

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

In the Matter of the Verified Petition of Union     )  
Electric Company d/b/a Ameren Missouri             )     **File No. GO-2014-0015**  
to Change its Infrastructure System Replacement     )     Tariff No. YG-2014-0022  
Surcharge

**STAFF RECOMMENDATION**

**COMES NOW** the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”), by and through counsel, and for its recommendation in this matter hereby respectfully states:

1. On July 16, 2013, Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri” or “Company”) filed a verified petition (“Petition”) to change its infrastructure replacement surcharge (ISRS) pursuant to Sections 393.1009 to 393.1015 RSMo. Ameren Missouri requested that the Commission issue an order approving a change to its ISRS to provide for the recovery of the eligible infrastructure system replacement investments made by the Company from January 1, 2011 to May 31, 2013.

2. On July 18, 2013, the Commission ordered Staff to file its recommendation no later than September 13, 2013.

3. As explained in Staff’s *Memorandum*, attached hereto as Appendix A and incorporated herein by reference, Staff recommends the Commission issue an order in this case that rejects the ISRS tariff sheet (YG-2014-0022) filed by the Company on July 16, and that approves the Staff’s recommended ISRS surcharge revenues in the amount of annual pre-tax revenues of \$1,266,546.

4. Section 393.1009 and Commission Rule 4 CSR 240-3.265(1)(B) and (1)(G) define “eligible infrastructure system replacements” and “natural gas utility plant projects,” the costs of which may be recovered through an ISRS surcharge.

5. Rule 4 CSR 240-3.265(11) provides, in part, that Staff “may examine the information of the natural gas utility provided pursuant to this rule and sections 393.1009 to 393.1015, RSMo, to confirm the underlying costs and proper calculation of the proposed ISRS,” and that Staff may submit a report regarding its examination to the Commission no later than 60 days after the gas utility files its petition. Rule 4 CSR 240-3.265(12) provides that the Commission shall issue an order to become effective no later than 120 days after the gas utility files its petition.

6. Ameren Missouri’s Petition in this matter represents its first ISRS filing since the conclusion of its most recent rate case proceeding, Case No. GR-2010-0363. In that case, all ISRS rate surcharge revenues formerly collected by the previous ISRS surcharge by Ameren Missouri<sup>1</sup> were reset to zero and became part of Ameren Missouri’s permanent general retail rates.

7. In this proceeding, Ameren Missouri requested an ISRS surcharge to recover infrastructure replacement costs incurred from January 1, 2011 through May 31, 2013, with a total revenue requirement of \$1,337,273.

8. As explained more fully in Staff’s *Memorandum*, Staff reviewed the Company’s Petition and all supporting workpapers and calculations and responses to Staff’s data requests (including an audit sample of work orders), and conducted meetings with Ameren Missouri to clarify and obtain new information when necessary.

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<sup>1</sup> As authorized by the Commission in ISRS Case Nos. GT-2008-0184, GT-2009-0038, GT-2009-0413, and GO-2010-0257.

9. While compiling information for Staff, Ameren Missouri found three ineligible projects that had been included in the Petition. The Company provided Staff with revised workpapers that excluded the ineligible projects.

10. In addition, Staff's analysis discovered that the calculations in Ameren Missouri's filed Accumulated Deferred Income Tax workpaper did not include bonus depreciation related to a qualified plant addition. Ameren Missouri's workpapers have been updated to include the bonus depreciation for this project.

11. Finally, Staff also performed a final reconciliation of the ISRS revenue Ameren Missouri collected from customers in the prior effective period to account for over- or under-collection of ISRS revenue, pursuant to Rule 4 CSR 240-3.265(17)-(18). Based upon this reconciliation, Staff verified that the Company had under-collected ISRS revenues from its customers by an amount of \$18,990 in the prior effective period. This amount of under-collection has been reflected in an adjustment to Ameren Missouri's overall ISRS revenue requirement calculation in this proceeding.

12. Staff's proposed ISRS rates for each customer class, attached hereto as Appendix B and incorporated herein by reference, are consistent with the methodology used to establish ISRS rates for Ameren Missouri and other utilities. Staff verified that Ameren Missouri has filed its 2012 annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects, or is affect by, this filing.

**WHEREFORE**, Staff respectfully recommends the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (YG-2014-0022) filed by Ameren Missouri on July 16, 2013;
2. Approves the Staff's recommended ISRS surcharge revenues in the amount of annual pre-tax revenues of \$1,266,546; and
3. Authorizes Ameren Missouri to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$1,266,546 annually.

Respectfully Submitted,

**STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION**

/s/ John D. Borgmeyer

John D. Borgmeyer  
Deputy Legal Counsel  
Missouri Bar No. 61992

Akayla Jones  
Legal Counsel  
Missouri Bar No. 64941

Attorneys for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102  
Telephone: (573) 751-5472  
Fax: (573) 751-9285  
Email: john.borgmeyer@psc.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 13<sup>th</sup> day of September, 2013.

/s/ John D. Borgmeyer

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. GO-2014-0015 / File No. YG-2014-0022 – Union Electric Company  
d/b/a AmerenMissouri

FROM: Sarah Sharpe, Auditing Department  
Kory Boustead, Tariffs/Rate Design - Energy

/s/ Thomas M. Imhoff 9/13/2013      /s/ John Borgmeyer 9/13/2013  
Project Coordinator / Date                      Staff Counsel's Office / Date

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

DATE: September 13, 2013

### BACKGROUND

On July 16, 2013, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), filed its "Verified Petition of Union Electric Company d/b/a Ameren Missouri To Change Its Infrastructure System Replacement Surcharge" ("Application") in order to implement a change in Ameren Missouri's Infrastructure System Replacement Surcharge ("ISRS") with the Missouri Public Service Commission ("Commission"). Ameren Missouri's initially filed tariff sheet had an effective date of August 15, 2013.

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. AmerenMissouri filed this tariff sheet to reflect a total revenue requirement of \$1,337,273 annually. The qualifying related ISRS costs are for the time frame from January 1, 2011 to May 31, 2013.

On July 18, 2013, the Commission issued an order suspending the tariff for 120 days, giving the tariff an effective date of November 13, 2013.

On July 18, 2013, the Commission issued its *Order Directing Notice, Directing Filings and Setting Intervention Deadline*, which directed Ameren Missouri to file sample customer notices, as required by Commission Rule 4 CSR 240-3.265, no later than August 5, 2013. The order also directed Staff to file its recommendation no later than September 13, 2013.

### **STAFF REVIEW AND REVENUE CALCULATION**

Ameren Missouri's filing in Case No. GO-2014-0015 represents its first ISRS filing since the conclusion of its most recent rate case proceeding, Case No. GR-2010-0363. Upon the February 1, 2011 effective date of rates that were ordered by the Commission in Case No. GR-2010-0363, all ISRS rate surcharge revenues formerly collected through the previous ISRS surcharge by Ameren Missouri (as authorized by the Commission in ISRS Case Nos. GT-2008-0184, GT-2009-0038, GT-2009-0413, and GO-2010-0257) were reset to zero and became part of Ameren Missouri's permanent general retail rates. In this proceeding, Ameren Missouri filed to recover eligible infrastructure replacement costs incurred during the period of January 1, 2011 through May 31, 2013.

The Auditing Unit Staff has reviewed Ameren Missouri's ISRS application and all supporting workpapers and calculations, responses to Staff's data requests, (including an audit sample of work orders), and conducted meetings with Ameren Missouri personnel to gain clarification and further information when necessary. The methodology used by the Auditing Unit Staff allows Staff to consider all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through October 31, 2013. This methodology is consistent with past reviews conducted by the Auditing Unit Staff, and is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the 120-day effective date of the ISRS rates, which in this case is November 13, 2013.

The ISRS rule 4 CSR 240-3.265 for Natural Gas Infrastructure System Replacement Surcharges sets forth the definitions of natural gas utility plant projects that are eligible for ISRS treatment. In order to determine the eligibility of the requested ISRS projects, Staff required additional information from Ameren Missouri. While compiling the required documentation regarding the eligibility of the ISRS-applicable work orders, Ameren Missouri found three ineligible projects, Projects 0C770, 28199, and J01KX, that did not meet ISRS rule qualifications, but had been included in Ameren Missouri's application. Consequently, Ameren Missouri provided Staff with revised workpapers prior to Staff's filing which excluded the non-eligible projects. The total cost of the project additions excluded from the revision was \$658,306.

During review of the ISRS filing, Staff discovered that Ameren Missouri's filed Accumulated Deferred Income Tax workpaper did not include the bonus depreciation related to a qualified plant addition of \$505,515 from Project 22284 in its calculation. Ameren Missouri's revised workpapers have been updated to include the bonus depreciation for this project.

Commission Rule 4 CSR 240-3.265(17) requires that Staff reconcile the ISRS revenue Ameren Missouri collected from customers in the prior effective period to account for over or under-collection of ISRS revenue. Therefore, Staff has performed a final reconciliation of the ISRS revenue previously collected by the Company to ensure that either the Company or its customers are made whole for any under-collections or over-collections that may have occurred. Staff performed this reconciliation for the time period from March 29, 2008 through February 19, 2011, which is the period of time the prior ISRS cases (GT-2008-0184, GT-2009-0038, GT-2009-0413, and GO-2010-

0257) were in effect. Based upon this reconciliation, the Staff verified that the Company had under-collected ISRS related revenues from its customers by an amount of \$18,990. This amount of under-collection has been reflected in an adjustment to Ameren Missouri's overall ISRS revenue requirement calculation in this proceeding. Based upon its review and all of its calculations, the Staff is recommending that Ameren Missouri receive ISRS revenues of \$1,266,546. Ameren Missouri had proposed an ISRS related revenue requirement of \$1,337,273.

### **THE ISRS RATE SCHEDULES**

Staff's proposed rates are consistent with the methodology used to establish past Ameren Missouri ISRS rates, and is consistent with the overall methodology used to establish ISRS rates for other utilities. Staff's proposed ISRS rates are contained in Appendix B, attached hereto and incorporated by reference herein.

The Staff has verified that Ameren Missouri has filed its 2012 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 (YG-2014-0022) filed by Ameren Missouri on July 16, 2013;
2. Approves the Staff's recommended ISRS surcharge revenues in the amount of annual pre-tax revenues of \$1,266,546; and
3. Authorizes Ameren Missouri to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$1,266,546 annually.

**AmerenUE GAS COMPANY**

**CASE NO. GO-2014-0015  
FILE NO. YG-2014-0022  
ISRS RATE DESIGN**

**Company's Total ISRS Revenues \$1,266,546**

<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	113,545	\$15.00	1.0000	113,545	80.4532%	<b>\$0.75</b>	\$1,018,977
General Service	12,803	\$28.83	1.9220	24,607	17.4357%	<b>\$1.44</b>	\$220,832
Interruptible Service	16	\$264.30	17.6200	282	0.1998%	<b>\$13.18</b>	\$2,530
Standard Transp Service	398	\$28.72	1.9147	762	0.5399%	<b>\$1.43</b>	\$6,839
Large Vol Transp Serv	20	\$1,451.53	96.7687	1935	1.3713%	<b>\$72.37</b>	\$17,368
<b>TOTAL</b>	<b>126,782</b>			<b>141,132</b>	<b>100.0000%</b>		<b>\$1,266,546</b>

**Appendix B**

\* Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$3,324.00. However, it should be noted that the total amount collected will be true-up at a later date.



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Missouri to Change its Infrastructure System        )  
Replacement Surcharge                                )  
Case No. GO-2014-0015

**AFFIDAVIT OF KORY BOUSTEAD**

STATE OF MISSOURI        )  
  ) ss  
COUNTY OF COLE        )

Kory Boustead of lawful age, on oath states: that she 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 her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Kory Boustead

Subscribed and sworn to before me this 12<sup>th</sup> day of September, 2013.

LAURA BLOCH  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 21, 2015  
Commission Number: 11203914

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

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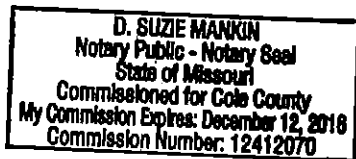
**AFFIDAVIT OF SARAH SHARPE**

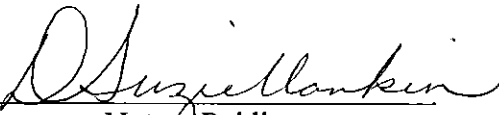
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Sarah Sharpe, 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 she 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.

  
\_\_\_\_\_  
SARAH SHARPE

Subscribed and sworn to before me this 12<sup>th</sup> day of September, 2013.



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