

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

**In the Matter of Union Electric)
Company d/b/a AmerenUE's)
Purchased Gas Adjustment Factors)
to be Audited in its 2008-2009)
Actual Cost Adjustment.**

Case No. GR-2009-0337

STAFF RECOMMENDATION

COMES NOW the Staff (Staff) of the Missouri Public Service Commission (Commission) in the above-captioned matter, files its Staff Recommendation (Appendix A), and in support of approval of its Recommendation states:

1. On October 16, 2009, Union Electric Company d/b/a Ameren UE (AmerenUE or Company), of St. Louis, Missouri, filed four (4) tariff sheets requesting an effective date of November 1, 2009.

2. These tariff sheets were filed to reflect changes in AmerenUE's PGA factors as a result of estimated changes in the cost of natural gas and changes in the ACA component.

3. The Procurement Analysis Department (Staff) has reviewed AmerenUE's October 16, 2009 Actual Cost Adjustment (ACA) filing for the 2008-2009 period, which contains the Company's ACA balance calculations.

4. The following pipelines serve AmerenUE's Missouri natural-gas operations: Panhandle Eastern Pipe Line (PEPL), Texas Eastern Transmission Corporation (TETCO), and Natural Gas Pipeline Company of America (NGPL) and MoGas Pipeline (MoGas) (f/k/a Missouri Pipeline Company and Missouri Gas Company).

5. In Case No. GR-2007-0003, in its March 15, 2007 Order Approving Stipulation and Agreement, the Commission authorized AmerenUE to create a state-wide, single Purchased Gas Adjustment (PGA) and ACA rate. The Rolla area customers served from MoGas continue to pay an additional incremental PGA charge for MoGas transportation, although settlement of MoGas' FERC rate case in January of this year results in lower transportation costs to Rolla.

6. Staff conducted the following analyses:

- a. hedging review to determine the reasonableness of the Company's hedging practices for this ACA period;
- b. reliability analysis, including a review of estimated peak-day requirements and the capacity levels needed to meet these requirements; and
- c. review of the Company's gas purchasing practices to determine the prudence of the Company's purchasing decisions for this ACA period.

7. Another issue is the rates AmerenUE paid Missouri Pipeline Company (MPC) and Missouri Gas Company (MGC), which is an open item from prior ACA Cases.

8. In its Recommendation at Appendix A, Staff explains its recommendation to delay final determination of this issue while the matter progresses through the courts. AmerenUE has filed a Petition in the Cole County Circuit Court to obtain refunds of the MPC/MGC overcharges on behalf of its customers.

9. As a gas corporation providing natural gas service to Missouri customers, the Company is responsible for conducting reasonable and prudent, long-range supply planning. One purpose of the ACA process is to examine the reliability of the Local Distribution Company's (LDC) gas supply, transportation, and storage capabilities.

10. While Staff has comments and recommendations, Staff has proposed no financial adjustments to the 2008/2009 ACA period related to Reliability Analysis and Gas Supply Planning section.

11. Staff also has recommendations concerning AmerenUE's hedging strategies, but no financial adjustments.

RECOMMENDATIONS

12. Although Staff has proposed no adjustments to the Company's filed ACA balances in this case, the Staff proposes to reserve its recommendation on the ACA balances pending resolution of AmerenUE's civil case seeking refunds from MPC and MGC for overpayment. (Cole County Circuit Court Case No. 09AC-CC00398.) Although this ACA period does not include over-charges from MPC and MGC, due to the cumulative nature of ACA balances, past over-charges affect this period's ACA balance and are included in the table in Staff's recommendation.

13. Accordingly, Staff recommends the Commission hold this ACA case open while Staff monitors AmerenUE's pursuit of refunds from MPC and MGC.

14. Staff has no financial adjustments related to Reliability Analysis and Gas Supply and Planning, but asks that Ameren be ordered to respond to Staff's comments and recommendations.

15. The Staff recommends the Company assess and document the effectiveness of its hedges for the 2009-2010 ACA and beyond in the manner described in Staff's attached Recommendation.

16. The Staff also recommends the Company analyze and document any changes to the Company's hedging policy/plan.

17. Respond to the recommendations herein within 30 days.

WHEREFORE, Staff recommends this case remain open pending resolution of the MoGas issues as discussed in Staff's Recommendation. Staff also requests the Commission order AmerenUE to respond to Staff's recommendations and comments within thirty days.

Respectfully submitted,

/s/ Lera L. Shemwell_____
Lera L. Shemwell
Deputy General Counsel
Missouri Bar No. 43792
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7431 (Telephone)
(573) 751-9285 (Fax)
Email: lera.shemwell@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 20th day of December 2010.

/s/ Lera L. Shemwell_____