

**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)	Case No. GT-2009-0038
Infrastructure System Replacement Surcharge.)	Tariff No. JG-2009-0093

STAFF REPORT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Staff Report in Case No. GT-2009-0038 and the related Tariff Filing No. JG-2009-0093 states as follows:

1. On August 4, 2008, Union Electric Company, d/b/a AmerenUE (AmerenUE) filed a petition with the Missouri Public Service Commission (Commission) to change its Infrastructure System Replacement Surcharge (ISRS), pursuant to RSMo¹ Sections 393.1009, 393.1012 and 393.1015.
2. Commission Rule 4 CSR 240-3.265 allows gas corporations to recover certain ISRS costs outside of a formal rate case filing through a surcharge on customers' bills.
3. AmerenUE's previous ISRS was established by Commission Order in Case No. GT-2008-00184 and covered ISRS-eligible costs incurred from October 1, 2006 through October 31, 2007.
4. In its petition, AmerenUE seeks to recover ISRS-eligible costs incurred from November 1, 2007 through May 31, 2008.
5. AmerenUE requested an effect date of September 3, 2008.

¹ All references to RSMo are to the Missouri Revised Statutes 2000, as currently supplemented.

6. On August 7, 2008, the Commission issued its Order Suspending Tariff, Directing Notice, and Setting Intervention Date, suspending the tariff until December 2, 2008 in order to allow sufficient time for parties to review AmerenUE's petition.

7. In its August 15, 2008 Order Directing Filing, the Commission ordered its Staff to file a report regarding the examination of the information provided pursuant to the petition in this case no later than October 3, 2008.

8. Staff's investigation consisted of a review of AmerenUE's petition, as well as an examination of selected plant workorders, responses to Staff data requests, and discussions with AmerenUE personnel.

9. In the attached Memorandum, labeled Appendix A, Staff has determined that AmerenUE's ISRS petition includes an incorrect reporting of the percentage of retirements to plant additions, which has resulted in the over-collection of funds in AmerenUE's previous ISRS filing.

10. In order to address the issue Staff recommends a reduction in the current ISRS petition of AmerenUE's revenue requirement calculation by a total of \$15,036.

11. In addition to this correction, Staff recommends that in order to more accurately reflect the net investments subject to ISRS recovery that accumulated depreciation and deferred income taxes be calculated through the effective date of the tariff as opposed to the filing date.

12. Utilizing this approach in this ISRS case further results in a \$4,286 reduction in AmerenUE's proposed revenue requirement.

13. Staff has verified that AmerenUE has filed its 2007 annual report and is not delinquent on any Commission assessment.

WHEREFORE, Staff recommends the Commission issue an Order (1) rejecting AmerenUE's ISRS tariff sheet (JG-2009-0093), (2) approving Staff's determination of the incremental ISRS surcharge revenues in the amount of pre-tax revenues of \$390,809, and (3) authorizing AmerenUE to file an ISRS rate for each class of customers as reflected in the attached Appendix B.

Respectfully submitted,

/s/ Eric Dearmont

Eric Dearmont
Assistant General Counsel
Missouri Bar No. 60892

Attorney for the Staff of the
Missouri Public Service Commission
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 2nd day of October, 2008.

/s/ Eric Dearmont

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GT-2009-0038 / File No. JG-2009-0093 – Union Electric Company d/b/a AmerenUE

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

/s/ Tom Imhoff 09/30/08 /s/ Eric Dearmont 09/30/08
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: September 30, 2008

BACKGROUND

On August 4, 2008, Union Electric Company d/b/a AmerenUE (AmerenUE or Company), filed a "Verified Petition of Union Electric Company d/b/a AmerenUE To Change Its Infrastructure System Replacement Surcharge" (Application) in order to implement an increase in AmerenUE's Infrastructure System Replacement Surcharge (ISRS) with the Missouri Public Service Commission (Commission). The proposed effective date was September 3, 2008.

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 \$1,621,589. In the initially proposed ISRS filing, AmerenUE seeks to recover an additional \$410,130 of ISRS revenues from its customers.

On August 7, 2008, the Commission issued its order that suspends the proposed tariff no later than 120 days after it was filed - to a deadline of December 2, 2008. The order also directed notice be filed, and set an intervention date of August 27, 2008.

On August 15, 2008, the Commission issued an order directing Staff to file a report no later than October 3, 2008. Staff's report is in response to that requirement. Further, the Commission directed any responses to the Staff report shall be filed by October 14, 2008.

STAFF'S INVESTIGATION

Staff members from the Auditing and Energy Departments participated in the Staff's investigation of the Application. The Staff's investigation into the Application included a review of the Application, the

APPENDIX A

supporting documentation, Missouri statutory sections 393.1009, 393.1012 and 393.1015 RSMo and all additional data provided by AmerenUE.

Staff made adjustments to reduce the initially-requested incremental annual revenue requirement from the proposed \$410,130, to \$390,809 annually. These adjustments reduced the composite revenue requirement from \$1,621,589, to \$1,602,268.

THE APPLICATION

In Case No. GT-2008-0184, AmerenUE's current ISRS revenues were calculated on ISRS plant that was placed in service during the period October 1, 2006 through October 31, 2007. In AmerenUE's current ISRS Application, Case No. GT-2009-0038, AmerenUE seeks to recover costs of ISRS-qualifying plant placed in service from November 1, 2007 to May 31, 2008.

STAFF REVIEW

The Staff's review consisted of a review of AmerenUE's Application, a review of selected plant work-orders, responses to Staff data requests, and discussions with AmerenUE personnel.

STAFF'S REVENUE CALCULATION

Based on its review, the Staff has determined that the appropriate incremental revenue requirement annual increase for the pending ISRS Application is \$390,809 based on ISRS plant placed in service during the period November 1, 2007 through May 31, 2008. The following adjustments were made to AmerenUE's Application:

Incorrect Reporting of Retirements and Over-collection of Funds

During the Auditing Staff's review of the Company's ISRS filing, it found that the percentage of retirements to plant additions was 43.1%. This percentage is significantly higher than the 9.7% ratio of retirements to additions in the Company's last ISRS. The Company explained to the Staff that the reason for this disparity was due to a problem that existed within their accounting software programs. The Company indicated that when additions were booked to plant in service many times the associated retirements were not recorded until much later. This problem resulted in a large amount of retirements being booked during the second ISRS period which were actually related to the additions that were completed during the first ISRS period. Because of this delay in booking retirements, the last ISRS revenue requirement calculation was overstated. To address this matter, Staff and the Company have agreed to use a 20% retirement factor to be applied to both the prior and current ISRS, subject to a subsequent true-up.

Based upon the agreed to 20% retirement factor, the Staff proposes two adjustments that effectively reduces the Company's proposed revenue requirement calculation by a total of \$15,036. The Staff's first adjustment, with regard to this issue, reduces the proposed revenue requirement by \$2,119. This adjustment was determined by distributing retirements that occurred during the previous ISRS period as well as those that occurred during the current ISRS based upon the agreed to 20% retirement factor for both ISRS periods. The Staff's second adjustment reduces the proposed revenue requirement by

\$12,917, in order to address the over-collection of funds by the Company that occurred during the approximate eight month period that the Company's first ISRS rates were in effect. This over-collection resulted due to the Company under-reporting the correct level of retirements that occurred during its first ISRS time period. These Staff calculations will be subject to true-up following the correction of the retirement reporting problem and an appropriate calculation of retirements for both ISRS periods to be performed by the Company and reviewed by the Staff. The timely matching of retirements with the associated additions is absolutely essential to the calculation of an appropriate ISRS revenue requirement and must be addressed by the Company immediately. The Staff proposes that a true-up audit to address this problem be performed prior to the next ISRS filing by the Company, but no later than 12 months after the approval of rates for the current ISRS.

Accumulated Depreciation and Deferred Taxes Through Effective Date of ISRS Rates

In its filing, the Company calculated its offsets to ISRS plant additions for deferred income taxes and accumulated depreciation at May 31, 2008. However, Commission Rule 4 CSR 240-3.265 (12) requires that the Commission issue an Order with a effective date no later than 120 days after the utility files an ISRS petition. The effective date of the customer surcharge for this case is December 2, 2008. Therefore, Staff utilized November 30, 2008 as its cut-off date for it's the calculation of accumulated depreciation and deferred income taxes. This approach of determining the accumulated depreciation and deferred income taxes through the effective date more accurately reflects the value of the net investment in ISRS plant in this case. Calculating the accumulated depreciation and deferred income taxes through the effective date, rather than the filing date as was utilized in the last ISRS case, results in a \$4,286 reduction in the Company's proposed revenue requirement.

The Staff recommends the Commission reject the currently filed tariff sheet and direct AmerenUE to re-file ISRS rates consistent with those provided in Attachment B, which are rates designed to recover ISRS revenues of \$1,602,268 annually. This is a composite revenue requirement of \$1,211,459 from the prior ISRS case and the current incremental revenue requirement of \$390,809.

THE ISRS RATE SCHEDULES

Staff's proposed rates are consistent with the methodology used to establish AmerenUE's initial ISRS rates and consistent with the overall methodology used to establish ISRS rates for other utilities.

The Staff has verified that the Company has filed its 2007 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.

RECOMMENDATION

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

1. Rejects the ISRS tariff sheet (JG-2009-0093) filed by AmerenUE on August 4, 2008;
2. Approves the Staff's determination of the incremental ISRS surcharge revenues in the amount of annual pre-tax revenues of \$390,809; and
3. Authorizes AmerenUE to file an ISRS rate for each customer class as reflected in Appendix B.

AmerenUE GAS COMPANY

CASE NO. GT-2009-0038
FILE NO. JG-2009-0093
ISRS RATE DESIGN

Company's Total ISRS Revenues \$1,602,268.00

<u>Customer Rate Class</u>	<u>Number of Customers</u>	<u>Customer Charges</u>	<u>Ratio To Res. Cust. Charge</u>	<u>Weighted Customer #</u>	<u>Customer Percentage</u>	<u>ISRS charge</u>	<u>ISRS Revenues</u>
Residential	112,443	\$15.00	1.0000	112,443	83.1138%	\$0.99	\$1,331,707
General Service	13,186	\$24.00	1.6000	21,098	15.5946%	\$1.58	\$249,867
Interruptible Service	15	\$221.00	14.7333	221	0.1634%	\$14.54	\$2,617
Large Vol Transp Serv	19	\$1,205.00	80.3333	1526	1.1282%	\$79.28	\$18,077
TOTAL	<u>125,663</u>			<u>135,288</u>	<u>100.0000%</u>		<u>\$1,602,268</u>

* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$4254.44. 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**

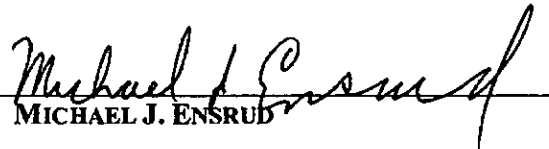
In the Matter of the Verified Petition of)
Union Electric Company d/b/a AmerenUE)
to Change Its Infrastructure System)
Replacement Surcharge.)

Case No. GT-2009-0038

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss:
COUNTY OF COLE)

Michael J. Ensrud, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying Staff Memorandum, and that the facts therein are true and correct to the best of his knowledge and belief.


MICHAEL J. ENSRUD



Subscribed and affirmed before me this 2nd day of October, 2008


NOTARY PUBLIC

SHARON S. WILES
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: October 23, 2010
Commission Number: 06429091

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-2009-0038


AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)

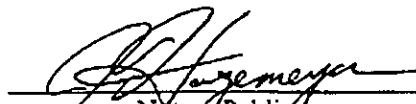
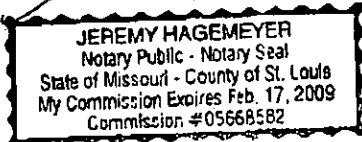
) ss.

COUNTY OF COLE)

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


Lisa M. Ferguson

Subscribed and sworn to before me this 2nd day of October, 2008.


Notary Public

JEREMY HAGEMEYER
Notary Public - Notary Seal
State of Missouri - County of St. Louis
My Commission Expires Feb. 17, 2009
Commission #05668582

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-2009-0038


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 Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that he has knowledge of the matters set forth in such Staff Recommendation; 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 2nd day of October, 2008.


Notary Public

