

**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)	<u>Case No.GO-2010-0257</u>
Change its Infrastructure System)	Tariff No. JG-2010-0563
Replacement Surcharge.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Commission and submits its Recommendation concerning tariff sheets filed on March 12, 2010 by Union Electric Company d/b/a AmerenUE (AmerenUE or the Company). Staff recommends the Commission reject AmerenUEs' March 12 tariff sheet (JG-2010-0563) and accept Staff's determination of ISRS surcharge revenues in the amount of \$730,766. In support of its Recommendation Staff states:

1. On March 12, 2010, AmerenUE filed its Application to Change its Infrastructure System Replacement Surcharge (ISRS)in accord with 4 CSR 240-3.265 Chapter 393 RSMo2.

3. On March 16, 2010, the Commission suspended AmerenUE's tariff for 120 days, until July 10, 2010.

4. Based upon its examination of the Company's Application and review of supporting documentation, the Audit Staff recommends that based on ISRS plant placed in service during the period of June 1, 2009 through December 31, 2009, the appropriate incremental revenue requirement annual increase in this case is \$730,766.

5. For reasons further detailed in Staff's Memorandum, attached as Appendix A, Staff recommends the Commission:

- a. Reject the ISRS tariff sheet (JG-2010-0563) filed by AmerenUE on March 12, 2010;
- b. Approve Staff's determination of the incremental ISRS surcharge revenues in the amount of annual pre-tax revenues of \$730,766; and
- c. Authorize AmerenUE to file an ISRS rate for each customer class as reflected in the attached Appendix B. These rates will generate a total revenue requirement of \$3,355,205 annually.

WHEREFORE, for the foregoing reasons, Staff respectfully requests that the Commission accept Staff's recommendations in this case, and issue its Order in accord with those recommendations.

Respectfully submitted,

/s/ Samuel D. Ritchie

Samuel D. Ritchie
Legal Counsel
Missouri Bar No. 61167

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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 11th day of May, 2010.

/s/ Sam Ritchie

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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 11th day of May, 2010.

/s/ Sam Ritchie

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2010-0257 / File No. JG-2010-0563 – Union Electric Company d/b/a AmerenUE

FROM: Kofi Boateng, CFE, CIA, CPA, Auditing Department
Michael Ensrud, Tariffs/Rate Design - Energy

/s/ Tom Imhoff 05/10/10 /s/ Sam Ritchie 05/10/10
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: May 10, 2010

BACKGROUND

On March 12, 2010, AmerenUE (AmerenUE or Company), filed its "Verified Petition of Union Electric Company d/b/a AmerenUE To Change Its Infrastructure System Replacement Surcharge" (Application) to implement a change in its Infrastructure System Replacement Surcharge (ISRS). AmerenUE's initially filed tariff sheet had an effective date of April 11, 2010.

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 a formal rate case filing through a bill surcharges. AmerenUE proposed a total ISRS revenue requirement of \$3,383,458 annually. AmerenUE initially also sought to recover an additional \$759,019 of revenues for ISRS costs incurred from June 1, 2009 to December 31, 2009.

On March 16, 2010, the Commission ordered a 120-day tariff suspension, with an effective date of July 10, 2010. That order also directed a notice be filed, and set an April 5, 2010 intervention deadline.

On March 30, 2010, AmerenUE made a filing to address customer notice deficiencies. On April 7, 2010, the Commission issued its Order directing Staff to file a pleading stating a date by which Staff could file its recommendation.

On April 23, 2010, Staff responded suggesting a filing date of May 11, 2010.

STAFF'S ISRS INVESTIGATION

Company' Initial Request

AmerenUE's initially-proposed ISRS-related Revenue Requirement is comprised of the following past and pending cases:

<u>PAST FILINGS</u>	<u>Company's Proposed Revenue Requirement</u>	<u>Staff's Adjusted Revenue Requirement</u>
ISRS Revenue Requirement #1 (GT-2008-0184)	\$1,211,459	\$1,211,459
ISRS Revenue Requirement #2 (GT-2009-0038)	\$390,809	\$390,809
ISRS Revenue Requirement #3 (GO-2009-0413) True-Up	\$947,929 \$74,242	\$947,929 \$74,242
Current ISRS Revenue Requirement	\$2,624,439	\$2,624,439
 <u>CURRENT ISRS FILING PROPOSED REVENUES</u>		
Proposed ISRS Revenue Requirement (GO-2010-0257)	\$759,019	\$730,766
Proposed Cumulative ISRS Revenue Requirement	<u>\$3,383,458</u>	\$3,355,205

Company's Revised Revenue Requirement

The Audit Staff reviewed: AmerenUE's Application, the supporting documentation, Sections 393.1009, 393.1012 and 393.1015 RSMo, selected plant work orders, responses to Staff data requests, communications between with AmerenUE and Staff, and additional data provided by AmerenUE. As a result, the Audit Staff used June 30, 2010, as its cut-off date for the calculation of accumulated depreciation and deferred income taxes, to more accurately reflect the value of AmerenUE's net investment in the ISRS plant close to the effective date of the surcharge.

ACCOUNTING RECOMMENDATION

After making its review, the Audit Staff determined and recommends the incremental revenue

requirement annual increase for this ISRS Application should be \$730,766 (see GO-2010-0257-Staff Adjusted Total Company ISRS Revenue) based on ISRS plant placed in service during the period of June 1, 2009 through December 31, 2009. The following adjustments were made to the Company's Application:

Incorrect Reporting and Resultant Over/Under Collection of Funds

Retirements

In past AmerenUE's ISRS filings Staff noticed that the Company generally records plant-in-service additions in advance of recording retirements in its books. This timing lag often resulted in an overstatement of the prior year's ISRS revenue requirement, which results in over-collection of ISRS funds. In this case, the Company retired plant in service for Project 16624 in the amount of \$566,414, which Staff believes should have been retired, recorded and made part of AmerenUE's last ISRS filing in Case No. GT-2009-0413. To correct this anomaly, the Staff has removed this amount from the current project retirements and adjusted the amount of retirements that were recorded by the Company in GT-2009-0413. The result of this adjustment is the Company's over-collection of depreciation expense by \$12,130 during the ten-month period that Case No. GT-2009-0413 rates will be in effect (i.e. September 1, 2009 through June 30, 2010). To correct the over-collection, this amount was subtracted from the Company's proposed ISRS revenue in this case. This adjustment also increased the current ISRS revenue requirement for depreciation by \$14,566, resulting in a net revenue requirement of \$2,426 in this case.

Property Tax

Property taxes are assessed on the Company's plant in service, as shown on the Company's books, which excludes the retirement amount. In calculating its ISRS revenue requirement, for its expected annual property taxes obligation, AmerenUE included only the gross plant additions. Staff adjusted the Company's calculation of property taxes to include the value of plant additions, net of retirements, instead of using only gross plant additions. Staff has made two adjustments for the net plant amount in its property taxes calculations. The first adjustment to ISRS Case No. GT-2009-0413, reduced the net plant value used to calculate the revenue requirement in that case. This adjustment reduced to the current ISRS revenue requirement by \$8,513 to address the over-collection from the prior ISRS. Staff's second adjustment netted the gross additions less retirements in this current case, reducing the total company ISRS revenue by \$38,862.

Correction to Bonus Depreciation Calculation

During review of the Company's ISRS filing, Staff discovered that the Company did not include a qualified plant addition of \$566,320 from Project 20150 in its bonus depreciation calculation. Staff's adjustment reduces the ISRS revenue requirement by \$10,349.

Extension of Cut-off Date Through Effective Date of ISRS Rates

In its filing, the Company calculated its net ISRS plant additions for accumulated depreciation and accumulated deferred income taxes through April 30, 2010. Commission Rule 4 CSR 240-3.265 (12) requires the Commission issue an Order with a effective date no later than 120 days after the utility files its ISRS petition, resulting in an approximate effective date July 11, 2010. Staff used June 30, 2010, as its cut-off date for the calculation of accumulated depreciation and deferred income taxes, to accurately value the Company's net investment in ISRS plant in early July when the surcharge will go into effect. Staff has used this methodology in the Company's two previous ISRS filings and, in this case, it results in a \$27,047 increase to revenue requirement.

THE ISRS RATE SCHEDULES

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

AmerenUE's proposed ISRS rates use a twelve-month average customer count through the period ending January 2010.

Staff has verified that the Company has filed its 2009 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.

P.S.C. MO. No. 5

4th Revised Sheet No. 34, CANCELLING 3rd Revised Sheet No. 34

RECOMMENDATION

Staff recommends the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (JG-2010-0563) filed by AmerenUE on March 12, 2010;
2. Approves the Staff's determination of the incremental ISRS surcharge revenues in the amount of annual pre-tax revenues of \$730,766; and
3. Authorizes AmerenUE to file an ISRS rate for each customer class as reflected in Appendix B, which will generate total revenue of \$3,355,205 annually.

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. GO-2010-0257
Infrastructure System Replacement Surcharge)

AFFIDAVIT OF KOFI AGYENIM BOATENG, CPA, CIA, CFE

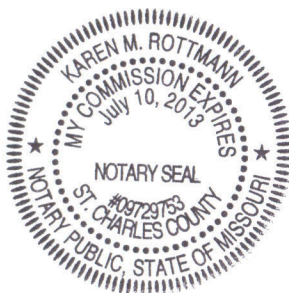
STATE OF MISSOURI)
)
COUNTY OF St. Charles) ss.


Kofi Agyenim Boateng, of lawful age, on his oath states: that he 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 him; 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 his knowledge and belief.



Kofi Agyenim Boateng

Subscribed and sworn to before me this 10 day of May, 2010.





Notary Public

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. GO-2010-0257

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on oath states: that he 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 him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Michael J. Ensrud

Subscribed and sworn to before me this 11th day of May, 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public

AmerenUE GAS COMPANY

**CASE NO. GO-2010-0257
FILE NO. JG-2010-0563
ISRS RATE DESIGN**

Company's Total ISRS Revenues \$3,355,205

Customer Rate Class	Number of Customers	Customer Charges	Ratio To Res. Cust. Charge	Weighted Customer #	Customer Percentage	ISRS charge	ISRS Revenues
Residential	112,753	\$15.00	1.0000	112,753	83.2021%	\$2.06	\$2,791,601
General Service	13,158	\$24.00	1.6000	21,053	15.5352%	\$3.30	\$521,237
Interruptible Service	18	\$221.00	14.7333	265	0.1957%	\$30.40	\$6,566
Standard Transp Service	0	\$24.00	1.6000	0	0.0000%		\$0
Large Vol Transp Serv	18	\$1,205.00	80.3333	1446	1.0670%	\$165.74	\$35,801
TOTAL	125,947			135,517	100.0000%		\$3,355,205

* Due to rounding to the nearest penny, the designed ISRS rates will under-collect by \$4528. However, it should be noted that the total amount collected will be true-up at a later date.