

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2014-0163, Tariff Tracking JE-2014-0239
Union Electric Company d/b/a Ameren Missouri

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV

/s/ John A. Rogers 12/20/2013
Energy Resource Analysis Unit / Date

/s/ Robert S. Berlin 12/20/2013
Staff Counsel's Office / Date

SUBJECT: Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates Related to Ameren Missouri's Fuel Adjustment Clause Pursuant to the Commission's Report and Order in File No. ER-2012-0166.

DATE: December 20, 2013

On November 27, 2013, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") filed one (1) tariff sheet, 2nd Revised Sheet No. 72.9 bearing a proposed effective date of January 27, 2014, canceling 1st Revised Sheet No. 72.9. The filed tariff sheet, 2nd Revised Sheet No. 72.9, revises Ameren Missouri's Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC"). Staff recommends the Missouri Public Service Commission ("Commission") approve 2nd Revised Sheet No. 72.9.

Ameren Missouri's November 27, 2013, filing includes the testimony of Ameren Missouri witness Erik C. Wenberg and associated Ameren Missouri work papers. The testimony and work papers include information and data that supports Ameren Missouri's calculation of the dollar amount of its Fuel and Purchased Power Adjustment ("FPA"). That dollar amount ("FPA Amount") is \$24,237,817 and is reflected on line 5 of 2nd Revised Sheet No. 72.9. This FPA Amount results in a FAR₁₄¹ of \$0.00096 per kWh, which when added to the FAR₁₃ of \$0.00159 per kWh results in a proposed FAR² of \$0.00255 per kWh. The proposed FAR is \$0.00098 per kWh less than the current FAR³ of \$0.00353 per kWh.

¹ FAR_{RP} is defined in Original Sheet No. 72.7 as "FAR Recovery Period rate component calculated to recover under- or over-collection during the Accumulation Period that ended immediately prior to the applicable filing." Since this filing occurred after the end of Accumulation Period 14, FAR_{RP} in this recommendation is referred to as FAR₁₄.

² FAR is defined in Original Sheet No. 72.7 as "Fuel Adjustment Rate applied to retail customer usage on a per kWh basis starting with the applicable Recovery Period following the FAR filing." FAR = FAR_{RP} + FAR_{RP-1}.

³ The \$0.00353 per kWh rate is found on line 9 of 1st Revised Sheet No. 72.9.

Calculation of Total Company Fuel and Purchased Power Difference

Ameren Missouri's work papers for Accumulation Period 14 ("AP14"), which includes the period of June 1, 2013, through September 30, 2013, contain data and calculations for Actual Net Energy Cost ("ANEC") equal to \$258,851,360 (line 1 of 2nd Revised Sheet No. 72.9) and Net Base Energy Cost ("B") equal to \$205,416,214 (line 2 of 2nd Revised Sheet No. 72.9). For this filing, B is equal to sales of 13,731,030,352 kWh for June 1, 2013, through September 30, 2013, times \$0.01496⁴ per kWh. The difference between ANEC and B is equal to \$53,435,146 and is the amount on line 3 of 2nd Revised Sheet No. 72.9, the Total Company Fuel and Purchased Power Difference.

Calculation of FPA Amount

Ameren Missouri's work papers and 2nd Revised Sheet No. 72.9 show the FPA Amount⁵ of \$24,237,817 to be the sum of:

1. Customer Responsibility for AP14 equal to \$50,763,390⁶ (Line 4 on 2nd Revised Sheet No. 72.9); plus
2. Interest for AP14 equal to \$36,815; plus
3. True-Up for Recovery Period 11 ("RP11") including monthly interest equal to \$105,339 (This true-up amount is before the Commission for approval in pending File No. ER-2014-0164); minus
4. Prudence Adjustment Amount plus interest equal to \$26,667,727⁷.

Prudence Adjustment Amount Plus Interest

On July 31, 2013, the Commission issued its *Report and Order* in File No. EO-2012-0074 effective August 30, 2013. The Commission's *Report and Order* states:

Union Electric Company, d/b/a Ameren Missouri shall refund \$26,342,791 plus interest accrued at Ameren Missouri's short-term

⁴ Summer NBFC Rate on Original Sheet No. 72.6.

⁵ 2nd Revised Sheet No. 72.9 lines 1 through 5 include the complete calculation of the FPA Amount of \$24,237,817.

⁶ The customer responsibility for AP14 is equal to ninety-five percent (95%) of \$53,435,146 (the difference between ANEC and B during AP14).

⁷The Commission's *Report and Order* in File No. EO-2012-0074 effective August 30, 2013, *In the Matter of the Second Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment clause of Union Electric Company, d/b/a Ameren Missouri*.

borrowing rate from May 31, 2011, until the amount is refunded to its ratepayers by an adjustment to its FAC charge to correct an over collection of revenues for the period of October 1, 2009, to June 20, 2010.

The total interest amount from May 2011 to October 2013 is equal to \$324,936 resulting in a total refund amount of \$26,667,727, which is reflected on line 4.3 Prudence Adjustment Amount (P) on 2nd Revised Sheet No. 72.9. Staff agrees with the Company's calculation of interest included in the prudence adjustment amount in this case because the calculation of interest is consistent with the definition of interest (I)⁸ in the FAC and is consistent with the Company's calculation of interest in past FAR filings. The monthly weighted-average annual short-term interest rates for May 2011 through October 2013 range from a low of 0.000 percent to a high of 1.191 percent. The 29 months of accumulated interest of \$324,936 added only 1.23 percent to the ordered refund amount of \$26,342,791.

Staff is concerned about the appropriateness of the Company applying its weighted-average interest rate paid on the Company's short-term debt to amounts of monthly over-recovered balances for accumulation periods and recovery periods and for prudence adjustments. Each month's weighted-average annual interest rate is equal to Ameren Missouri's average daily interest divided by the average daily outstanding short-term balance. There are some months when Ameren Missouri does not have any daily outstanding short-term debt balances, and therefore, a short-term interest rate of 0% is applied to an over-recovered amount or a refund amount for that month, which appears unfair to customers because Ameren Missouri has the use of customers' money for an entire month at absolutely no cost to Ameren Missouri. Staff intends to study this issue in more detail prior to the Company's next general rate proceeding and may make recommendations in that general rate proceeding to more clearly define interest (I) in the Company's modified FAC.

⁸ Original Sheet No. 72.7 states: I = Interest applicable to (i) the difference between ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews ("P"), if any; and (iii) all under or over-recovery balances created through operation of this FAC, as determined in the true-up filings ("T") provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest rate paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

Calculation of FAR₁₄

FAR₁₄ of \$0.00096 per kWh is equal to the Customer Responsibility for AP14 with interest plus the True-Up Amounts for RP11 minus the Prudence Adjustment Amount for a total amount of \$24,237,817 divided by the Estimated Recovery Period Sales in kWh settled at MISO CP node (AMMO.UE or successor node) of 25,164,951,073 kWh. FAR₁₄ will apply during RP14—Ameren Missouri’s billing months of February 2014 through September 2014.

Calculation of FAR Without Voltage Level Adjustments

Line 9 of Ameren Missouri’s proposed 2nd Revised Sheet No. 72.9 reflects a FAR of \$0.00255 per kWh which is the sum of: 1) FAR₁₃ of \$0.00159 per kWh, and 2) FAR₁₄ of \$0.00096 per kWh.

Calculation of FARs With Voltage Level Adjustments

Because of a difference in line losses, there are different current FARs for service taken at Secondary, Primary, and Large Transmission voltage levels. Listed below are the proposed RP14 FARs, the current RP13 FARs and the difference between them for Secondary, Primary, and Large Transmission service:

	Proposed RP14 FAR	Current RP13 FAR	Difference
Secondary	\$0.00270/kWh	\$0.00373/kWh	(\$0.00103)/kWh
Primary	\$0.00261/kWh	\$0.00362/kWh	(\$0.00101)/kWh
Large Transmission	\$0.00253/kWh	\$0.00350/kWh	(\$0.00097)/kWh

Based on a monthly usage of 1,100 kWh, the proposed change to the Secondary FAR would decrease the Fuel Adjustment Charge of an Ameren Missouri residential customer’s bill from \$4.10 to \$2.97, a decrease of \$1.13 per month.

Staff reviewed proposed 2nd Revised Sheet No. 72.9, the direct testimony of Ameren Missouri witness Erik C. Wenberg and work papers in this filing, as well as Ameren Missouri’s monthly information submitted in compliance with 4 CSR 240-3.161(5) for AP14. Staff verified that the actual fuel and purchased power costs net of off-system sales revenues reflected therein match the fuel and purchased power costs and emission costs net of off-system sales revenues on

line 1 of Ameren Missouri's requested 2nd Revised Sheet No. 72.9 and the supporting schedules of witness Erik C. Wenberg. Staff reviewed Ameren Missouri's monthly reports and verified that the kWh billed shown on the monthly reports match the accumulation period sales used to calculate B. Staff reviewed Ameren Missouri's monthly interest rates that are applied to 95% of the over/under Net Base Energy Cost amount and verified that the monthly interest rates and calculations of monthly interest amounts are correct for AP14 and the prudence adjustment amount of \$26,667,727.

Landfill Gas Facility

In its December 12, 2012, *Report and Order* in Case No. ER-2012-0166, the Commission granted Ameren Missouri relief from Rule 4 CSR 240-20.100(6)(A)16 to allow the costs of landfill gas purchased for operation in the Company's Maryland Heights generating facility to flow through its FAC; therefore, Staff has continued to allow the costs of that landfill gas to flow through Ameren Missouri's FAC for AP14. Staff is working with Ameren Missouri to reach a resolution (prior to the Company's next general rate proceeding) concerning the treatment of the costs of landfill gas purchased for the Company's Maryland Heights generating units.

Staff Recommendation

Ameren Missouri timely filed 2nd Revised Sheet No. 72.9, and based on Staff's review is in compliance with Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and Ameren Missouri's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

Ameren Missouri requested that 2nd Revised Sheet No. 72.9, filed November 27, 2013, become effective on January 27, 2014, the beginning of the first billing cycle of Ameren Missouri's February 2014 billing month. Thus, the proposed tariff sheet was filed with 61 days'

notice. Therefore, Staff recommends the Commission issue an order approving the following proposed tariff sheet, as filed on November 27, 2013, to become effective on January 27, 2014, as requested by Ameren Missouri:

MO.P.S.C. Schedule No. 6

2nd Revised Sheet No. 72.9 Canceling 1st Revised Sheet No. 72.9.

Staff has verified that Ameren Missouri is not delinquent on any assessment and has filed its 2012 Annual Report. Ameren Missouri is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Staff is not aware of any other matter before the Commission that affects or is affected by this filing, except File No. ER-2014-0164 as noted herein.

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

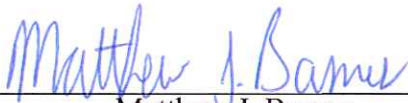
In the Matter of Union Electric Company)
d/b/a Ameren Missouri for Authority to)
Implement Rate Adjustments Required by)
4 CSR 240-2.090(4) and the Company's)
Approved Fuel and Purchased Power)
Recovery Mechanism)

File No. ER-2014-0163

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Matthew J. Barnes, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Matthew J. Barnes

Subscribed and sworn to before me this 20th day of December, 2013.

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



Notary Public