

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

In the Matter of the Application of )  
Missouri Gas Energy for the Issuance of )  
an Accounting Authority Relating to its )  
Natural Gas Operations and for a )  
Contingent Waiver of the Notice )  
Requirement of 4 CSR 240-4.020(2). )

**Case No. GU-2011-0392**

**STAFF’S MOTION TO STRIKE AND LEAVE TO FILE OUT OF TIME**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and requests the Missouri Public Service Commission (Commission) strike references to “capital-related costs” from page 25 of MGE’s Post-Hearing Brief, and in support of Staff’s Motion, states as follows:

1. On December 23, 2011, MGE filed its Post-Hearing Brief.
2. On page 25 of its brief (see Appendix A), MGE states:

Mr. Noack testified [footnote 76] that in a Report and Order issued less than five months ago, the Commission found that utilities generally are allowed to recover storm-related deferrals – both O&M expenses and capital-related costs – over a five-year period [footnote 77].  
(emphasis added)

3. Footnote 77 of MGE’s brief cites Commission Case No. ER-2011-0028, *In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Increase Its Annual Revenues for Electric Service*.
4. MGE’s reference to “capital-related” costs on page 25 is in error, as nowhere on page 20 of Case No. ER-2011-0028 (see Appendix B), or anywhere else in the Order pertaining to the storm expense issue, does the Commission refer to the inclusion of capital-related costs in prior five-year amortizations of storm deferrals.

5. Staff has confirmed that none of the storm-related amortizations discussed in Case No. ER-2011-0028 pertained to “capital-related” costs.

6. Footnote 76 of MGE’s brief cites page 22, lines 3-9 of Applicant’s Exhibit No. 2, Michael R. Noack’s surrebuttal testimony (see Appendix C). While this testimony does refer to Case No. ER-2011-0028 and discusses use of a five year period for storm amortizations; it does not allege that the amortizations discussed in Case No. ER-2011-0028 included capital-related costs.

7. MGE’s inaccurate inclusion of “capital-related costs” should be stricken from MGE’s Brief because it is factually unsupported as shown in the attached Commission order. The Commission did not allow Ameren recovery of capital-related storm costs amortized over a five-year period.

8. Counsel for MGE has represented to Staff counsel that it has no objection to the timeliness of this filing.

**WHEREFORE,** the Staff respectfully requests that the Commission issue an order striking “capital-related costs” from page 25 of MGE’s post-hearing brief.

Respectfully submitted,

**/s/ Goldie L. Tompkins**

Goldie L. Tompkins

Legal Counsel

Missouri Bar No. 58759

Sarah L. Kliethermes

Senior Staff Counsel

Missouri Bar No. 60024

Attorneys for the Staff of the  
Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-8700

(573) 751-9285 (Fax)

goldie.tompkins@psc.mo.gov

**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 4<sup>th</sup> day of January, 2012.

**/s/Goldie L. Tompkins**

But only MGE's proposal will enable the Company to have a reasonable opportunity to recover the full financial effects of the Joplin tornado. In Case No. ER-2008-0318, the Commission determined that was both an important and a legitimate objective for Ameren Missouri. It is an equally important and legitimate objective for MGE.

*Issue D: If the Commission authorizes MGE to defer these amounts, over what length of time should MGE amortize the deferred amounts to expense?*

With respect to this issue, both Staff and OPC believe the amortization should occur over ten years,<sup>73</sup> while MGE believes the amortization period should be five years.<sup>74</sup> The Staff Recommendation states that the basis for proposal is Staff's belief that "[p]ast Commission practice has been to utilize a ten-year period for amortizing capital expenditure deferrals."<sup>75</sup> But MGE's evidence in this case conclusively demonstrates that Staff's argument in favor of a ten-year amortization has no merit. Mr. Noack testified<sup>76</sup> that in a Report and Order issued less than five months ago, the Commission found that utilities generally are allowed to recover storm-related deferrals – both O&M expenses and capital-related costs – over a five-year period.<sup>77</sup> He further testified that in recent cases, such as Case No. ER-2008-0318, Staff has recommended a five-year amortization period for storm-related costs and expenses.<sup>78</sup>

Because Staff has recommended a five-year amortization of storm-related costs and expenses, and because the Commission generally has found that amortization period to be appropriate, there is no reason for the Commission to accept Staff's and OPC's proposal for a longer amortization period in this case.

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<sup>73</sup> Staff Exhibit No. 1, Schedule 2-5; OPC Exhibit No. 1, p. 8.

<sup>74</sup> Applicant's Exhibit No. 1, p. 17, lns. 11-15.

<sup>75</sup> Staff Exhibit No. 2, Schedule 2-5.

<sup>76</sup> Applicant's Exhibit No. 2, p. 22, lns. 3-9.

<sup>77</sup> *In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service*, Case No. ER-2011-0028 (July 23, 2011), p. 20.

<sup>78</sup> Applicant's Exhibit No. 2, p. 22, lns. 14-15.

## **Findings of Fact:**

### **Introduction:**

10. For time to time, Ameren Missouri experiences the effects of severe storms in its service territory. Those can be severe windstorms, usually in the spring or summer, or severe ice storms in the winter. Of course, such storms are unpredictable and do not occur in any recognizable pattern. As a result, storm costs can vary greatly from year to year.

11. For example, Ameren Missouri incurred \$6 million in non-labor related storm restoration costs in the nine months ending December 31, 2007, \$4.8 million in 2008, \$9 million in 2009, but only \$38,000 in 2010. However, the company then incurred \$8.1 million in such costs in February 2011.<sup>30</sup>

12. In the past, the Commission has dealt with storm costs by allowing the utility to recover an amount in rates based on a historic average of the storm costs incurred. For costs that exceed the average level of costs recovered through rates, the utility is generally allowed to accumulate and defer those costs through an accounting authority order, an AAO. The accumulated and deferred costs are then considered in the utility's next rate case. Generally, the Commission allows the utility to recover those costs amortized over a five-year period.<sup>31</sup> Using those practices, the Commission has allowed Ameren Missouri to recover every single dollar expensed for storms since April 1, 2007.<sup>32</sup>

### **Specific Findings of Fact:**

13. Ameren Missouri proposes to set the amount of storm costs it will be allowed to

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<sup>30</sup> Ex. 151.

<sup>31</sup> *In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service*, File No. ER-2010-0036, Report and Order, May 28, 2010, Page 66.

<sup>32</sup> Transcript, Page 391, Lines 1-14, *see also*, Meyer Surrebuttal, Ex. 401, Page 24, Lines 1-6.

1 Q. DO YOU AGREE WITH TEN YEAR AMORTIZATION RECOMMENDED BY  
2 STAFF AND OPC?

3 A. No. MGE believes that a five year period provides for a reasonable basis for  
4 accumulating such expenses and costs. As noted in the findings of the  
5 Commission's recent Report and Order in Case No. ER-2011-0028, five years  
6 generally has been the period chosen by the Commission for utilities to recover  
7 accumulated deferred storm costs. As such, a five year period for an  
8 amortization of accumulated and deferred expenses and costs associated with  
9 tornado damage is the appropriate choice.

10

11 Q. IS STAFF'S RECOMMENDED TEN-YEAR AMORTIZATION CONSISTENT  
12 WITH OTHER RECOMMENDATIONS IT HAS MADE CONCERNING STORM  
13 DAMAGE?

14 A. No. Staff in Case No. ER-2008-0318 recommended a five-year amortization for  
15 accumulated and deferred ice storm damage experienced by AmerenUE in 2007.

16

17 Q. DO YOU THINK THAT STAFF'S RECOMMENDATION THAT AMORTIZATION  
18 OF TORNADO EXPENSES AND COSTS BEGIN AS OF JANUARY 1, 2012 IS  
19 APPROPRIATE?

20 A. No. The Commission has previously stated that the purpose of an AAO is to give  
21 the utility an opportunity to recover extraordinary expenses. The total amount of  
22 the deferral will not be known as of January 1, 2012. Also, the Commission  
23 rejected a similar Staff proposal in Case No. ER-2008-0318 because of its unjust