BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI

In The Matter Of Union Electric Company, d/b/a	)	
Ameren Missouri's 2012-2013 ACA Audit.	)	File No. GR-2014-0061

RESPONSE TO STAFF RECOMMENDATION

COMES NOW Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or Company) and for its *Response to Staff Recommendation*, states as follows:

1. On December 18, 2014, the Staff (Staff) of the Missouri Public Service Commission (Commission) filed a Staff Recommendation (Report) in this case. The Commission ordered Ameren Missouri to respond no later than February 2, 2015.

2. The Report identified an accounting adjustment to the Company's ACA balances and recommended that the Commission order Ameren Missouri to respond to certain other comments, concerns, and recommendations that do not have any associated dollar adjustment. Specifically, Staff requested that the Company respond to portions of Staff's Report concerning Reliability and Hedging. Each of these issues is addressed below.

I. ACA Balance Adjustment

3. The *Staff Recommendation* proposed an adjustment to the Company's filed ACA balances and Ameren Missouri does not object to the adjustment identified on page 8 of Staff's Report.

II. Reliability Analysis and Gas Supply Planning

4. Staff's recommendations and comments concerning reliability and supply planning address two topics: (1) Lost and unaccounted for gas calculations ("L&U") for the Rolla area, and (2) Storage Ratchets and Reserve Margin for Cape Girardeau Service Area.

As a result of certain identified calculation errors, Staff recommends that the Company monitor and take appropriate action with respect to L&U in the Rolla area. Citing recent NRRI[1] literature and recommendations with respect to regulatory oversight of L&U, Staff explained that it has analyzed lost and unaccounted for gas trends in L&U data for eight take points in Ameren Missouri's service area. Staff identified what it characterized as some evidence of an increasing trend in L&U for the Rolla area. Staff further explained that the Company has provided an explanation of the trend and that the increase was attributable to a calculation error. Staff stated that it agrees with this assessment. (Report, p.5). Staff recommended that the Company continue to monitor L&U and take all appropriate corrective actions to prevent any increase in L&U in the Rolla area.

Ameren Missouri agrees with Staff's recommendation. Presently, the Company does not have any information to suggest that there is any increasing trend of physical gas losses in the Rolla area. Nonetheless, the Company is agreeable to the recommendation that it continue to monitor the L&U calculations in the Rolla area. To the extent any trends in actual gas physical losses are found, the Company will take appropriate and timely action to correct such a situation. The Company is also agreeable to diligent efforts to identify and correct calculation errors that could overstate (or understate) L&U.

With respect to the Storage Ratchets and Reserve Margin for the Cape Girardeau Service Area, Staff expressed concern that going forward peak day, less capacity will be available to serve the Cape Girardeau service area. (Report, p.5). Staff's concern results from its observations concerning the retirement of its propane-air peaking facility, and also the operation of contractual storage ratchets that serve to reduce injection/withdrawal rates based upon storage inventory. The Company has closely reviewed the concerns of Staff and can affirm its

[1] National Regulatory Research Institute

confidence in its ability to meet peak day requirements for the Cape Girardeau area. The Company actively manages capacity on its system to meet peak requirements and is cognizant of the applicability of storage ratchets for contractual storage resources. The Company plans its storage withdrawals to preserve maximum storage deliverability through approximately the second week of February. The second week of February is the last statistically-significant possibility of a peak design day occurring for Ameren Missouri's system. Beyond mid-February, the Company continues to maintain resources necessary to meet load requirements, balance the system, and provide reliable service. The Company will continue to monitor capacity requirements of the Cape Girardeau area and make changes as necessary to meet peak design day requirements.

III. Hedging

5. Staff has expressed concerns that the use of delta-hedging techniques may limit consideration of out-of-the-money call options, which may be cost-effective hedging instruments since the out-of-the-money call options may have to strike a price that affords significant protection at a reduced-premium cost. Staff further recommends that the Company continue to assess and document the effectiveness of hedges for 2013-2014 and beyond. Staff observed that the Company has provided helpful market-to-market summary information concerning the long-term financial impact of the hedging program, and recommends that the Company continue to provide the summary in future ACA periods.

Ameren Missouri is committed to routinely review and assess the effectiveness of its hedging program and underlying strategies. The present techniques are premised upon utilizing accurate information to limit volatility for prices paid by customers, while at the same time mitigating the impact of any premium paid for hedges. Over time, hedging should effectively limit volatility exposure, but will necessitate some level of premium in exchange for the protection afforded. There is no perfect hedging strategy as the inherent purpose of hedging is to limit the impact of future, yet-to-be-known prices. Commodity markets, including natural gas, are inherently volatile. During different periods of history, natural gas has been relatively more or less volatile depending on underlying market fundamentals effecting supply and demand. As market fundamentals evolve, it is important to keep an open mind and consider revisions to hedging strategies in order to achieve a balance between mitigated volatility and the premium paid. With respect to specific types of futures, options, derivatives, and other hedging tools (including out-of-the-money call options), the appropriateness of these various tools depends on market conditions at the time hedging strategies are executed. Today, Ameren Missouri is confident it has an effective hedging strategy in place, but will continue to evaluate possible changes and confer with Staff as appropriate to inform them of strategic changes. Further, the Company agrees to continue to provide Staff with market-to-market summaries as referenced in its Report, and will, in good faith, endeavor to provide any other and further analysis as Staff finds helpful in conducting its analysis.

WHEREFORE, Ameren Missouri respectfully submits this response to the *Staff Recommendation* filed on December 18, 2014.

Respectfully Submitted,

__/s/ Matthew R. Tomc__
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Response to Staff Recommendation* was served on the following parties via electronic mail (e-mail) on this 2nd day of February, 2015.

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/s/ Matthew R. Tomc
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