BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Annual Revenues for Electric Service.	))))	**Case No. ER-2014-0258** **NP**

STAFF'S STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Statement of Positions,* states as follows:

1. Regulatory Policy and Economic Considerations

Missouri's general economic condition, and particularly that of the counties that compose Ameren Missouri's service area, continues to experience challenges in the wake of the recession from December 2007 to June 2009. The real gross domestic product ("GDP") growth of Missouri has been smaller than that of the United States as a whole since the recession ended, and was even negative for Missouri in the year 2011. Unemployment in Missouri is still above the pre-recession level. Data appears to show the Missouri unemployment rate leveling-off above six percent and the national trend continuing on a downward trajectory. From 2007 to 2013, the counties in the Ameren Missouri service area collectively experienced a 10.51% increase in average weekly wages. This was slightly lower than the overall Missouri compounded increase in average weekly wages of 11.56%. During that same time period, the Consumer Price Index ("CPI") increased 12.35% and electric rates for Ameren Missouri's customers increased by 43.16%. Ameren Missouri has experienced inflationary pressure illustrated by a 17.84% increase in the Producer Price Index ("PPI") for Industrial Commodities from 2007 to 2013. Ameren Missouri is currently requesting an additional $264 million or a 9.64% increase in rates. From 2007 to 2013, the increase in average weekly wages for counties in the Ameren Missouri service area is less than one-quarter of the increase in electric rates for Ameren Missouri customers. If Ameren Missouri receives its requested 9.64% increase, the increase in average weekly wages would be less than one-fifth of the increase in electric rates.

2. Advertising & Communications

A. What amount of advertising or communications expense should be included in Ameren Missouri's revenue requirement?

B. What amount, if any, of the costs incurred by Ameren Missouri for its

Community Lights campaign should be included in revenue requirement?

C. *What amount, if any, of the costs incurred by Ameren Missouri for its Social Media campaign should be included in revenue requirement?*

D. *What amount, if any, of the costs incurred by Ameren Missouri for its Energy Efficiency campaign should be included in revenue requirement?*

E. *What amount, if any, of the costs incurred by Ameren Missouri for its Cardinal Digital Outdoor Signs should be included in revenue requirement?*

F. *What amount, if any, of the costs incurred by Ameren Missouri for its Storm Response campaign should be included in revenue requirement?*

G. *What amount, if any, of the costs incurred by Ameren Missouri for its Reliability Fair should be included in revenue requirement?*

H. *What amount, if any, of the costs incurred by Ameren Missouri for its Solar Energy Center Artwork should be included in revenue requirement?*

I. *What amount, if any, of the costs incurred by Ameren Missouri for its Downtown Banners should be included in revenue requirement?*

J. *What amount, if any, of the costs incurred by Ameren Missouri for its Louie the Lightning Bug balloon should be included in revenue requirement?*

Staff has already allowed all amounts that are appropriate for advertising. According to detailed guidance received from the Commission in the past, the amounts at issue are inappropriate to charge to the ratepayers because the advertising campaigns in question do not benefit the ratepayers but rather increase share value for the shareholders.

3. Dues, including EEI and Environmental Working Groups Dues

A. *What amount should be included in Ameren Missouri's revenue requirement for dues?*

B. *What amount, if any, of the dues paid by Ameren Missouri to EEI should be included in revenue requirement?*

C. *What amount, if any, of the dues paid by Ameren Missouri to the Utility Water Act Group should be included in revenue requirement?*

D. *What amount, if any, of the dues paid by Ameren Missouri to the Utility Air*

Regulatory Group should be included in revenue requirement?

E. What amount, if any, of the dues paid by Ameren Missouri to the United Solid Waste Activities Group should be included in revenue requirement?

F. What amount, if any, of the dues paid by Ameren Missouri to the Midwest Ozone Group should be included in revenue requirement?

Staff has already allowed all amounts that are appropriate for dues. According to detailed guidance received from the Commission in the past, the amounts at issue are inappropriate to charge to the ratepayers because the activities of the organizations in question do not benefit the ratepayers but rather increase share value for the shareholders through lobbying.

4. Weather Normalization (SPS and LGS Classes)

A. What level of weather normalized sales should be used to establish the billing units used to set rates?

Staff's normalized sales to establish the billing units used to set rates are as follows:

Rate Class	Normalized kWh
Res*	13,268,023,700
SGS*	3,441,087,469
LGS*	8,066,355,291
SPS*	3,640,179,900
LPS*	3,854,773,616
LTS*	4,191,013,566
Light*	219,326,193
MSD*	191,111
Total*	**36,680,950,845**

B. How should the LGS and SPS weather normalization adjustments be allocated to the various rate blocks in order to establish normalized revenues at present rates?

Staff adjusted LGS and SGS class revenues for weather factors to approximate the adjustment to each customer's total bill to more reasonably account for Ameren Missouri's declining block rate design. Staff reviewed the Company's cumulative frequency distribution data and also performed regression analyses of each class' blocked usage. This allows Staff to reasonably estimate what portion of a normalization adjustment to apply to each block of usage for each class.

C. What capacity factor should be used for solar distributed generation systems for purposes of calculating the solar annualization adjustment to test year billing units proposed by the Company and Staff?

Both Staff and Ameren Missouri have included adjustments to load due to the installation of customer-owned solar panels in the test year which follow very similar methods but differ in three ways: the capacity factor, sales in excess of a customer's demand, and adjusting for large classes. For consistency in methods, Staff uses the same capacity factor produced by the National Renewable Energy Laboratory ("NREL") that is used for calculating the solar renewable energy credits ("SRECs"), while Ameren Missouri uses an updated capacity factor, also from NREL, that currently is not used to calculate SRECs. The other two differences are relatively minor; Staff reduced the load adjustment to account for customer generation that was in excess of customer demand and Staff did not adjust load for larger classes where there are not a significant number of solar panel installations.

D. What level of sales to Noranda should be assumed for the test year for purposes of establishing billing units?

Staff recommends use of the LTS billing units normalized to the test year level. Staff and Ameren Missouri both found the calculation of Noranda energy usage (with AECI line losses) during the test year to be 4,345,485,999 kWh. Staff's recommendation to normalize to the test year level reflects an assumption that reduction in energy consumption during the update period is not normal and should not be expected to continue going forward. This assumption is consistent with Noranda's stated expectations.

5. Income Tax

A. Should Ameren Missouri's Net Operating Loss Carryforward Related to ADIT be included in Ameren Missouri's rate base?

Staff believes the Ameren Missouri Net Operating Loss Carryforward ("NOLC") should be included to prevent the Ameren Corporation tax allocation agreement between Ameren Missouri and its affiliates from detrimentally harming Missouri ratepayers.

B. Should the Company's IRC Section 199 Deduction be computed without regard to Net Operating Loss Carryovers from prior years in determining the Company's income tax expense?

Staff does not believe a change in methodologies is required. However, Staff asserts that, if they are included, the Section 199 Deduction computation should utilize "stand alone" NOLC amounts.

6. Coal Issues

A. Should the value of Ameren Missouri's coal inventory include the value of coal in transit?

The value of coal that has not yet been delivered to Ameren Missouri, and might never be delivered, is not appropriate to include in rate base. Additionally, this coal is not available for use by Ameren Missouri.

B. What amount should be included in the revenue requirement for coal refinements revenues for the Labadie Energy Center?

Staff believes an amount of ** [redacted] ** is an appropriate level to include given that this energy center did not began the coal refinement process until the last three months of test year. While actual data exists through the true-up data of December 31, 2014, Staff believes that some of the actual data is not representative of ongoing levels given that it takes time to ramp up and stabilize the process. In addition, because the process is applied to the coal on an as needed basis, there is a seasonality factor to be considered when determining an appropriate ongoing level. Therefore, Staff utilized the amount of coal expected to be burned, as included in the fuel model in this case, to determine a reasonable level of coal refinement revenues.

7. Amortizations

A. Should the amount of solar rebates paid by Ameren Missouri and recorded to a solar rebate regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement using a 3-year amortization period?

Yes. The Commission approved a Non-Unanimous Stipulation and Agreement in Ameren Missouri Case No. ET-2014-0085, which allows Ameren Missouri to defer all solar rebate spending up to approximately $91.9 million plus a 10% cost adder to that amount to account for "carrying costs," and then calls for an amortization of that balance over three years in a subsequent rate case. That Staff has determined that through the December 31, 2014 true-up cutoff established by the Commission in this rate case that Ameren Missouri deferred and accumulated in a regulatory asset account approximately $88.1 million for solar rebates. Coupled with the 10% cost adder of approximately$8.8 million, Ameren Missouri is eligible to seek recovery of approximately $96.9 million over a three year amortization period. Staff recommends that approximately $32.3 million in amortization expense be reflected in the cost of service calculation and that this amortization begin on the operation-of-law date established by the Commission in

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this rate case.

B. Should the amount of pre-MEEIA energy efficiency expenditures incurred by Ameren Missouri and recorded to a regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

Ameren Missouri has four existing energy efficiency amortizations that were established in prior Ameren Missouri general rate cases. With the exception of the first established energy efficiency amortization that was established in Case No. ER-2008-0318, the unamortized balance for three of these amortizations is included in rate base to provide a return on the unrecovered balances. The Staff has proposed to reset the amortization of the energy efficiency amortization for the amortization that was established in Case No. ER-2010-0036 over a two-year period beginning with the effective date of rates in this rate case.

As part of this rate case, Ameren Missouri proposes to initiate a fifth energy efficiency amortization to address demand-side management or pre-MEEIA program costs that occurred after the July 31, 2012, true-up cut-off point in Case No. ER-2012-0166. Staff recommends that the approximate $3.5 million balance of the deferred pre-MEEIA program costs that were incurred since the true-up cutoff point in the last case be amortized over a six year period, $590,052 annually. Staff also recommends that the unamortized balance be included in rate base consistent with prior established ratemaking treatment for these costs.

C. Should the amount of Fukushima flood study costs incurred by Ameren Missouri and recorded to a regulatory asset be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

Yes. Staff recommends that the $926,561 of Fukushima study costs, that were mandated by the Nuclear Regulatory Commission be reflected as a regulatory asset and should be amortized over a ten-year period beginning with the effective date of rates in this rate case.

8. Noranda AAO

Should the sums authorized for deferral in Case No. EU-2012-0027 be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

The ratepayers should not pay Ameren Missouri any part of the revenue that the Company did not collect from Noranda because an ice storm caused the aluminum smelter to reduce its operations by two-thirds for a period of about 18 months. Ameren Missouri argues that a portion of the uncollected revenues reflects fixed costs that the Company had to pay even though the anticipated revenue was not received from Noranda. The risk that severe weather will interrupt power delivery to customers is a business risk inherent in Ameren Missouri's line of business and its shareholders, therefore, should absorb this loss. Staff notes that the amount in question is equivalent to the amount that Ameren Missouri was required to share with its ratepayers after it sold the power Noranda could not use due to the ice storm to other buyers as off-system sales; this request therefore represents an attempted end run by the Company around the Commission's holding.

9. Board of Directors-Related Expenditures

Should Ameren Missouri's allocated share of compensation paid to Ameren Corporation directors be included in revenue requirement?

No. There are two components of the allocated share of compensation. During the test year Ameren Missouri was allocated costs pertaining to Ameren Corporation board member fees and retainer fees as well as for stock options. The Staff recommends that no portion of either of these two components should be included in the cost of service calculation in this rate case.

Ameren Missouri already has a board of directors that represents that entity. Staff proposes no disallowance of those Ameren Missouri board costs and believes that board is sufficient. The Ameren Corporation costs represent an ownership cost that resulted from a management decision to form the parent company Ameren in order to allow Ameren to acquire other companies and restructure the overall organization. All of these costs should be retained at the parent company level. To allocate these costs to Ameren Missouri ratepayers would represent an unnecessary duplication of expenses. In addition, the Staff is aware that the Ameren Corporate Board was required to address the Ameren Energy Resources divestiture throughout a significant portion of the test year established in this case. Ameren Corporation controls all of its board minutes and does not provide the Staff with a total set of those board minutes. Therefore, Staff is prevented from making a determination as to the reasonableness of the allocated share of board member fees and retainer fees that are charged to Ameren Missouri. Furthermore, the Ameren Corporate board is conflicted in terms of making determinations of where to invest capital and therefore may not always make the best decisions for Ameren Missouri over another affiliate entity. Finally, the component of cost pertaining to the stock options that Ameren Corporation board members receive should be disallowed consistent with treatment for stock options for executives that are excluded from the cost of service calculation.

The Company has agreed with Staff's adjustments to remove costs allocated to Ameren Missouri for luxury accommodations and private jet aircraft travel for Ameren Corporations board of directors.

10. Uncollectibles

What level of uncollectible accounts expense should be included in the revenue requirement?

Staff did not change its position on the issue. Rather, Staff's positive adjustment in its direct filing went negative as part of the true-up review. Staff has received additional pertinent data request responses from the Company and has not yet calculated a final figure for this item.

11. Storm Expense and Two-Way Storm Costs Tracker

A. Should the Commission continue a two-way storm restoration cost tracker whereby storm-related non-labor operations and maintenance ("O&M") expenses for major storms would be tracked against the base amount with expenditures below the base creating a regulatory liability and expenditures above the base creating a regulatory asset, in each case along with interest at the Company's AFUDC rate?

No. Ameren Missouri has never failed to recover its extraordinary storm restoration costs (or what Ameren Missouri calls "major storm costs") and has occasionally enjoyed the benefit of having a larger amount of storm restoration costs in base rates than its actual expenditures. For these reasons, the two-way storm restoration cost tracker should be discontinued because it is unnecessary. Traditional ratemaking has allowed Ameren Missouri to recover all of its reasonable and prudent storm restoration costs.

B. If the storm cost tracker is not continued, what annualized level of major storm costs should the Commission approve in this case?

Staff agrees that a normalized level of approximately $4.6 million, based upon a 5-year average from January 1, 2010, through December 31, 2014, should be included in customer rates for storm restoration costs.

C. Should an amount of major storm cost over-recovery by Ameren Missouri be included in Ameren Missouri's revenue requirement and, if so, over what period should it be amortized?

Yes, and it should be amortized over five years and be included in the Company's revenue requirement.

12. Vegetation Management and Infrastructure Inspection Trackers

A. What amount should be included in the revenue requirement for Vegetation Management and Infrastructure Inspection?

For Vegetation Management, a normalized expense level of $54,504,662. For Infrastructure Inspections, a normalized expense level: $5,827,267. In addition, an annual overall amortization expense level of $513,270 should be included.

B. Should the vegetation management and infrastructure inspection trackers be continued?

These trackers should be discontinued now that the first cycle of each activity has been completed and the cost impact is known. These trackers were put in place to capture the unknown expense levels associated with the change to vegetation management and infrastructure inspections as a result of the Commission's new rules. Now, over six years later, there is a complete history of those costs through an entire urban and rural cycle. Although there is some fluctuation in these costs from year-to-year, there is no indication that a renewal of the trackers is warranted.

C. If the vegetation management and infrastructure inspection trackers are not continued, what annualized level of vegetation management and infrastructure inspection costs should the Commission approve in this case?

For Vegetation Management, a normalized expense level of $54,504,662. For Infrastructure Inspections, a normalized expense level: $5,827,267.

D. Should an amount of vegetation management and infrastructure inspection cost over-recovery by Ameren Missouri be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

Staff has included a net level of amortization expense for vegetation management and infrastructure inspections which addresses both the over-recovery and under-recovery of the prior amortization level as well as the tracked amounts since the last case. Staff has amortized the amount over a 3-year amortization period.

13. Union Proposals

A. Can the Commission mandate or require that the Company address its workforce needs in a particular manner and, if so, should it do so?

Staff has no position on this issue.

B. Should the Commission require the additional reporting requested by Mr. Walters?

Staff has no position on this issue.

14. Rate Case Expense

What is the appropriate amount to include in Ameren Missouri's revenue requirement for Rate Case Expense?

Staff recommends inclusion of all prudent and reasonable rate case expense incurred by Ameren Missouri through two weeks after the filing of reply/true-up briefs in this case. Staff has currently included an estimated placeholder amount in its cost of service until such time that all invoices and other documentation of actual costs incurred by Ameren Missouri are provided to the Staff for review by April 24, 2015. Staff further recommends that the final determination of rate case expense be normalized over an 18-month period.

Staff recommends that the Commission reject all costs that Ameren Missouri incurred in connection with its use of a consultant to perform a cash working capital ("CWC") analysis for this case. Ameren Missouri possesses the regulatory experience, knowledge and resources to perform this entry-level accounting function in-house, without the assistance of an outside consultant. In addition, there is ample time between rate cases to allow Ameren Missouri to address changes to any revenue or expense lags as part of any Ameren Missouri rate increase request. Finally, Staff recommends that the Commission normalize the costs associated with two studies used by Ameren Missouri in this rate case proceeding over five years: (1) a depreciation study and (2) a Meramec coal plant life-span study, because both of these studies are infrequent in nature.

15. Miscellaneous Revenue Requirement Issues

A. What amount of corporate franchise tax should be included in the revenue requirement?

Based on true-up information provided by the Company, Ameren Missouri's Missouri corporate franchise tax liability, after credits, for 2015 is $351,305. This is the last Missouri corporate franchise tax payment that the Company will be required to pay due to the elimination of the tax effective January 1, 2016. Consistent with Staff's rate case expense normalization period, Staff has normalized the Missouri corporate franchise tax over 18 months. Staff has included a $284,002 normalized level of electric-only Missouri corporate franchise tax as part of its true-up audit cost-of-service calculation.

B. Should the investment through December 31, 2014, in an extension of the Nuclear Regulatory Commission ("NRC") license for the Callaway Energy Center be included in rate base if the extension is issued by the NRC by the filing of reply briefs in this case?

Staff opposes the inclusion of any amount in rates for capital costs associated with Ameren Missouri's efforts to obtain approval from the Nuclear Regulatory Commission ("NRC") to extend the life of the Callaway nuclear power plant by 20 years beyond 2024 because the NRC has not yet granted approval.

C. How should the DOE breach-of-contract settlement amounts be treated in this case?

Staff is recommending that, going forward, the Commission require the Company to record any refunds that Ameren Missouri receives from DOE for prior expenses that Ameren Missouri incurred for spent nuclear fuel storage in an above-the-line expense account, as a contra-expense within the account the original expense was booked to, as described in Lisa Ferguson's rebuttal testimony on page 5. Staff is also recommending the Commission require the Company to notify the Staff's Chief Counsel within 30 calendar days after the reimbursement is received. This accounting treatment will provide greater transparency of the refunds for expenses incurred that Ameren Missouri may receive in the future and allow the parties ample opportunity to investigate and determine if any of the refunded expense had been previously paid for by ratepayers and, therefore, should be returned to the customers. This treatment is primarily because Ameren Missouri recorded a refund of expenses that were received during the test year established in the prior rate case (ER-2012-0166) in a below-the-line, non-operating revenue account. The Staff was not notified of this reimbursement, thus Staff was unaware of this reimbursement and the potential for a customer refund was not examined in the last rate case. For these reasons the Staff requests the Commission to require Ameren Missouri to record DOE refunds for expense as specifically described in Lisa Ferguson's rebuttal testimony on page 5 through 7.

16. Return on Common Equity ("ROE")

In consideration of all relevant factors, what is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Ameren Missouri's Rate of Return?

Staff recommends that the Commission allow Ameren Missouri a Return on Equity ("ROE") in the range 9.00% to 9.50%, midpoint 9.25%. The four recommendations before the Commission in this case range between 8.74% and 10.60%.

Capital market activity through the end of 2014, particularly relating to utility stocks, provides evidence that there has been a significant decrease in the cost of equity for the electric utility industry since 2012. This provides substantial support that Ameren Missouri's allowed return on common equity ("ROE") should be reduced to at least 9.25%. Consider: for the twelve months ending December 31, 2014, the total return on the Dow Jones Industrial Average was 7.52%, the total return on the Standard & Poor's 500 ("S&P 500") was 14.69%, and the total return of companies classified as regulated utilities by the Edison Electric Institute ("EEI") was 32.86%. On a quarterly basis, for the three months ending December 31, 2014, the total return on the Dow was 4.58%, the total return on the S&P 500 was 4.93%, and the total return of EEI's regulated utilities was 16.44%. This significant increase in utility stock prices reflects a steep decline in the cost of capital. It is Staff's position that the COE for the electric utility industry has declined by at least 50 basis points, which forms the basis for Staff's recommendation to lower Ameren Missouri's allowed ROE to 9.25%.

18. Lobbying Expenditures

Should rent allocated to Ameren Missouri for Ameren Services' office in Washington D.C. be included in the revenue requirement?

Staff seeks to disallow $56,000 for the cost of Ameren's Washington D.C. office space on the grounds that this expenditure is not necessary for the provision of safe and adequate service and thus provides no direct benefits to ratepayers.

19. Incentive Compensation

A. Should the safety component of the EIP-O incentive compensation plan be included in revenue requirement?

Staff disallowed all of the EIP-O incentive compensation awards, even the portion tied to safety goals, because safety is something that Ameren Missouri executives should address as part of their base compensation. **[redacted]**

B. Should payments made under the BNA program be included in revenue requirement?

BNA payments are made by the Company to executive employees. They are not required by any contract and are in addition to the employees' standard compensation. These payments are in the nature of "sign-on" or retention bonus payments. They are not awarded on the basis of any performance metrics such

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as Key Performance Indicators ("KPI") or scorecards; instead, they are purely discretionary. These payments should be disallowed because they provide no benefit to the ratepayers.

C. Should payments made to non-union employees made under the BBI program be included in revenue requirement?

BBI payments made to non-union, executive employees should be disallowed because they are made pursuant to an internal Company "equity" policy under which executives receive bonuses who participate in activities for which union employees receive bonuses required by collective bargaining agreements. Any claim that management employees must be given a bonus equal in amount to those given to contract employees otherwise the management employees will be underpaid is not supported by the evidence. Additionally, the bonuses paid to executives were larger than those paid to union employees. Other bonuses were paid to executives under conditions not disclosed to Staff.

20. Class Cost of Service, Revenue Allocation and Rate Design

A. What methodology should the Commission use to allocate generation fixed costs among customer classes?

Staff recommends the Commission rely on a study that most reasonably recognizes the relationship between Ameren Missouri's generation fleet characteristics and the capacity requirements of its load. Staff's Detailed Base Intermediate and Peak ("BIP") method most reasonably recognizes Ameren Missouri's load is most efficiently served by some plants that run virtually year round (base), some that run only part of the year (intermediate), and some that run rarely during the year (peak). Staff's BIP method also recognizes the fact that base plants tend to be more expensive to install, but have a lower average cost of energy, while peak plants tend to be less expensive to install, but have a high average cost of energy, and that intermediate-surrogate plants tend to be somewhere between the two. Because the Detailed BIP most reasonably recognizes the relationship between the cost of the plants required to serve various levels of demand and energy requirements relative to the cost of producing energy at those plants, Staff recommends reliance on its Detailed BIP study.

Under Staff's Detailed BIP study, Staff found the level of base, intermediate, and peak demands for each class. Staff found the average \$/MW of Ameren Missouri's base, intermediate-surrogate, and peak generation. Staff multiplied (1) each class's base demand (in MW) by Ameren Missouri's dollar-weighted average base capacity cost, (2) each class's intermediate demand (in MW) by Ameren Missouri's dollar-weighted average intermediate-surrogate capacity cost, and (3) each class's peak demand (in MW) by Ameren Missouri's dollar-weighted average peak capacity cost. The sum of these assigned costs for each class relative to the total of the assigned costs for all classes is the most reasonable basis for allocating

Ameren Missouri's fixed capacity costs among the customer classes.

B. How should the non-fuel, non-labor components of production, operation and maintenance expense be classified and allocated?

Staff recommends the Commission rely on a study that most reasonably recognizes the relationship between Ameren Missouri's generation fleet characteristics and the capacity and energy requirements of its load. Staff's BIP method recognizes the fact that base plants tend to have a higher-than-average O&M cost per MW of installed capacity, but operate more hours, resulting in a lower-than-average O&M cost per MWh of generation; while peak plants tend to have a lower-than-average O&M cost per MW of installed capacity, but operate few hours, resulting in a higher-than-average O&M cost per MWh of generation. The intermediate-surrogate plants in Ameren Missouri's fleet require a relatively high O&M cost per MW of installed capacity, but operate sufficient hours that the O&M costs per MWh from Ameren Missouri's intermediate-surrogate plants is in between that of the base and peak plants.

Under Staff's Detailed BIP, Staff found the average O&M cost per MW for Ameren Missouri's (1) base, (2) intermediate-surrogate, and (3) peak plants. Staff applied the resulting dollar-weighted average cost per MW to the sum of Ameren Missouri's load's total base, intermediate, and peak demands. Staff divided this amount by the MWh of energy generated by each applicable unit in Staff's fuel run, for assignment to each class on a $/MWh basis.

Having found the average O&M cost per $/MWh of Ameren Missouri's base, intermediate-surrogate, and peak generation, Staff multiplied (1) each class's base energy usage (in MWh) by Ameren Missouri's dollar-weighted average base O&M cost, (2) each class's intermediate energy usage (in MWh) by Ameren Missouri's dollar-weighted average intermediate-surrogate O&M cost, and (3) each class's peak energy usage (in MWh) by Ameren Missouri's dollar-weighted average peak O&M cost. The sum of these assigned costs for each class relative to the total of the assigned costs for all classes is the most reasonable basis for allocating Ameren Missouri's O&M costs among the customer classes.

C. How should any rate increase be collected from the several customer classes?

Staff's rate design recommendations in this case are based on a six-step process. Based on CCOS results, Step 1 is to increase/decrease the current base retail revenue on a revenue-neutral basis to various classes of customers. The Ameren Missouri Residential and LTS classes should receive a positive 0.50% adjustment, and the SGS and LGS/SPS classes should receive a negative adjustment of approximately 0.63%.

After making the recommended revenue-neutral adjustments, Step 2 is to assign directly to applicable customer classes the portion of the revenue increase/decrease that is attributable to Energy Efficiency ("EE") programs from the Pre-MEEIA program costs. The Pre-MEEIA program costs consist of the program costs for increases/decreases in the revenue requirement associated with the amortization of Pre-MEEIA program costs.

Step 3 is to determine the amount of revenue increase awarded to Ameren Missouri that is not associated with EE revenue from Pre-MEEIA revenue requirement assigned in Step 2, by subtracting the total amount in Step 2 from the total increase awarded to Ameren Missouri. This amount will be allocated to customer classes as an equal percent of current base revenues after making the adjustment in Step 1.

Step 4 recommends the Commission should order Ameren Missouri's rate schedules to be uniform for certain interrelationships among the non-residential rate schedules that are integral to Ameren Missouri's rate design. The following features are uniform and should remain uniform: (1) the value of the customer charge will be uniform across rate schedules, with the customer charge on the SPS, LPS, and LTS rate schedules being the same; (2) the rates for Rider B voltage credits will be the same under all applicable rate schedules; (3) the rate for the Reactive Charge will be the same for all applicable rate schedules; and (4) the rate associated with Time-of-Day meter charge will be the same for all applicable non-residential rate schedules (LGS, SPS, LPS, and LTS).

Step 5 recommends that based on CCOS results, the residential customer charge rate remain at the current charge of $8.00 per month.

Step 6 recommends that each rate component of each class be increased across-the-board for each class on an equal percentage basis after consideration of steps 1 through 5.

D. What should the Residential Class customer charge be?

Based on the guidance the Commission provided in Case No. ER-2012-0166, Ameren Missouri's last general rate case proceeding, concerning maximizing the benefits of energy conservation efforts, Staff recommends that the residential customer charge remain the same at $8.00. Staff calculated a residential customer charge cost-basis of $8.11 in Staff's direct Class Cost of Service study (based on an ROR of 7.501%). This calculated cost is not inconsistent with Staff's recommendation to retain Ameren Missouri's current residential customer charge at $8.00, for policy purposes.

E. Should the Commission approve Wal-Mart's proposed shift to increase the demand component of the hours-use rate design for Large General Service and Small Primary Service?

Staff does not support the recommendation by Mr. Chriss at this time. There are approximately 11,000 customers in the LGS/SPS rate classes. Specific customer impacts would be needed to analyze the proposal along with potential rate switchers. Staff believes that the hours-use rate design is an appropriate demand rate design that functions on the basis of the customer's monthly load factor.

F. Should the Commission approve Wal-Mart's recommendation to require the Company to present analyses of alternatives to the hours-use rate design in its next rate case?

Staff would not oppose specific customer information/analyses on alternatives to the hours-use rate design in its next rate case.

G. What methodology should the Commission use to allocate off-system sales revenues among customer classes?

Because Ameren Missouri's off-system sales revenues do not vary consistently with the amount of energy sold to a particular retail class, it is most reasonable to allocate off-system sales margins on the basis of the production-capacity allocation, and the cost of fuel and purchased power to make off-system sales on the basis of the production-energy allocation. Staff recommends use of its Detailed BIP OSS allocator. Staff's weighted allocator allocates off-system sales revenues to compensate each class on an energy basis for the fuel for off-system sales that was allocated to the each class using the energy allocator. This compensates each class for the share of fuel and purchase power expense that were used to generate the off-system sales energy.

H. What methodology should the Commission use to allocate income tax expense among customer classes?

Staff recommends that for this case the most reasonable method to allocate income tax expense to customer classes is to allocate based on class earnings, as Staff did in its Class Cost of Service Study.

I. What methodology should the Commission use to allocate fuel and purchased power costs among customer classes?

Staff recommends the Commission rely on a study that most reasonably recognizes the relationship between Ameren Missouri's generation fleet characteristics and the energy requirements of its load. Staff's Detailed Base Intermediate and Peak (BIP) method most reasonably recognizes Ameren Missouri's load is most efficiently served by some plants that run virtually year round (base), some that run only part of the year (intermediate), and some that run rarely during the year (peak). Staff's BIP method also recognizes the fact that base plants tend to be more expensive to install, but have a lower average cost of energy, while peak plants tend to be less expensive to install, but have a high average cost of energy, and that intermediate-surrogate plants tend to be somewhere between the two. Because the Detailed BIP method most reasonably recognizes the relationship between the cost of the plants required to serve various levels of demand and energy requirements relative to the cost producing energy at those plants, Staff recommends reliance on its Detailed BIP study.

Under Staff's Detailed BIP, Staff found the level of base, intermediate, and peak energy usage for each class. Staff found the average $/MWh of energy produced by Ameren Missouri's base, intermediate-surrogate, and peak generation. Staff multiplied (1) each class's base energy usage (in MWh) by Ameren Missouri's dollar-weighted average base energy cost, (2) each class's intermediate energy usage (in MWh) by Ameren Missouri's dollar-weighted average intermediate-surrogate energy cost, and (3) each class's peak energy usage (in MWh) by Ameren Missouri's dollar-weighted average peak energy cost. The sum of these assigned costs for each class relative to the total of the assigned costs for all classes is the most reasonable basis for allocating Ameren Missouri's fuel and purchased power costs among the customer classes.

21. Depreciation

A. What amount of depreciation expense should be included in Ameren Missouri's revenue requirement?

Staff has not yet calculated this figure using true-up data, however, the change in the Meramec Energy Center retirement date from the current date of 2027 used to calculate depreciation rates to the Company projected retirement date of 2022 causes an increase in Ameren Missouri's annual depreciation expense of about $16.2 million, from about $29.4 million to about $45.6 million.

B. What amount of depreciation expense should be included in Ameren Missouri's revenue requirement for Accounts 364 and 369 (minor account 1)?

Staff, after reviewing the Company depreciation study for Plant Accounts 364 (Poles and Fixtures) and 369.1 (Overhead Services), believes the cost of removal charges shown by the Company are excessive and Staff has recommended a cap of a negative 100% net salvage, allowing Staff and the Company until the next rate case to review and propose Company practices related to salvage, cost of removal labor charges and disposal methods for equipment removed from service in these two accounts. Staff's recommendation results in a lower annual depreciation expense than the Company proposal by approximately $21 million.

22. Economic Development Rate Design Mechanisms

A. Should the Commission expand the application of Ameren Missouri's existing Economic Development Riders?

Staff promotes/supports economic development to the extent that a utility receives an amount above its marginal costs on sales of electricity to new or expanding customers, providing a contribution to cover fixed charges. Staff would support the formation of a collaborative process with all interested stakeholders.

B. Should the Commission modify Ameren Missouri's existing Economic Development Riders to require recipients to participate in the Company's energy efficiency programs?

In July 2006, Ameren Missouri proposed two new tariffs relating to economic development. The two new tariffs outline an Economic Development and Retention Rider ("EDRR") and an Economic Redevelopment Rider ("ERR"). Since inception of Ameren Missouri's ERR, effective June 1, 2007, no customer has participated in the ERR Rider. Likewise, since inception of Ameren Missouri's EDRR, effective June 1, 2007, only one customer has signed up for the EDRR Rider. The energy efficiency provision would make the riders more restrictive. Staff would not support a more restrictive mechanism at this time since only one customer has participated in seven years.

C. Should the Commission open a docket to explore the role economic development riders have across regulated industries (i.e. water, electric, natural gas) and/or to further explore issues raised by parties in this case and issues the Commission inquired about at the beginning of the case?

Staff promotes/supports economic development to the extent that a utility receives an amount above its marginal costs on sales of electricity to new or expanding customers, providing a contribution to cover fixed charges. Staff would support the formation of a collaborative process with all interested stakeholders.

23. MEEIA Low Income Exemption

Should the Commission approve an exemption of MEEIA charges for low income customers? If so, should the cost of exemption be paid by only residential customers or all customers?

Staff neither supports nor opposes Ameren Missouri's proposed exemption for Missouri Energy Efficiency Investment Act ("MEEIA") charges for low-income residential customers. Staff recommends spreading the costs of this exemption across all classes rather than just the residential customer class alone. Ameren

Missouri and the Office of Public Counsel accepted this recommendation in surrebuttal.

23. Street Lighting

A. Can the Commission mandate or require that the Company sell its street lights to the Cities?

B. Should the Commission approve a revenue-neutral adjustment between customer-owned and Company-owned lighting rates?

C. Should the Commission eliminate the termination fees from the Ameren Missouri-owned lighting rate?

The Cities currently receive electric service from Ameren Missouri under the 5(M) tariff for Street and Outdoor Area Lighting – Company-Owned. The Cities want to have the option to purchase these light fixtures from Ameren Missouri at fair market value, and, in turn, to receive electric service from Ameren Missouri under the 6(M) tariff for Street and Outdoor Area Lighting – Customer-Owned, which would reduce their monthly payments to Ameren Missouri. So far, Ameren Missouri and the Cities are unable to reach agreement. Staff supports the two-step process where there is mutual agreement between the parties and the transaction is presented to the Commission for approval, so if Ameren Missouri and the Cities reach agreement, Staff would not oppose it.

24. LED Street Lighting

Should the Commission order Ameren Missouri to continue to study the cost-effectiveness of replacement of all or parts of existing company-owned street lights with LED lights, and, no later than twelve (12) months following the Commission's Report and Order in this case, to file either proposed LED lighting tariffs or an update to the Commission on when it will file a proposed LED lighting tariff to replace existing company-owned street lights?

Staff recommends that the Commission order Ameren Missouri to continue to study the cost-effectiveness of replacement of all or parts of existing company-owned street lights with LED lights, and, no later than twelve months following the Commission's *Report and Order* in this case, to file either proposed LED lighting tariffs or an update to the Commission on when it will file a proposed LED lighting tariff to replace existing company-owned street lights.

25. Other Tariff issues

Should the Commission order the Company to eliminate the 7(M) lighting class (Municipal Incandescent Street Lighting)?

Staff supports the Company's proposal to eliminate service classification 7(M).

26. Supplemental Service

Should the Commission eliminate or modify the terms of Ameren Missouri's Supplemental Service tariff (aka. Rider E)?

Staff does not support modification to Rider E. If any change to Rider E is contemplated, stakeholders should be consulted via a workshop, that should consider the interaction with PURPA, and other avoided-cost rates, as well as solar credits.

27. Ameren Services Allocations

A. What level of Ameren Services Company allocations should be included in the Company's revenue requirement?

Staff made several adjustments for Ameren Service Company ("AMS") allocated costs throughout various issues included in its cost of service. Staff's position does not include an adjustment related to IT costs of $4.8 million as proposed by Ameren Missouri.

B. Should the Commission open a separate docket to further examine Ameren Services Company's costs after this rate case is over?

Staff believes that Ameren Missouri should seek approval for their Cost Allocation Manual ("CAM") as part of their next rate case and, through that process, a thorough examination of AMS's costs can be made.

28. Net Base Energy Costs

At what level should net base energy costs be set in this case?

Net base energy costs for this case should be set at a level of **[redacted]**. This number represents net of fuel and purchased power costs and off-system sales margins with adjustments made to reflect other costs and other sales revenues. Other costs include MISO Day 2 expense, common boundary purchases, ancillary services, PJM expense, and net of transmission by others and transmission revenues. Other sales include revenues received as a result of MISO Day 2 payments, capacity sales, ancillary services, bilateral energy sales margins, generation and load deviations, and financial swaps. Finally, this level of net base energy costs is based on the assumption that Noranda will be at full load.

29. Labadie ESPs

A. *Should the Company's investment in electrostatic precipitators installed at the Labadie Energy Center be included in the Company's rate base?*

Yes, as adjusted by Staff.

B. *Should Ameren Missouri's rate base be reduced by $408,048 because of damage to collector plates used in the Labadie ESP project?*

The final cost for the ESP project, to be included in the cost of service, is $183,282,825. Staff has included the project's actual costs except for $408,048 for 94 ESP plates that were not installed in Unit 2 due to damage that occurred to the plates while they were stored on site at the Labadie Energy Center. The adjustment includes the cost of the plates, plus all applicable accrued AFUDC, less the scrap salvage value that Ameren Missouri received for the damaged plates. The costs associated with the damaged plates were imprudently incurred because Ameren Missouri and its contractor, Alberici, did no analysis when storing the plates, despite the caution in the instructions provided by the manufacturer, Teco, and their presumed knowledge of the fact that strong winds do occur at Labadie.

30. Fuel Adjustment Clause ("FAC")

A. *Did the Company fail to comply with the "complete explanation" provisions of 4 CSR 240-3.161(3)(H) and (I) and, if so, would this justify the elimination of the Company's fuel adjustment clause?*

B. *Did the Company fail to provide information on the magnitude, volatility and the Company's ability to manage the costs and revenues that it proposes to include in its FAC and, if so, would this justify the elimination of the Company's fuel adjustment clause?*

C. *If the FAC continues should the sharing percentage be changed to 90%/10%?*

D. *Should transmission charges associated with power that is generated by Ameren Missouri for its load or transmission charges associated with off-*

system sales be included in the FAC as transportation of "purchased power"?

E. If the FAC continues, what costs and revenues should be included in the Company's FAC:

1. Should only fuel and purchased power costs, transportation of the fuel commodity, transmission associated with purchased power costs and off-system sales revenues be included?

2. If costs and revenues other than those listed in item 1 above are included in the FAC, should cost or revenue types in which the Company has incurred less than $390,000 in the test year be included, and what charges and revenues from MISO should be included?

3. Should transmission revenues continue to be included in the FAC?

Staff recommends the Commission approve continuation of Ameren Missouri's Fuel Adjustment Clause ("FAC") with the below modifications:

- Ameren Missouri's FAC tariff sheets should be revised to reflect re-basing of the Winter and Summer Base Factors;
- Ameren Missouri's FAC tariff sheets should be revised to clarify that the fuel costs related to the Company's landfill gas generating plant known as Maryland Heights Energy Center are excluded from the FAC; and
- Ameren Missouri should continue to provide additional monthly filings that will aid the Staff in performing FAC tariff, prudence and true-up reviews.

31. Noranda Rate Proposal

A. Is Noranda experiencing a liquidity crisis such that it is likely to cease operations at its New Madrid smelter if it cannot obtain relief of the sort sought here?

Staff has no position on sub-issue 29Aor any of its sub-sub-issues.

1. If so, would the closure of the New Madrid smelter represent a significant detriment to the economy of Southeast Missouri, to local tax revenues, and to state tax revenues?

2. *If so, can the Commission lawfully grant the requested relief?*

3. *If so, should the Commission grant the requested relief?*

B. Would rates for Ameren Missouri's ratepayers other than Noranda be lower if Noranda remains on Ameren Missouri's system at the reduced rate?

Under test year conditions, at a rate of $32.50 with no participation in the FAC, the rates for Ameren Missouri's other ratepayers would be *lower* if Noranda remains on Ameren Missouri's system, than if Noranda ceased service with Ameren Missouri. This analysis is premised on no change to: (1) the wholesale power prices used in Staff's modeling, (2) the level of transmission costs such as MISO 26a, average ancillary service costs, and MISO charges assessed on load or load ratio share, and (3) Ameren Missouri's cost of fuel and purchased power. If these or other conditions change, other ratepayers' rates would vary.

C. Would it be more beneficial to Ameren Missouri's ratepayers other than Noranda for Noranda to remain on Ameren Missouri's system at the requested reduced rate than for Noranda to leave Ameren Missouri's system entirely?

Under test year conditions, assuming no change to the (1) wholesale power prices used in Staff's modeling, (2) the level of transmission costs such as MISO 26a, average ancillary service costs, and MISO charges assessed on load or load ratio share, and (3) Ameren Missouri's cost of fuel and purchased power, rates for Ameren Missouri's other ratepayers would be lower if Noranda remains on Ameren Missouri's system at a rate of $32.50 and without participation in the FAC, than if Noranda ceased receipt of service from Ameren Missouri. If these or other conditions change, other ratepayers' rates would vary.

D. Is it appropriate to redesign Ameren Missouri's tariffs and rates on the basis of Noranda's proposal, as described in its Direct Testimony and updated in its Surrebuttal Testimony?

No.

1. *If so, should Noranda be exempted from the FAC?*

No.

2. *If so, should Noranda's rate increases be capped in any manner?*

No.

3. If so, can the Commission change the terms of Noranda's service obligation to Ameren Missouri and of Ameren Missouri's service obligation to Noranda?

Staff takes no position on this issue.

4. If so, should the resulting revenue deficiency be made up by other rate payers in whole or in part?

Ameren Missouri is entitled to a reasonable opportunity to earn a fair rate of return, so known revenue deficiencies would need to be made up by other ratepayers. However, other ratepayers should not bear responsibility for Ameren Missouri's price risk in obtaining wholesale power to serve Noranda.

5. If so, how should the amount of the resulting revenue deficiency be calculated?

6. If so, can the resulting revenue deficiency lawfully be allocated between ratepayers and Ameren Missouri's shareholders?

i. How should the revenue deficiency allocated to other ratepayers be allocated on an interclass basis?

ii. How should the revenue deficiency allocated to other ratepayers be allocated on an intra-class basis?

7. If so, what, if any, conditions or commitments should the Commission require of Noranda?

E. What is Ameren Missouri's variable cost of service to Noranda?

Under test year conditions, assuming no change to the (1) wholesale power prices used in Staff's modeling, (2) the level of transmission costs such as MISO 26a, average ancillary service costs, and MISO charges assessed on load or load ratio share, and (3) Ameren Missouri's cost of fuel and purchased power, using the wholesale cost of power assumed in Staff's fuel run, Ameren Missouri's variable cost of service to Noranda is approximately $118,777,387.

1. Should this quantification of variable cost be offset by an allowance for Off-System Sales Margin Revenue?

No.

2. What revenue benefit or detriment does the Ameren Missouri *system receive from provision of service to Noranda at a rate of $32.50/MWh?*

Under test year conditions, assuming no change to the (1) wholesale power prices used in Staff's modeling, (2) the level of transmission costs such as MISO 26a, average ancillary service costs, and MISO charges assessed on load or load ratio share, and (3) Ameren Missouri's cost of fuel and purchased power, using the wholesale cost of power assumed in Staff's fuel run, Noranda would contribute approximately $40,595,593 in excess of what Ameren Missouri would spend to procure that energy, at a rate of $32.50/MWh if Noranda remains on Ameren Missouri's system at a rate of $32.50 If these or other conditions change, the estimated benefit or detriment will vary.

F. Should Noranda be served at rate materially different than Ameren Missouri's fully distributed cost to serve them? If so, at what rate?

No. Staff recommends rates be set on fully-allocated costs of service. All class cost of service studies indicated Noranda's current revenues are insufficient. Staff recommends a modest move toward paying its cost of service, which would require Noranda revenues in the amount of approximately $167,032,790, to be applied as an equal percentage increase to all existing LTS tariff rate components. While Staff does not recommend billing Noranda on an energy-only basis, this class revenue requirement equates to an energy-only rate of approximately $39.78/MWh, at Noranda's meter.

G. Is it appropriate to remove Noranda as a retail customer as proposed by Ameren Missouri in its Rebuttal Testimony?

1. Can the Commission cancel the Certificate of Convenience and Necessity that was granted for Ameren Missouri to provide service to Noranda and, if so, would the cancellation of the CCN be in the public interests?

Staff does not object to Ameren Missouri and Noranda reaching a reasonable agreement at a reasonable price on reasonable terms. However, under Ameren Missouri's proposal, all risk of the contract price not covering Ameren Missouri's actual cost to provide wholesale service to Noranda would fall on Ameren Missouri's captive retail customers. A properly-designed escalator provision could protect all parties. For example, Ameren Missouri could index Noranda's wholesale price to the market price of energy for Noranda - including transmission and other expenses - and periodically adjust Noranda's rate accordingly. Absent such an adjustment mechanism, a reasonable rate for Ameren Missouri to serve Noranda at wholesale pursuant to a long-term contract would possibly be higher than the fully-allocated cost of service calculated by Staff and other parties, as the cost-of-service calculations are directed at a snapshot in time and reflective of current energy and transmission costs. Until Ameren Missouri has provided to Staff an analysis that takes into consideration all necessary cost aspects associated with the proposed agreement, Staff can only recommend that the Commission not approve the transaction.

2. Can the Commission grant Ameren Missouri's proposal since notification regarding the impact of this proposal on its other customers' bills was not provided to Ameren Missouri's customers?

This is a legal issue that Staff will brief.

3. If the Commission grants Ameren Missouri's proposal, should the costs and revenues flow through the FAC?

Staff cannot provide specific recommendations until Noranda and Ameren Missouri have permitted Staff to review the actual terms of their proposed wholesale contract. However, Staff recommends that should Noranda become a wholesale customer of Ameren Missouri, due to the size of Noranda's load, it will likely be necessary to allocate the cost of service of Noranda to the wholesale jurisdiction. If this is necessary, Staff recommends that the Ameren Missouri Missouri-jurisdictional revenue requirement otherwise found in this case be reduced by this wholesale jurisdictional amount. Staff does not recommend that any such contract be flowed through the FAC, thus slight modifications to the Ameren Missouri FAC tariffs will be necessary if Ameren Missouri and Noranda do enter into a wholesale contract.

4. Can Ameren Missouri and Noranda end their current contract without approval of all of the parties to the Unanimous Stipulation and Agreement in the case in which Ameren Missouri was granted the CCN to serve Noranda?

This is a legal issue that Staff will brief.

WHEREFORE, the Staff of the Missouri Public Service Commission tenders its *Statement of Positions on the Issues.*

Respectfully submitted,

s/ Kevin A. Thompson

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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this **19th day of February, 2015,** to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

s/ Kevin A. Thompson