

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 6th day of  
December, 2007.

In the Matter of an Investigation into an  
Incident in December 2005 at the Taum Sauk  
Pumped Storage Project Owned and  
Operated by the Union Electric Company,  
doing business as AmerenUE

)  
)  
)  
)  
)

**Case No. ES-2007-0474**

**ORDER RECEIVING STAFF REPORT**

Issue Date: December 6, 2007

Effective Date: December 6, 2007

On the night of December 14-15, 2005, the Upper Reservoir Dam at the Taum Sauk Pumped Storage Project, which was an electric energy generation facility owned and operated by Union Electric Company d/b/a AmerenUE, collapsed causing injury to persons and damage to property. In light of the Commission's responsibility for ensuring safe delivery of electricity service in Missouri, the Commission opened this case to investigate the incident on June 19, 2007. Rather than opening a contested case, as Public Service Commission Staff requested, the Commission found it reasonable to open the investigation solely for the purpose of receiving an Incident Report. The Order also states, "[i]f the result of the investigation is sufficient to warrant any action against AmerenUE or its officers or agents, then such action shall be requested in a different docket." The Commission held a hearing beginning on July 24, 2007 and Staff filed the Incident Report on October 24, 2007.

In that Incident Report, Staff made the following recommendations for process improvements at AmerenUE:

1. That any and all costs, direct and indirect, associated with the Taum Sauk incident be excluded from rates on an ongoing basis. This includes, but is not limited to, the exclusion of rebuilding costs and treating the facility as though its capacity is available for dispatch modeling.

2. That appropriate accounting treatment be given to the monies expended to rebuild the Taum Sauk plant in order to protect the interests of Missouri ratepayers.

3. That UE shall submit to Staff, on an ongoing basis, its accounting treatment for all transactions relating to the reconstruction of the Taum Sauk plant.

4. That a single, on-site, supervising engineer shall be assigned to oversee all engineering projects at a given UE facility. This supervising engineer shall be responsible and accountable for the satisfactory completion of the work, shall have all necessary authority, including authority to determine when, and whether, the unit may be released for operation, and shall report to an officer of UE.

5. That UE's officers, executives and managers shall work only for UE and shall not simultaneously work for affiliates of UE or for UE's parent.

6. That only UE's officers, executives and managers shall be authorized to make decisions affecting UE's facilities and services.

7. That these internal controls shall be reflected in UE's policies, procedures and job descriptions.

8. That UE shall implement a "whistleblower" program whereby employees may report safety concerns directly to UE's officers without exposure to retaliation. Any such reports shall be immediately communicated to Staff.

9. That UE shall designate an officer or executive as its system-wide safety officer. This officer shall have appropriate duties and authority in order to act effectively to protect UE's assets and system, its employees and customers, as well as the general public, private and public property, from undue risk.

10. That UE shall produce and file, within 90 days hereof, its plan for implementing these recommendations.

On November 7, 2007, AmerenUE filed its response to the Staff Incident Report in which it noted that it had already taken the following steps to address the issues that contributed to the Taum Sauk failure:

a. Established a dam safety group that has the responsibility for, among other things, design review, procedure development, training, and facility inspections. It also has the authority to shut a facility down if it believes the facility is being operated unsafely.

b. Developed and implemented a quality management system, which provides training on design basis and takes into account procedure development. This system applies to all of AmerenUE's fossil and hydro units.

c. Changed and updated its operating procedures, and issued directives that reiterate that AmerenUE's philosophy is that employees should take a conservative approach and always favor making the safe decision.

d. Put in place procedures and review systems to ensure that if the Taum Sauk facility is rebuilt it is done safely and pursuant to industry standards.

e. Cooperated fully in all investigations into the Taum Sauk breach event, and taken responsibility for the effects of the breach.

f. Reached settlement with the family injured during the failure in less than 90 days after the event.

g. Spent more than \$48 million to date for restoration of Johnson's Shut-Ins State Park and the Black River.

h. Paid a \$10 million fine to the FERC and set aside an additional \$5 million for projects to enhance the area around Taum Sauk.

i. Voluntarily removed the effects of the Taum Sauk breach, the lack of generation from Taum Sauk, and the costs associated with the Taum Sauk investigations, clean-up, and settlements from its most recent rate case (Case No. ER-2007-0002), long before this proceeding was instituted, so that they do not impact customers.

j. Performed a risk analysis of all of AmerenUE's generating plants to identify potential risks. [transcript citations omitted]

In the same Response, AmerenUE addressed each of the Staff's recommendations, as follows:

[1.] AmerenUE has already committed to protecting its customers from bearing the costs of the Taum Sauk failure. To that end, in its most recent rate case, AmerenUE excluded from its revenue requirement the costs of investigating the failure, the costs the Company incurred for the clean-up at Taum Sauk, the costs of compensating parties adversely affected by the failure (including, for example, compensation paid to the family that was injured during the failure and the \$48 million paid—so far—to restore Johnson's Shut-Ins State Park), and the cost of the fine paid to the FERC related to the failure. In addition, in setting rates the Company modeled its system as though the Taum Sauk plant continued to operate in order to give customers the full benefit of the plant and the economic power it could generate during peak periods.

\* \* \*

[2.] AmerenUE agrees that it will give appropriate accounting treatment to such monies.

\* \* \*

[3.]AmerenUE agrees with this recommendation, but believes that “on an ongoing basis” is vague. The Company agrees to submit its accounting treatment to the Staff on a semi-annual basis.

\* \* \*

[4.]AmerenUE generally agrees with this recommendation with two caveats. First, the recommendation should be limited to AmerenUE’s generating plants. Second, the supervising engineers should report to an AmerenUE manager, but should have the obligation to report any unresolved safety issues to the AmerenUE safety officer responsible for the facility.

\* \* \*

[5.] AmerenUE does not agree with this recommendation. Although on January 1, 2007 AmerenUE was reorganized so that it has a Chief Executive Officer (Tom Voss) who has ultimate authority over AmerenUE matters, and the AmerenUE operations officers who report to Mr. Voss work exclusively for AmerenUE, the Company has other officers who simultaneously work for other affiliates and are responsible for nonoperating functions. AmerenUE does not believe that this structure results in less focus or attention on AmerenUE operations, or that it had anything to do with the causes of the Taum Sauk failure. In addition, implementation of this recommendation would unnecessarily limit AmerenUE’s ability to efficiently manage its business. Because the Company sees no basis for or potential benefit from implementing this recommendation, it does not agree with it.

\* \* \*

[6.] AmerenUE generally agrees that AmerenUE officers should be responsible for decisions affecting the Company. However, AmerenUE operates as part of a holding company structure, and many services are provided to AmerenUE by service company employees at cost. For example, Ameren Services Company provides accounting, human resources, and legal services to AmerenUE at cost. Similarly, Ameren Energy Fuels and Services Company provides fuel acquisition services to AmerenUE at cost. Employees of these and other affiliate companies necessarily make day-to-day decisions affecting the Company’s facilities and services, and use of these service companies is the most efficient and effective way to meet the Company’s needs. AmerenUE is currently structured such that its officers, executives and managers are ultimately responsible for decisions affecting the Company’s facilities and services. However, it would be costly and unjustified to require that they make every decision that could possibly affect the Company’s operations.

\* \* \*

[7.] AmerenUE agrees that any recommendations that it has agreed to will be reflected in relevant policies, procedures and job descriptions.

\* \* \*

[8.] AmerenUE agrees to implement this recommendation, and agrees to provide the Staff with a semi-annual report detailing these reports rather than reporting them “immediately” before any investigation can be undertaken.

\* \* \*

[9.] AmerenUE agrees with this recommendation, but believes three separate safety officers need to be designated—one officer for the Callaway nuclear plant, one officer for the other generating plants, and one officer for the transmission and distribution systems. The different nature of these facilities requires a different safety officer for each.

\* \* \*

[10.] AmerenUE agrees to file such a plan for implementation of the recommendations it has agreed to, as outlined above.

The Commission declines to adopt the recommended findings of fact and conclusions of law set forth in Staff’s Incident Report, as that was not the purpose of this docket. The Commission notes the reasonableness of most of Staff’s recommendations and notes that AmerenUE has voluntarily agreed to implement almost all of them.

Having served its purposes of providing a means for the Staff to conduct an investigation and submit an incident report, and for AmerenUE to provide such information as the Commission required and respond to the incident report, this docket may be closed.

**IT IS ORDERED THAT:**

1. The Staff’s Initial Incident Report is received.
2. This order shall become effective upon issuance.

3. This matter is closed.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale  
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,  
Appling, and Jarrett, CC., concur.

Dale, Chief Regulatory Law Judge