

**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 Issuance of up to)	<u>Case No. EF-2012-0463</u>
\$550,000,000 Aggregate Principal)	
Amount of Additional Long-Term Indebtedness.)	

**STAFF’S RECOMMENDATION TO PARTIALLY APPROVE
UNION ELECTRIC COMPANY’S APPLICATION TO ISSUE DEBT SECURITIES
SUBJECT TO CONDITIONS**

COMES NOW the Staff (“Staff”) of the Missouri Public Service Commission (“the Commission”), by and through counsel, and recommends the Commission conditionally approve in part and deny in part Union Electric Company’s (d/b/a Ameren Missouri) application for authority to issue long-term new debt securities (“*Application*”). Staff respectfully states the following:

1. On June 29, 2012, Union Electric Company d/b/a Ameren Missouri (the “Company” or “Ameren Missouri”) filed its *Application*, seeking permission and authority to issue and sell up to \$550,000,000 in aggregate principal amount of debt securities as additional long-term New Indebtedness.

2. Ameren Missouri states in its *Application* that the purpose of the issuances is to use the proceeds of the long-term New Indebtedness to discharge, refund, or retire outstanding indebtedness. The outstanding indebtedness that Ameren Missouri seeks for the purposes of discharging, refunding, retiring, or refinancing outstanding debts, includes both short-term and long-term outstanding debts.

3. Within Ameren Missouri’s *Application*, the Company has indicated that it accepts all of the conditions specified by Staff and imposed by Commission in its March 2009 *Order Granting Financing Application* (“2009 Order”) in

Case No. EF-2009-0266. According to the Commission's 2009 Order, the Commission's approval of that application was specifically conditioned upon Ameren Missouri's compliance with Staff's recommended conditions, including mandating that the Company "shall be required to file a five-year capitalization expenditure schedule in future cases involving the refinancing of short-term debt." That requirement arises from Rule 4 CSR 240-3.120(1)(G), and Section 393.200, RSMo., which requires the following be included in financing applications such as this one, "(1)In addition to the requirements of 4 CSR 240-2.060(1), applications for authority to issue stock, bonds, notes and other evidences of indebtedness shall contain the following:... (G)A five (5)-year capitalization expenditure schedule as required by section 393.200, RSMo."

4. Despite the Commission's 2009 Order, the rule, and the statute, Ameren Missouri did not file a five-year capitalization expenditure schedule to support its request to refinance short-term debt. Ameren Missouri states within its *Application*, "A five-year capitalization expenditure schedule is not being filed with this Application because the proceeds of the New Indebtedness will be used to discharge, refund or retire outstanding indebtedness." However, this is the exact same position statement Ameren Missouri filed in its 2009 finance authority application that the Commission rejected and ruled against.

5. Ameren Corporation is simply a utility holding company, which does not own operating assets but has controlling interests in all of its subsidiaries. Consequently, its financial well-being is supported by its subsidiaries, which among others include Ameren Missouri, and Ameren Illinois (regulated subsidiaries).

Ameren Missouri's S&P credit rating is negatively impacted by another of its unregulated subsidiaries', GenCo's, financial difficulties.

6. As addressed in detail in Staff's Memorandum, given the inherent conflict of interest in Ameren Corporation managing Ameren Missouri and GenCo, Staff does not believe it is prudent to provide Ameren Missouri authority to refinance short-term debt without first verifying that Ameren Missouri did not provide direct or indirect financial support to Ameren Corporation for purposes of subsidizing GenCo.

7. Because it can be difficult to trace the exact purpose for which even current outstanding short-term debt was used, absent receipt of supporting evidence to clearly indicate the purpose for which short-term debt was incurred, Staff cannot determine if any of the current short-term debt proposed to be refinanced was not short-term debt that was directly or indirectly used to support GenCo's credit quality without the five-year capitalization expenditure schedule and supporting evidence as required by law.

8. The Commission has jurisdiction over Ameren Missouri's issuance of debt pursuant to Section 393.180 and Section 393.200, (RSMo Supp. 2011). Pursuant to Section 393.200.1., the Company is required to provide a five-year capitalization expenditure schedule; and, the Commission must find that the money, property, or labor to be procured or paid for by the issuance of indebtedness proposed in Ameren Missouri's *Application* is or will be reasonably required for the purposes specified in the *Application* and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

9. In order to provide the Company with flexibility in respect to the issuance of the indebtedness, Ameren Missouri requests that the Commission grant the Company the authority requested in its *Application*, to continue for a period of one year, beginning on the effective date of the order. Ameren Missouri also requests authorization to file a request for an extension of such term by filing an application ninety (90) days prior to the expiration of the one-year term.

10. Additionally, Ameren Missouri specifically requests that the Commission approve its *Application* no later than August 1, 2012, due to the dynamic and rapidly changing market conditions.

11. On July 2, 2012, the Commission issued an *Order Directing Staff Recommendation*, requiring Staff to file a recommendation no later than July 20, 2012.

12. Despite Ameren Missouri's request for expedited treatment of its *Application*, Staff has not been provided the required five-year capitalization expenditure schedule for Staff's review pursuant to Commission *2009 Order*, Commission rule and Section 393.200.1. RSMo, and Staff has not been provided the requested data necessary to complete Staff's investigation and do a thorough review and analysis in order to provide its recommendation to the Commission on the issue of refinancing short-term debts with long-term New Indebtedness.

13. Accordingly, Staff concludes that Ameren Missouri's *Application* is deficient with respect to its request for Commission approval of financing authority to repay or refinance short-term debt; and, therefore, Staff recommends Ameren Missouri's *Application* be denied in part relating to short-term debts.

14. Because the Commission has previously reviewed the long-term debt that Ameren Missouri seeks to discharge, refund, or retire, the requirement of filing a five-year capitalization expenditure schedule for the refinancing of that long-term debt serves no purpose. Therefore, in the attached *Staff's Memorandum* ("Appendix A"), although Ameren Missouri did not file a five-year capitalization expenditure schedule, Staff recommends the Commission conditionally authorize Ameren Missouri to issue long-term secured debt during a 1-year period after the effective date of the Commission's order, in aggregate principal amount of long-term New Indebtedness not exceeding \$550,000,000 and subject to the following seven (7) conditions:

1. 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, which includes, but is not limited to the capital structure, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their effect on cost of capital, in any later proceeding;
2. That Ameren Missouri shall be required to file a five-year capitalization expenditure schedule as required by section 393.200, (RSMo Supp. 2011).
3. That Ameren Missouri 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;
4. In the event Ameren Missouri desires to use the proceeds for purposes of refinancing short-term debt, Ameren Missouri must file evidence, which will be subject to prior Commission approval, showing that Ameren Missouri has not provided cash to directly or indirectly support GenCo's credit quality.
5. That Ameren Missouri files with the Commission, upon refinancing any outstanding debt, the net present value calculations indicating the amount of interest cost savings;
6. That Ameren Missouri files with the Commission any information concerning communication with credit rating agencies concerning the proposed financing;

7. That Ameren Missouri shall file with the Commission as a non-case related submission any credit rating agency reports published on Ameren Missouri's, Ameren's or GenCo's corporate credit quality or the credit quality of its securities.

WHEREFORE, the Staff recommends the Commission deny Ameren Missouri's request for authority to refinance short-term debt with secured long-term debt, and conditionally grant Ameren Missouri's request for authorization to issue and sell up to \$550,000,000 in aggregate principal amount of long-term New Indebtedness at any time during the one-year period after the effective date of the order to refinance existing long-term debt, subject to the seven (7) conditions stated in the *Staff's Memorandum* and restated above.

Respectfully submitted,

/S/ TANYA K. ALM

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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 20th day of July, 2012.

/S/ TANYA K. ALM