

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

In the Matter of the Application of Union Electric)	
Company d/b/a Ameren Missouri for an Order)	
Authorizing the Issue and Sale of Up to)	<u>File No. EF-2019-0239</u>
\$400,000,000 Aggregate Principal Amount of)	
Additional Long-Term Indebtedness)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), through counsel, and files its *Staff's Recommendation* ("Recommendation"), recommending that the Missouri Public Service Commission approve Union Electric Company's d/b/a Ameren Missouri ("Ameren Missouri") *Motion for Expedited Treatment and Application for Financing Authority* ("Motion and Application"), with conditions. Also, Staff has no objection to the Commission granting Ameren Missouri's motion for expedited consideration. In support of Staff's Memorandum, Staff states as follows:

1. On July 5, 2019 Ameren Missouri filed its Motion and Application, pursuant to Sections 393.180 and 393.200 RSMo, 4 CSR 240-2.060, and 4 CSR 240-10.125. On July 8, 2019 the Commission issued an *Order Directing Staff to File Recommendation* requiring Staff to file its recommendation no later than August 8, 2019.

2. Ameren Missouri proposes to issue and sell from time to time, in one or more transactions, up to \$350 million¹ aggregate principal amount of New Indebtedness

¹ In its 60-day *Notice*, dated February 13, 2019, Ameren Missouri stated that it intended to file an application for permission to issue up to \$400 million in additional long-term indebtedness. Ameren Missouri, *Notice*, EF-2019-0239 (Feb. 13, 2019). Ameren Missouri explained in its Motion and Application that at the time of the *Notice* it did not yet know the final amount of the proposed issuance, and its actual request is for authority to issue \$350 million in bonding. Ameren Missouri, *Motion for Expedited Treatment and Application for Financing Authority*, EF-2019-0239 1 n.1 (July 5, 2019).

in first mortgage bonds or other forms of secured indebtedness (including senior secured debt securities secured by a corresponding series of first mortgage bonds).

3. Ameren Missouri proposes to use the proceeds from the issuance and sale of this New Indebtedness, after payment of underwriters, (1) to pay \$244,310,000 principal amount of its 5.10% Senior Secured Notes due October 1, 2019, or short-term debt incurred as a result of paying this debt at maturity, and (2) to refinance other short-term debt, consisting of commercial paper borrowings and potentially, money pool borrowings.

4. Ameren Missouri requests that to provide flexibility with respect to the issuance of the New Indebtedness, a Commission order approving the Application become effective no later than September 15, 2019. Ameren Missouri also requests that the Commission's order be effective for a one-year term from its effective date.²

5. Staff proposes seven conditions in its Memorandum:

- i. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserve the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later rate proceeding;
- ii. That the Company shall file with the Commission within 10 days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance. In addition, the Company shall also provide the analysis, to include but not be limited to indicative pricing information provided by investment banks, it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time;

² Ameren Missouri, *Motion for Expedited Treatment and Application for Financing Authority*, EF-2019-0239 ¶ 20 (July 5, 2019).

- iii. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance;
- iv. That the Company shall file with the Commission as a non-case related submission in EFIS under “Resources” - “Non-Case Related Query” - “Ordered Submission” any credit rating agency reports published on Ameren Missouri’s or Ameren’s corporate credit quality or the credit quality of its securities;
- v. That Ameren Missouri be required to file a five-year capitalization expenditure schedule in future finance cases;
- vi. That Ameren Missouri be required to file in future finance cases whereby the use of proceeds includes the repayment of short-term debt which cannot be linked to the repayment of long-term debt, a schedule that reconciles short-term debt incurred for purposes of long-term capital projects specifically and individually disclosed in quarterly and annual filings with the Securities and Exchange Commission. For those capital expenditures not categorized in Securities and Exchange Commission filings, Ameren Missouri shall provide an aggregate sum of the miscellaneous expenditures; and
- vii. That the Commission’s grant of authority shall expire one year from the effective date of the order in this proceeding.

6. Ameren Missouri notes that “pursuant to the Commission’s *Order Approving Application* issued on February 20, 2019, in File No. EF-2019-0215 (*2019 Order*), the Company agreed to meet certain additional conditions in its subsequent requests for financing authority,”³ which are the same as those requested by Staff in the attached Staff Memorandum. These conditions are:

- i. Condition c: Ameren Missouri stated that it has not had any communication with credit rating agencies concerning this issuance.⁴

³ *Id.* at ¶ 1. See also Ameren Missouri, *Response to Staff Recommendation*, EF-2019-0215 (Mar. 2, 2019).

⁴ Ameren Missouri, *supra* note 2 at ¶ 17.

ii. Condition e: Ameren Missouri's Schedule 4, attached to its Motion and Application, satisfies this condition.⁵

iii. Condition f: Ameren Missouri's Schedule 5, attached to its Motion and Application, satisfies this condition.⁶

7. In its Memorandum, Staff states that the Commission should approve Ameren Missouri's Application as not detrimental to the public interest.⁷ Ameren Missouri states that "[t]he issuance and sale of the New Indebtedness, as proposed and described herein, will not be detrimental to the public interest, and is reasonably required."⁸

8. Consistent with Section 393.200, RSMo, the proposed issuance of debt securities is or will be reasonably required for the purposes specified in the Motion and Application and that such purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income.

WHEREFORE, Staff recommends the Commission authorize Ameren Missouri's Ameren Missouri's Application and Staff's recommended conditions with an effective date no later than September 15, 2019, and Staff advises that it has no objection to Ameren Missouri's motion for expedited consideration.

⁵ *Id.* at ¶ 18.

⁶ *Id.* at ¶ 19.

⁷ Staff of the Missouri Public Service Commission, *Memorandum*, EF-2019-0239, 5 (Aug. 5, 2019).

⁸ Ameren Missouri, *supra* note 2 at ¶ 20.

Respectfully submitted,

/s/ Karen E. Bretz

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 8th day of August, 2019.

/s/ Karen E. Bretz