support just and reasonable rates. At a minimum, one would have to weather normalize the data, account for whether there has been a refueling outage at (for KCP&L) the Wolf Creek nuclear plant, and account for any other unusual items have occurred during the 12-month period at issue. Staff's proposed condition ignores these realities. Moreover, as Staff admitted when proposing this kind of condition in Ameren Missouri's last rate case, the proposal arbitrarily would cut-off deferrals in a given quarter even if, over time between when the deferrals began and when deferrals are considered in a later rate case, the utility's reports reflect "under-earnings." Thus, the condition is illogical. In addition, the proposed condition reflects a fundamental misapplication of basic ratemaking principles. When public utility ratemaking is working properly, rates will have been set such that on a going-forward basis utilities sometimes earn above and sometimes below what is a fair return over time. It is only when a utility is consistently over time earning above or below a fair return that we have an indication that rates need to be changed. That a utility's unadjusted surveillance report shows it has earned above its last-allowed return tells us little or nothing about whether the utility's rates are just and reasonable, and such a report certainly should not be used to deprive the utility of the opportunity to seek recovery of sums deferred in an AAO in a future rate case. Finally, the proposed condition is inappropriate because it is an attempt to impose a ratemaking condition in an AAO docket, which as noted the Commission has long understood is not the function of an AAO.

Respectfully submitted,

Thomas M. Byrne, #33340
Director - Assistant General Counsel
1901 Chouteau Avenue,
P.O. Box 66149, MC-1310
St. Louis, Missouri 63101-6149
(314) 554-2514 (Telephone)
(314) 554-4014 (Facsimile)
amerenmoservice@ameren.com

ATTORNEYS FOR UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

SMITH LEWIS, LLP

/s/ James B. Lowery
James B. Lowery, #40503
Suite 200, City Centre Building
111 South Ninth Street
P.O. Box 918
Columbia, MO 65205-0918
Phone (573) 443-3141
Facsimile (573) 442-6686
lowery@smithlewis.com

Dated: January 14, 2014

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via e-mail on counsel for the parties of record on the 14th day of January, 2014.

/s/ James B. Lowery
James B. Lowery