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Witness: Dana E. Eaves
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct/Rebuttal Testimony
File No. EO-2010-0255
Date Testimony Prepared: November 24, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT/REBUTTAL TESTIMONY

OF

DANA E. EAVES

UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI

FILE NO. EO-2010-0255

Jefferson City, Missouri
November 2010

HC

****Denotes Highly Confidential Information****

Staff Exhibit No. 11 NP
Date 1-10-11 Reporter [illegible]
File No. EO-2010-0255

NP

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a AmerenUE	)))))	File No. EO-2010-0255

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Dana E. Eaves, of lawful age, on his oath states: that he has participated in the preparation of the following Direct/Rebuttal Testimony in question and answer form, consisting of 15 pages of Direct/Rebuttal Testimony to be presented in the above case, that the answers in the following Direct/Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Dana E. Eaves

Dana E. Eaves

Subscribed and sworn to before me this 24 day of November, 2010.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L. Sundermeyer

Notary Public

TABLE OF CONTENTS

DIRECT/REBUTTAL TESTIMONY

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DIRECT/REBUTTAL TESTIMONY

OF

DANA E. EAVES

UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI

FILE NO. EO-2010-0255

Q. Please state your name and business address.

A. Dana E. Eaves, P.O. Box 360, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Auditor for the Missouri Public Service Commission (Commission or PSC) in the Energy Department.

Q. Are you the same Dana E. Eaves who participated in the prudency review and preparation of the Public Service Commission Staff's (Staff) Prudence Review of Costs Related to the Fuel and Purchase Power Adjustment Clause (FAC) for the Electric Operation of Union Electric Company, d/b/a Ameren Missouri (Staff Report or Report) and the Staff recommendation in this case?

A. Yes, I am. On August 31, 2010, the Staff filed its Report, which is attached as Schedule DEE-1 (NP) and DEE-2 (HC).

Q. Do you have any changes to this Report at this time?

A. Yes. Staff referenced January 29, 2009, in the Staff Report as the filing date of Ameren Missouri's Application for Rehearing and Motion for Expedited Treatment in Case No. ER-2008-0318. That date is incorrect. The correct date of the filing was February 5, 2009.

Q. Do you have any other changes or updates?

A. Yes. On September 27, 2010, Ameren Missouri contacted Staff to discuss Staff's calculation of the $24,073,236 amount of the refund to ratepayers if the Commission determined that the costs and revenues associated with AEP and WVPA capacity and energy sales were flowed through the Fuel and Purchase Power Adjustment (FPA) calculation for accumulation periods 1 and 2. After those discussions, on October 7, 2010, Staff and Ameren Missouri agreed to a revised calculation of $17,169,838, and Staff filed this revised amount with the Commission.

Q. What has been the nature of your duties while in the employment of this Commission?

A. During my employment at the Commission, I have conducted and assisted with cost of service audits and examinations of the books and records of regulated investor owned utilities operating within the state of Missouri.

Q. Have you previously filed testimony before the Commission?

A. Yes. Please see Schedule DEE-3 and Schedule DEE-4, attached to my testimony for the list of cases in which I have previously filed testimony or reports.

Q. What is the purpose of your direct/rebuttal testimony?

A. The purpose of my direct/rebuttal testimony is not only to respond to the direct testimony of Union Electric Company; d/b/a Ameren Missouri (Ameren Missouri or the Company) witnesses Jaime Haro (Mr. Haro) and Lynn M. Barnes (Ms. Barnes), but also to address additional matters. In particular, I address the following points:

- An overview of Ameren Missouri's FAC.
- The Company imprudently excluded costs and the revenues related to the American Electric Power Service Corporation (AEP) contract and the Wabash

Valley Power Association, Inc. (WVPA) contract from its FPA calculation for accumulation periods 1 and 2.

AMEREN MISSOURI'S FUEL ADJUSTMENT CLAUSE

Q. Would you briefly explain Ameren Missouri's FAC?

A. Yes. As part of Case No. ER-2008-0318 Ameren Missouri was granted a FAC on January 27, 2009, by the Commission. The FAC is designed to allow Ameren Missouri to recover or refund prudently incurred under-collection or over-collection of fuel and purchase power costs less off-system sales revenue in a timely manner outside of a general rate case. The FAC has the following formula, the factors of which are defined in the FAC tariff sheets:

$$FPA_{(RP)} = [\ [\ (CF{+}CPP{-}OSSR{-}TS{-}S) - (NBFC \times S_{AP})\ ] \times 95\% + I{+}R]/S_{RP}$$ [1]

Q. Does this formula have anything to do with Staff's proposed prudency adjustment?

A. Yes. $FPA_{(RP)}$ is the adjustment for each accumulation period that is included in the FPA charge on customer bills. Staff is proposing a prudency disallowance that affects the CF (Fuel Costs) factors and the OSSR (Off System Sales Revenue) factors used in setting the $FPA_{(RP)}$ for recovery period 1 (March 1, 2009 thru May 31, 2009) and period 2 (June 1, 2009 thru September 30, 2009).

Q. Were the current tariff sheets in effect over the time period that you reviewed for the prudence audit?

A. No. The tariff sheets that were in effect over the time period of the prudence audit are attached as Schedule DEE-5.

[1] See Schedule DEE-5 for complete explanation of components used in formula.

Q. Do Ameren Missouri's FAC tariff sheets in Schedule DEE-5 define in detail the various components of what should or should not be included in the OSSR factor of the FPA equation?

A. Yes, on Schedule 5, page 98.3 of Ameren Missouri's FAC tariff (DEE-5), OSSR is defined as follows:

> OSSR = Revenue from Off-System Sales allocated to Missouri electric operations.
>
> Off-System Sales shall include all sales transactions (including MISO revenues in FERC Account Number 447), excluding Missouri retail sales and long-term full and partial requirements sales, that are associated with (1) AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve Missouri retail load, and (3) any related transmission.

AEP AND WVPA ISSUE

Q. Did Ameren Missouri request the Commission authorize it to use a FAC?

A. Yes, on April 4, 2008, in Case No. ER-2008-0318 Ameren Missouri filed tariff sheets consisting of electric rate schedules designed to increase its "gross annual electric revenues by approximately $251,000,000, exclusive of applicable gross receipts, sales, franchise or occupational fees or taxes." Contained within this filing was a request by the Company to be authorized to employ a fuel and purchase power cost recovery mechanism to comply with 4 CSR 240-20.090.

Q. Did the Commission authorize Ameren Missouri to use a FAC?

A. Yes. As I mentioned earlier in my testimony, the Commission approved Ameren Missouri's request to implement a FAC on January 27, 2009, in its Report and Order issued in Case No. ER-2008-0318.

Q. Did a January 28, 2009 ice storm cause damage to Ameren Missouri's transmission and distribution systems?

A. Yes. Much of Ameren Missouri's transmission and distribution system in southeast Missouri was severely damaged.

Q. How did Ameren Missouri respond to the ice storm?

A. On page 2 of its Application for Rehearing and Motion for Expedited Treatment filed on February 5, 2009, in Case No. ER-2008-0318, Ameren Missouri described the severity of that storm:

> 2. On Wednesday, January 28, 2009, an extraordinary and devastating ice storm caused damaged to the entire Southeastern region of Missouri, and knocked out the Associated Electric Cooperative, Inc. (AECI) transmission lines through which Noranda Aluminum, Inc.'s (Noranda) New Madrid, Missouri aluminum smelter receives power. Consequently, an unprecedented and significant loss of AmerenUE's retail load and the revenues associated therewith has occurred for a period that cannot at this time be determined...

Q. Did Ameren Missouri seek to change its FAC, because it lost Noranda's load due to that storm?

A. Yes, in its Application for Rehearing and Motion for Expedited Treatment Ameren Missouri in paragraph 1 stated:

> This Application for Rehearing respecting one aspect of the FAC issue decided in the Report and Order has been filed to avoid an unjust and unwarranted result caused by an act of God – the recent ice storm in Southeast Missouri - that could deprive AmerenUE of up to approximately 45% of the rate relief just granted by the Commission, and that renders the FAC authorized for AmerenUE ineffective in providing AmerenUE with a sufficient opportunity to earn a fair return on equity (ROE). In this Application for Rehearing, AmerenUE proposes a modification to the FAC tariff authorized in the Report and Order that will prevent this loss to AmerenUE while ensuring that customers will be in no worse position than if no ice storm had occurred, and in fact providing the opportunity for windfall benefits to customers, including Noranda.

Q. How did the Commission rule on Ameren Missouri's application and motion?

A. The Commission denied them on February 19, 2009. In its order denying them, the Commission stated:

> If the Commission were to grant AmerenUE application for rehearing it would have to set aside the approved stipulation and agreement regarding the fuel adjustment clause, reopen the record to take evidence on the appropriateness of the proposed change, and make a decision before the March 1, 2009 operation of law date. Such action is obviously impossible.

Q. What did Ameren Missouri do after the Commission denied them?

A. On February 27, 2009, eight days after the Commission issued its order, Ameren Missouri entered into a Physical Capacity and associated Energy (Partial Requirements – baseload) agreement with AEP for 100 megawatts of capacity for the delivery period of March 1, 2009 through May 31, 2010. On April 28, 2009 Ameren Missouri entered into an Electric Service Agreement with WVPA to supply system firm capacity in an amount not to exceed 150 megawatts for the term May 1, 2009 through October 31, 2010.

Q. Does Ameren Missouri's witness Mr. Haro explain why Ameren Missouri entered into these arrangements with AEP and WVPA?

A. Yes. Mr. Haro explains in his direct testimony that because of the devastating ice storm that occurred in January 2009, Noranda Aluminum, Inc's. (Noranda)[2] ability to take load[3] was impaired. In his direct testimony, page 4, lines 1-5 he states: "Because Noranda is Ameren Missouri's largest customer by far, the loss of this substantial load for a long, but at the time indeterminate period created a significant disruption to the Company's portfolio. In the wake of this catastrophic loss, Ameren Missouri's decision to enter into these contracts allowed it to maintain the historical balance of the portfolio."

[2] Noranda Aluminum, Inc., a Southeast Missouri aluminum smelter and Ameren Missouri's largest customer.

[3] Ameren Missouri's witness Mr. Haro identifies Noranda's load was reduced by 460 megawatts, page 5, line 21, of his Direct Testimony. Mr. Haro identifies Noranda's full load at 490 megawatts on page 7, line 2, of his Direct Testimony.

Q. Is it your understanding Ameren Missouri's FAC in this case is designed to maintain any type of balance between load and off-system sales as referenced by Mr. Haro?

A. No. The FAC the Commission authorized is designed to allow Ameren Missouri to timely recover from or refund to customers outside of a formal rate case 95 percent of the difference between its prudently incurred actual fuel and purchase power costs less off-system sales revenue and the base energy costs as estimated using the Base Energy Cost per kWh rates in the FAC.

Q. What is the harm to Ameren Missouri if Noranda does not take power for a period of time?

A. Ameren Missouri recovers less revenue through its "permanent rates," the retail rates established based on traditional revenue requirement calculations. The rate schedule under which Ameren Missouri provides service to Noranda is Service Classification No. 12(M) Large Transmission Service Rate which includes a customer charge. However, that customer charge does not cover all of Ameren Missouri's fixed costs attributable to it providing electric service to Noranda. Ameren Missouri recovers the remainder of its fixed costs through the energy and demand charges of that rate schedule. Therefore, when Noranda does not require energy, Ameren Missouri is not recovering all of its fixed costs to serve Noranda. Without a FAC, Ameren Missouri would have offset the fixed costs that it did not recover from Noranda by increasing its off-system sales. However, with its FAC, the profit generated by off-system sales flow through the FAC as a reduction to the cost of fuel and purchase power. Therefore, Ameren Missouri would have to find other ways to recover the fixed costs that it was not recovering when Noranda was not taking service or the Company would experience a reduction to its earnings. Loss of customer load is part of the risk included in shareholders return on equity (ROE).

Q. Does Ms. Barnes in her direct testimony claim Ameren Missouri was unable to earn its authorized ROE because of the loss of sales to Noranda as a result of the January 2009 ice storm?

A. Yes. Ms. Barnes includes a chart on page 9 of her direct testimony that purports to illustrate her claim that Ameren Missouri was unable to earn its authorized ROE.

Q. Was Ameren Missouri's FAC, as stipulated to in Case No. ER-2008-0318, designed to guarantee Ameren Missouri would earn the return on equity the Commission authorized for it in Case No. ER-2008-0318?

A. No. Investor Owned Utilities (IOUs) regulated by the Commission are not guaranteed a return on equity. Instead they are given an opportunity to earn their authorized return on equity. There are many factors involved that can influence an electric utility's ability to earn its authorized return on equity. For example, in an extremely hot summer, the utility may actually earn higher than its ROE, because its weather sensitive customers are using more energy than in the "normal" summer that rates were set on in the prior rate case.

Q. Do Ms. Barnes and Mr. Haro both claim that Ameren Missouri would be harmed if the revenues received from AEP and WVPA capacity and energy sales were flowed through the FPA calculation?

A. Yes, they both make that claim.

Q. Has Staff quantified the amount of the reduction in Ameren Missouri's revenues if the costs and revenues associated with AEP and WVPA capacity and energy sales were flowed through the FPA calculation for accumulation periods 1 and 2?

A. Yes. As stated earlier The Staff's revised calculation of $17,169,838 for the period March 1,2009 to September 30, 2009, for accumulation periods 1 and 2, be refunded to ratepayers as a prudence review adjustment concurrently with Ameren Missouri's next FAC true-up adjustment.

Q. Would Ameren Missouri customers be harmed if this amount was not properly applied to Ameren Missouri's FPA calculation?

A. Yes. When the Commission approved a FAC for Ameren Missouri, the risk of changes in the fuel costs were shifted from Ameren Missouri to Ameren Missouri customers. If the customers are required to assume this risk, then the customers should benefit from assuming that risk when fuel and purchase power costs go down. If this amount is not properly applied to Ameren Missouri customers, Ameren Missouri customers would be denied the right of having this amount refunded through the FPA rate on their bills while still taking on the risk of increased fuel and purchase power costs. It would be very one-sided if the customers had to assume any increase in fuel and purchase power costs less off-system sales revenue but were not given the benefits of any reduction in fuel and purchase power costs resulting from increased off-system sales revenue.

Q. Does Ms. Barnes claim that the revenue and costs associated with the AEP and WVPA contracts should not be included in the FPA calculation, because they are long-term requirement contracts?

A. Yes, on page 8, starting on line 11, she states, "Because revenues from long-term requirements contracts were not flowed through the FAC under the tariff, customers would not continue to receive a windfall from the ice storm."

Q. Does either Ms. Barnes or Mr. Haro define the term "long-term requirements contracts" in their Direct Testimony?

A. No, they do not.

Q. Is the definition of long-term full or partial requirements contract as used in Ameren Missouri's FAC tariff sheets important?

A. Yes, it is very important as it relates to how the AEP and WVPA contracts are to be treated—their revenues included or excluded—in the FPA calculations.

Q. Are long-term full or partial requirements contracts defined in Ameren Missouri's FAC tariff sheets?

A. No. No definitions for the terms describing these contracts are contained in the tariff.

Q. What source did you use to define long-term full or partial requirements contracts in order to determine if these contracts should be included in the OSSR component of the formula?

A. I turned to Ameren Missouri's[4] 2009 Missouri Public Service Commission Electric Annual Report (Annual Report) filed with the Commission for guidance in defining the appropriate definition. On page 310 of that report the following statistical classifications are listed;

> RQ – for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to the supplier's service to its own ultimate consumers.
>
> LF – for [l]ong-term service. "Long-term" means five years or Longer and "firm" means that service can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier

[4] Ameren Missouri files the Annual Report under its corporate name Union Electric Company.

must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF – for intermediate-term service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.

SF – for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.

LU – for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.

IU – for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than on year but Less than five years.

Q. How are the AEP and WVPA contracts defined by Ameren Missouri in this report?

A. On page 310, lines 11 and 12, American Electric Power Cooperative [sic] is listed and classified as IF and SF respectively. On page 310.3, line 9, WVPA is listed and classified as IF.

Q. Is this information reported to other government agencies?

A. Yes. This information is reported to the Federal Energy Regulatory Commission (FERC) in the Financial Report FERC Form No. 1.

Q. Does it seem to you there is a conflict in how Ameren Missouri has classified these contracts?

A. Yes, as Ameren Missouri classified them in its 2009 Annual Report the contracts would not meet the definition of long-term requirements contract and, therefore, would be included as a component of OSSR in Ameren Missouri's FAC.

Q. Does Ameren Missouri report requirement service contracts in its 2009 Annual Report?

A. Yes, on pages 310 and 311, lines 2 through 7, of its 2009 Annual Report Ameren Missouri lists the following Public Authorities in Missouri: Centralia, Hannibal, Kahoka, Kirkwood, Marceline, and Perry.

Q. Do you know when Ameren Missouri initially entered into each of these contracts?

A. No. In response to Staff's Data Request 58 Ameren Missouri stated, "Ameren Missouri is unable to ascertain the dates requested."

Q. Have you reviewed the current contracts between Ameren Missouri and the Public Authorities listed above?

A. Yes. The Company provided the contracts in response to Staff's Data Request 50. Staff will point out that only the contract with the City of Perry, MO has a term five years or longer.

Q. Does Staff know if Ameren Missouri has provided wholesale service to all of the Public Authorities listed earlier?

A. Yes. Staff has reviewed the Company's Annual Reports for years ending 2006, 2007, 2008 and 2009, and Ameren Missouri listed them as being customers.

Q. Has Ameren Missouri made statements that the Public Authority contracts reviewed in this case had been extended?

A. Yes, during the deposition of Mr. Haro on November 19, 2010, he indicated that the current contracts were new contracts replacing contracts that had expired; and he indicated that a relationship had existed for many years, and the relationship was of such duration that he was unaware if records of initial contracts could be found.

Q. How did Ameren Missouri classify the services for these Public Authorities in its 2009 Annual Report?

A. Ameren Missouri listed the statistical classification for each of these municipals as RQ. As stated earlier, this classification is requirements service, service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

Q. What is the significance of RQ designation to the issue at hand?

A. Ameren Missouri is claiming the AEP and WVPA contracts should be treated similar to the Public Authority contracts designated as RQ for the purpose of FPA calculation. However, the characteristics of these contracts are significantly different. First, the term of the AEP and WVPA contracts are significantly shorter than the terms Public Authority contracts. The AEP and WVPA contracts have not been included in Ameren Missouri's Integrated Resource Plan process while the Public Authorities' contracts have been included in the planning process. Also, the AEP and WVPA contracts were not included in Ameren Missouri's net system input during any rate case proceeding. Finally, the sales to AEP and WVPA have not been included in the determination of jurisdictional allocation factors, while the sales resulting from the contracts with the Public Authorities have been included.

Q. Does Mr. Haro claim that Ameren Missouri was prudent in entering into the AEP and WVPA contracts?

A. Mr. Haro claims in his direct testimony that entering into contracts with AEP and WVPA "was part of the sound, prudent management of the Company's power sales portfolio".

Q. Has Staff made claims that Ameren Missouri was imprudent by entering into these contracts with AEP and WVPA?

A. No. Staff has never claimed that the Company acted impudently by entering into these contracts. Instead, Staff is claiming that it was imprudent of Ameren Missouri to exclude the revenue and costs associated with these contracts from the calculation of the FPA in Ameren Missouri's FAC for accumulation periods 1 and 2.

Q. Ms. Barnes claims in her direct testimony that the "Staff may desire customers to gain a windfall from the ice storm to the Company's detriment." Does the Staff have such a desire?

A. No. Staff's proposed adjustment in this case has nothing to do with picking winners or losers, or creating windfalls for any of the parties affected by this proposed adjustment. Staff's proposed adjustment simply attempts to properly account for revenue and costs as designed by Ameren Missouri's approved FAC. As mentioned earlier, if the customers are required to assume the risk of a FAC, then the customers should benefit when fuel and purchase power costs go down, as offset by additional off-system sales.

Q. Do you agree with Ms. Barnes assertion at the close of her direct testimony: "And the end result of Ameren Missouri's actions was that customers were in the same position as if the ice storm hadn't occurred, no better and no worse."?

A. No. The customers of Ameren Missouri are not in the same position as if the ice storm hadn't occurred, since Ameren Missouri's customers are going to end up paying the expensive restoration costs due to the ice storm. In fact most of the costs associated with the 2009 ice storm are in current customer rates. Also, under the terms of the FAC in effect during accumulation periods 1 and 2, the bills of Ameren Missouri customers should have been credited in future recovery periods by over $17 million for the inclusion of the costs and revenues for the AEP and WVPA contracts in the FAC, which so far has not happened.

Q. Does this conclude your direct/rebuttal testimony?

A. Yes, it does.

PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
UNION ELECTRIC COMPANY, d/b/a AMERENUE

March 1, 2009 through September 30, 2009

MISSOURI PUBLIC SERVICE COMMISSION
STAFF REPORT

FILE NO. EO-2010-0255

Jefferson City, Missouri
August 31, 2010

**** Denotes Highly Confidential Information ****

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Table of Contents

Staff Report on Prudence Review of Costs

I. Executive Summary

The Missouri Public Service Commission (Commission) first authorized Union Electric Company, d/b/a, AmerenUE (AmerenUE) to use a Fuel Adjustment Clause (FAC) in AmerenUE's 2008 general electric rate case, File No. ER-2008-0318. The Commission modified the AmerenUE FAC in AmerenUE's next general electric rate case, File No. ER-2010-0036.

Missouri statute and Commission rule, Section 386.266.4(4) RSMo (Supp. 2009) and 4 CSR 240-20.090(7), respectively, require prudence reviews of an electric utility's FAC no less frequently than at eighteen-month intervals. In this prudence review, Staff analyzed items affecting AmerenUE's total fuel and purchased power costs net of off-system sales for the first two four-month accumulation periods of AmerenUE's FAC. The first accumulation period was February through May 2009; however, since AmerenUE's FAC did not become effective until March 1, 2009, the relevant part of the first accumulation period is March 1 through May 31, 2009. The second accumulation period began June 1, 2009 and ended September 30, 2009. Thus, the period reviewed in this prudence review and documented in this report is from March 1, 2009 to September 30, 2009.

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed was reasonable based on the circumstances at the time the decision was made, i.e., without the benefit of hindsight. The decision actually made is deregarded and the review is an evaluation, instead, of the reasonableness of the information the decision-maker relied on and the decision-making process the decision-maker employed. If either the information relied upon or the decision-making process employed was imprudent, then an examination is made to determine whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers, will Staff recommend a refund.

Staff analyzed a variety of items while examining the prudence of the fuel and purchased power costs net of off-system sales associated with its FAC that AmerenUE incurred for the period March 1, 2009 through September 30, 2009. Based on its review, Staff concludes AmerenUE was imprudent for not including all costs and revenues associated with certain sales of energy to American Electric Power Operating Companies (AEP) and to Wabash Valley Power Association, Inc. (WVPA) during the period of this prudence review in determining the associated customer FAC adjustment. Staff concludes the AEP and WVPA energy sales during this period should have been treated as off-system sales for purposes of AmerenUE's FAC, and, therefore, refund amount of $24,073,236 ($8,776,781 from accumulation period 1 and $15,296,485 from accumulation period 2 which includes interest through May 2010) should be made to AmerenUE electric customers as a result of AmerenUE's imprudence If the Commission agrees with Staff that AmerenUE was imprudent in this respect and so finds, the refund amount of $24,073,236 should be made with the next available true-up adjustment following a Commission Order in this case, and include interest at the Company's short-term borrowing rate through the time the refund is made. These prudence amounts will be summed with that particular true-up adjustment. (If the true-up adjustment is for an under-collection (i.e., customers owe AmerenUE), the prudence refund amounts and true-up adjustment amount will be off-setting and if the true-up adjustment is for an over-collection (i.e., AmerenUE owes customers), they will be additive.) The result will then be used in determining the new Fuel and Purchased Power Adjustment (FPA) rates used for calculating the FAC adjustment billed to customers.

II. Introduction

A. General Description of AmerenUE's FAC

AmerenUE's commission-approved FAC allows AmerenUE to recover from (if the net costs exceed) or refund (if the net costs are less than) to its ratepayers ninety-five percent (95%) of the difference between its prudently incurred variable fuel and purchased power costs net of off-system sales and the net base fuel cost amount the Commisison sets in an AmerenUE general electric rate proceeding. Ideally, ninety-five percent (95%) of any over- or under-recovery of fuel and purchased power costs net of off-system sales during four-month accumulation periods are refunded or collected during twelve-month recovery periods through an increase or decrease in the FPA. Practically, that ideal is rarely, if ever met, and, therefore, AmerenUE's FAC is also designed for a true-up of any over- or under-recovery during a recovery period. Commission-ordered refunds due a Commission determination of imprudence in a prudence review are to be refunded to AmerenUE ratepayers at the same time a true-up adjustment is implemented.[1]

AmerenUE's first accumulation period began on February 1, 2009 and ended May 31, 2009; however, because AmerenUE did not have a FAC until March 1, 2009, the first month of the first accumulation period is irrelevant to this prudence review. AmerenUE's fuel and purchased power costs net of off-system sales, the ninety-five percent (95%) customer responsibility portion and interest costs (without treating the AEP and WVPA energy sales during this period as off-system sales) were lower by $12,648,964 in the March 1 to May 31, 2009, part of the first accumulation period than the associated net base fuel costs, so AmerenUE's FPAs were adjusted to collect less revenue effective in the October 2009 billing month. AmerenUE's second accumulation period began June 1, 2009 and ended September 31, 2009. AmerenUE's fuel and purchased power costs net of off-system sales, the ninety-five percent (95%) customer responsibility portion and interest costs (without treating the AEP and WVPA energy sales during this period as off-system sales) were higher by $18,953,587 in AmerenUE's second accumulation period than the associated net base fuel costs, so AmerenUE's FPAs were adjusted to collect additional revenue effective in the February 2010 billing month. The following table reflects the historical changes to AmerenUE's FPAs for its first two accumulation periods.

		Adjustment to Fuel and Purchased Power Rate for 1st Accumulation Period	Adjustment to Fuel and Purchased Power Rate for 2nd Accumulation Period
FPA - Primary with Voltage Level Adjustment		-$0.00035 per kWh	$0.000483 per kWh
FPA - Secondary with Voltage Level Adjustment		-$0.00036 per kWh	$0.000501 per kWh
FPA – Large Transmission with Voltage Level Adjustment		-$0.00033 per kWh	$0.000467 per kWh

Information provided in the Company response to Staff Data Request 1, mpsc 0001 4 csr0240-3.161 7-rp1.xls (7)(A)3 and mpsc 0001 4 csr0240-3.161 7 rp2.xls (7)(A)3

[1] File No. ER-2011-0018 contains a request from AmerenUE for a true-up of its first recovery period. Staff filed its recommendation to approve the change to the FPA factor. The change does not include an adjustment for the prudence determination in this case. The current effective date of the change to the tariff sheet is September 23, 2010. The FPA will next be modified in the February 2011 billing month.

B. Prudence Standard

In *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo.*, 954 S.W.2d 520, 528-29 (Mo.App. W.D., 1997) the Western District Court of Appeals stated the Commission's prudence standard as follows:

The PSC has defined its prudence standard as follows:

> [A] utility's costs are presumed to be prudently incurred.... However, the presumption does not survive "a showing of inefficiency or improvidence."
>
> ... [W]here some other participant in the proceeding creates a serious doubt as to the prudence of an expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent. (Citations omitted).
>
> Union Electric, 27 Mo. PSC (N.S.) 183, 193 (1985) (quoting ***529** Anaheim, Riverside, Etc. v. Fed. Energy Reg. Com'n, 669 F.2d 799, 809 (D.C.Cir.1981)). In the same case, the PSC noted that this test of prudence should not be based upon hindsight, but upon a reasonableness standard:
>
> [T]he company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company.
>
> *Union* Electric, 27 Mo. P.S.C. at 194 (quoting *Consolidated Edison Company of New York, Inc.* 45 P.U.R. 4th 331 (1982)).

In reversing the Commission in that case, the Court did not criticize the Commission's definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its ratepayers based on imprudence the Commission must determine the detrimental impact of that imprudence on the utility's ratepayers. *Id.* at 529-30

This is the prudence standard Staff has followed in this review.

III. Net Fuel and Purchased Power Costs

The Staff reviewed for prudence for AmerenUE's first two accumulation periods the areas listed below.

A. Explanation of Fuel, Purchased Power Costs, Off-System Sales and Net Emission Allowances

For AmerenUE's FAC net fuel and purchased power costs are comprised of four major components: Fuel, Purchased Power, Revenue from Off-System Sales and Net Emission Allowances. The Fuel component is comprised of fossil fuel (coal, natural gas and oil) and nuclear fuel.

AmerenUE's parent, Ameren Corporation (Ameren), has charged Ameren Energy Fuels and Services (AFS) with the responsibility of engaging in the trading, purchase and sale of certain commodities on behalf of AmerenUE and its affiliates. Staff has only reviewed the AFS practices and polices as they directly relate to AmerenUE.

The objectives and management philosophy that AFS follows is detailed in the AFS Risk Management Policy (Highly Confidential) AmerenUE provided in response to Staff Data Request 62 in File No. ER-2010-0036:

**

____ **

B. Coal and Rail Transportation Costs

1. Description

For the period March 1, 2009 to September 30, 2009, Staff concluded that approximately ** __________ ** of AmerenUE's gross fuel cost was associated with coal it used in generating electricity. This cost of coal includes the cost of coal used for off-system sales plus various miscellaneous costs such as charges for rail and other ground transportation service, and other miscellaneous coal handling expenses.

Staff reviewed AFS's 2009 Powder River Basin (PRB) Coal Procurement Strategy document and AFS's Risk Management Policy document. AmerenUE's coal procurement strategy is summarized well in the Coal Procurement Strategy Executive Summary, page 1;

> ** ____ **

Staff has reviewed the various components and AFS's practices in complying with these stated parameters.

NP

AFS also utilizes a rail fuel surcharge hedge program in an effort to minimize price volatility associated with rail transportation of coal. In AmerenUE's response to Staff's Data Request 36, File No. ER-2010-0255, Mr. Ken Rutter explains;

** **

Staff has reviewed the various components and AFS's practices in complying with these stated parameters.

2. Summary of Cost Implications

If AmerenUE was imprudent in its purchasing decisions relating to coal, ratepayer harm could result from that imprudence by an increase in AmerenUE customer FAC adjustments.

3. Conclusion

Staff found no indication of imprudence by AmerenUE for AFS's purchase of coal and the handling of the rail fuel surcharge hedging policy for the period March 1, 2009 to September 30, 2009.

4. Documents Reviewed

    a. AmerenUE's fixed coal contracts in place for the delivery of coal to each of its generating units;

    b. AmerenUE's General Ledger, FPA calculation, and other work papers to determine the amount that AmerenUE paid for coal as compared to the total cost of coal that AmerenUE claims it incurred during its first two accumulation periods; and

c. AmerenUE's responses to Staff data requests related to AmerenUE's coal purchasing practices in File Nos. EO-2010-0255 and ER-2010-0036 for the period March 1, 2009 to September 30, 2009.

Staff Expert: Dana Eaves

C. Natural Gas Expense

1. Description

For the time period of March 1, 2009 to September 30, 2009 it reviewed, Staff concluded approximately** __________ ** of AmerenUE's fuel costs were associated with natural gas used in the generation of electricity. This total includes AmerenUE's fuel costs for off-system sales, and various miscellaneous charges such as firm transportation service charges and other miscellaneous fuel handling expenses.

The purchase methodology of natural gas for the generation of electricity is described in the AmerenUE's response to Staff's Data Request 62 in File No. ER-2010-0036. Staff reviewed the document titled: Generation Plan for Gas-Fired CTG's, 2009. Pages 1-3 of this document describe AmerenUE's procurement strategy:

** ____

NP

**

As noted above, AFS, on behalf of AmerenUE, employs hedging activities in an attempt to mitigate the impacts of market swings in natural gas prices and aid in providing a reliable fuel commodity.

Financial hedges can be described as:

> Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract. An example of a hedge would be if you owned a stock, then sold a futures contract stating that you will sell your stock at a set price, therefore avoiding market fluctuations. Investors use this strategy when they are unsure of what the market will do. A perfect hedge reduces your risk to nothing (except for the cost of the hedge).[2]

AmerenUE's responses to Staff Data Requests 24 and 34 in File No. EO-2010-0255 and Data Requests 62 and 73 in File No. ER-2010-0036 defines the hedging parameters used by or on behalf of AmerenUE for natural gas burned for generation. Staff has reviewed the various components of AmerenUE's natural gas supply strategy and AmerenUE's practices in complying with these stated perimeters.

2. Summary of Cost Implications

If Staff found that AmerenUE was imprudent in its purchasing decisions relating to natural gas, ratepayer harm could result from that imprudence by an increase in FAC charges.

[2] www.investopedia.com

3. Conclusion

Staff found no indication of imprudence associated with AFS's natural gas purchases for AmerenUE for the period March 1, 2009 to September 30, 2009.

4. Documents Reviewed

a. AmerenUE's responses to Staff data requests related to AFS's hedging program for natural gas for AmerenUE and its affiliates in File Nos. ER-2010-0036 and EO-2010-0255 for the period March 1, 2009 to September 30, 2009; and

b. AmerenUE's General Ledger, FPA calculation, and other work papers to determine the amount that AmerenUE paid for natural gas as compared to the total cost of natural gas that AmerenUE claims it incurred during the period March 1, 2009 to September 30, 2009.

Staff Expert: Dana Eaves

D. Fuel Oil

1. Description

For its review of the period March 1, 2009 to September 30, 2009, Staff concludes approximately ** _______ ** of AmerenUE's cost of fuel was associated with fuel oil used in the generation of electricity. This cost of fuel oil used to generate electricity includes the cost of fuel oil AmerenUE used for off-system sales plus various miscellaneous costs, such as ground transportation service charges and other miscellaneous fuel handling expenses.

AmerenUE response to Staff Data Request 30 in File No. ER-2010-0255 describes in detail AFS's policies for the procurement of fuel oil for its affiliates including AmerenUE. Staff reviewed the document titled; Fuel Oil Inventory Policy. This document describes AFS's fuel oil procurement strategy, page 2:

Oil Procurement:

** ____

____

____

____

____

**

The generating units that use fuel oil and how this fuel is used is describe on page 2 of the response,

** **

Staff has reviewed the various components of AFS's fuel oil procurement strategy and AFS's practices in complying with these stated parameters relating to fuel oil for AmerenUE.

2. Summary of Cost Implications

If AmerenUE was imprudent in its purchasing decisions relating to fuel oil, ratepayer harm could result from the imprudence by an increase in FAC charges.

3. Conclusion

Staff found no indication of imprudence by AFS or AmerenUE related to the purchase of fuel oil for the period March 1, 2009 to September 30, 2009.

4. Documents Reviewed

a. AmerenUE's General Ledger, FPA calculation and other supporting work papers to determine the amount AmerenUE paid for fuel oil as compared to the total cost of fuel oil AmerenUE claims it incurred during its first two accumulation periods; and

b. AmerenUE's responses to Staff Data Requests related to AFS's purchasing practices of fuel oil in File Nos. ER-2010-0036 and EO-2010-0255 for the period March 1, 2009 to September 30, 2009.

Staff Expert: Dana Eaves

E. Nuclear Fuel

1. Description

From its review of the period March 1 to September 30, 2009, Staff concluded that approximately ** _________ ** of AmerenUE's cost of fuel was associated with nuclear fuel used in the generation of electricity at AmerenUE's Callaway facility. This cost of nuclear fuel includes the amount associated with the cost of nuclear fuel for off-system sales. The cost of nuclear fuel includes various miscellaneous costs, such as Westinghouse credits, ground transportation service charges and other miscellaneous nuclear fuel handling expenses.

AmerenUE Nuclear Fuel Risk Management Policy is the controlling document for the acquisition and control of nuclear fuel for the Callaway facility. Staff has reviewed the various components and AmerenUE's practices in complying with these stated parameters relating to nuclear fuel.

2. Summary of Cost Implications

If AmerenUE was imprudent in purchasing nuclear fuel, ratepayer harm could result from that imprudence by an increase in customer FAC charges.

3. Conclusion

Staff found no indication of imprudence related to the purchase of nuclear fuel for the two accumulation periods covering March 1, 2009 to September 30, 2009.

4. Documents Reviewed

AmerenUE Fuel Risk Management Policy, AmerenUE's General Ledger, AmerenUE's FPA calculation, and other work papers to determine the amount AmerenUE paid for nuclear fuel as compared to the total cost of nuclear fuel AmerenUE claims it incurred during the period March 1 to September 30, 2009.

Staff Expert: Dana Eaves

F. Purchased Power Agreements

1. Description

During the period March 1 to September 30, 2009, AmerenUE met some of its capacity and energy needs through two Purchased Power Agreements (PPA). Copies of the PPAs were provided to Staff as AmerenUE responses to Staff's Data Request No. 75 in File No. ER-2010-0036. Staff reviewed the following AmerenUE PPAs for prudency:

a. Service Agreement between Entergy Arkansas, Inc. and Union Electric Company d/b/a AmerenUE.

b. Renewable Resource Power Purchase Agreement by and between Pioneer Prairie Wind Farm I, LLC and Union Electric Company d/b/a AmerenUE.

As it relates to purchased power agreements, other than those listed above, Matt Michels, AmerenUE's Managing Supervisor, Resource Planning replied to Staff's Data Request 75 in File No. ER-2010-0036 as follows:

> While AmerenUE does not understand the requestor's use of the phrase "purchase power contracts" to include them, please note that AmerenUE is a party to large number of master enabling agreements, including various interconnection agreements and EEI Master Power Purchase and Sale Agreements. These agreements provide for the general terms and conditions under which AmerenUE and the counterparty may transact at points in the future. These agreements do not, in and of themselves, obligate the counterparty to sell power and energy to AmerenUE, nor do they specify the pricing, term and any special conditions of specific transactions. Transactions other than hourly transaction are normally confirmed with either a written confirmation or electronically via the ICC communication system. These confirmations contain the specifics regarding volume, price, delivery location and any special conditions...

The Staff understands that these agreements are not long-term purchased power agreements, but rather make capacity available to be called on as needed. For this reason the master enabling agreements were not directly reviewed for prudency, but were reviewed in total as "spot market" purchases.

2. Summary of Cost Implications

If AmerenUE was imprudent by purchasing additional power or capacity to meet its demand, ratepayer harm could result from that imprudence by an increase in FAC charges.

3. Conclusion

Staff found no evidence of imprudence related to AmerenUE's long-term purchased power agreements.

4. Documents Reviewed

AmerenUE's Responses to Staff Data Requests 22 and 75 in File Nos. EO-2010-0255 and ER-2010-0036 respectfully.

Staff Expert: Leon Bender

G. Purchased Power Energy Costs

1. Description

Staff reviewed both the prices of and the amounts AmerenUE paid for long-term purchased power contracts referenced in Section F above. AmerenUE's long-term contract with Entergy Arkansas, Inc. expired August 31, 2009, and was not renewed. AmerenUE's contract with Horizon Wind Energy for energy at the Pioneer Prairie wind farm began on September 1, 2009, which is the last month of this prudence review period. This 15-year, fixed-price, take-or-pay contract is for energy from the wind farm and the associated Renewable Energy Credits (REC's).

The Horizon Wind Energy contract energy was sold at a fixed price of $0.069 per kWh for the 15-year contract term, which is above the spot market average price of $0.037 per kWh during the seven months of the prudence review period. However, the review period spot market average price is lower than in the recent past, due to lower market prices for natural gas.

Effective January 1, 2011, AmerenUE must meet the requirements of 4 CSR 240-20.100 Electric Utility Renewable Energy Standard Requirements (RES) and must generate or purchase no less than two percent (2%) of its annual retail electric sales from renewable energy sources during calendar years 2011 through 2013. The RES requirement for renewable energy increases to no less than five percent (5%) for 2014 through 2017, to no less than ten percent (10%) for 2018 through 2020, and to no less than fifteen percent (15%) in each calendar year beginning in 2021. The Commission's RES rules allow for utilities to "bank" REC's for up to three years. Thus, the energy generated since the beginning of the Horizon Wind Energy contract can be used to satisfy AmerenUE's requirements for 2011 and 2012.

Every megawatt-hour of electricity produced for the Horizon Wind Energy Contract also creates a REC[3] which has a market value. Any RECs above those needed to meet the RES requirements, if the Commission authorizes their sale[4], may be sold. Currently, revenue from the sale of RECs is not addressed in AmerenUE's FAC.

In addition to the long-term purchased-power contracts discussed above, AmerenUE also purchases short-term energy in the MISO and PJM day-ahead markets (hourly) and by bilateral agreements. Typically, AmerenUE relies on these short-term energy sources to help it to meet its load during forced or planned generation plant outages and when the market price for that short-term energy is both below the marginal cost of providing that energy from AmerenUE's generating units and below the cost of longer-term capacity purchases. Staff reviewed AmerenUE's hourly and monthly purchased power information for the prudence review period.

2. Summary of Cost Implications

If AmerenUE was imprudent by purchasing energy to meet its demand at a cost that exceeded AmerenUE's cost to generate that energy itself, ratepayer harm could result from that imprudence by an increase in FAC charges.

---

[3] A Renewable Energy Credit is the renewable attribute of a megawatt hour of energy generated by a renewable resource.

[4] A letter dated August 10, 2010 from the Missouri Public Service Commission, re: Disposition of RECs on or after August 31, 2010.

3. Conclusion

Staff found no evidence AmerenUE acted imprudently with regard to purchases of short-term energy in the MISO and PJM day-ahead markets or by bilateral agreements during the prudence review period. AmerenUE's fuel and purchased power costs were slightly higher in the period reviewed than they would have been had the wind power AmerenUE purchased been economically dispatched instead of being obtained by the fixed-price, take-or-pay Horizon Wind Energy contract. However, the Horizon Wind Energy contract is a long-term contract and must be viewed in light of the long-term needs of AmerenUE and its obligation to meet the RES requirements. Staff does not find AmerenUE's decision to enter into the Horizon Wind Energy contract to be imprudent.

4. Documents Reviewed

a. AmerenUE's responses to Staff Data Request Nos. 1, 2, 11, 13, 25, 33, 39;

b. Hourly purchased power data submitted by AmerenUE in compliance with 4 CSR 240-3.190; and

c. AmerenUE response to Staff Data Request No.75 in File No. ER-2010-0036.

Staff Expert: Leon Bender

H. Off-System Sales

1. Description

Off-system sales revenues are a component of the calculation of AmerenUE's FAC charges to its customers. They are described as "Revenues from Off-System Sales allocated to Missouri electric operations," or "OSSR," in AmerenUE FAC Tariff Schedule No. 5 Original Sheet No 98.3.

For the prudence review period of March 1 to September 30, 2009, Staff found that AmerenUE's level of off-system sales revenue was approximately ** __________ **.

Staff reviewed the off-system sales quantities, revenues and costs over the prudence review period. Staff compared the quantities and margins to historical information regarding AmerenUE's off-system sales.

2. Summary of Cost Implications

AmerenUE's revenues from off-system sales are offset against total fuel and purchased power costs. This is because AmerenUE's ratepayers pay for the sources used for that energy that AmerenUE sells off system, although serving those ratepayers (native load) is a higher priority than making an off-system sale. If AmerenUE was imprudent either because it made or did not make off-system sales, ratepayers could be harmed by that imprudence by an increase in FAC charges.

During the prudence review period AmerenUE sold energy to American Electric Power Operating Companies (AEP) and Wabash Valley Power Association, Inc. (WVPA)[5]. AmerenUE had energy to sell to AEP and WVPA, in-part, because AmerenUE's largest customer Noranda Aluminum, Inc (Noranda), as a result of damage to its smelting plant, severely curtailed the level of energy it was using. The smelting plant was damaged due to the sudden and prolonged loss of electricity service to the plant in the severe ice storm of January 28, 2009.

On January 29, 2009, AmerenUE filed with the Commission in File No. ER-2008-0318 an "Application for Rehearing and Motion for Expedited Treatment" (Application) seeking for the Commission to modify its FAC tariff the Commission had just authorized with its January 27, 2009 Report and Order[6] in that case. The terms of the FAC the Commission authorized with that Report and Order were the result of a stipulation and agreement. The terms of that FAC included AmerenUE's revenues from off-system sales being applied as an off-set to AmerenUE's fuel and purchased power costs. In its Application on page 4, despite having agreed to the terms of the FAC the Commission had just approved, AmerenUE proposed to modify its FAC tariff so;

> that incremental off-system sales revenues made possible by MWh not taken by Noranda (but which can then be sold-off system by AmerenUE) will be retained by AmerenUE to the extent, *but only to the extent,* necessary to offset the loss of retail margins from Noranda due to the loss of the Noranda

[5] The AEP and Wabash contracts consist of the following: Confirmation Letter between AmerenUE and the American Electric Power Service Corporation as agent for the AEP Operating Companies dated February 27, 2009, and the Electric Service Agreement between AmerenUE and the Wabash Valley Power Association, Inc. dated April 28, 2009.

[6] In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase Its Annual Revenues for Electric Services, Report and Order, Issue Date: January 27, 2009, pages 57-76

> load. Under the Modified FAC Tariff, once AmerenUE has received off-system sales revenues from MWh not taken by Noranda equal to the lost Noranda margin, all additional off-system sales revenue would flow to customers (without any sharing by AmerenUE).

The Commission denied AmerenUE's Application on February 19, 2009. In its order denying the Application, the Commission stated that the loss of the retail margin from Noranda was not a sufficient ground to set aside the approved stipulation and agreement regarding the flow of off-system sales through the AmerenUE's FAC and grant rehearing.

AmerenUE contracted with AEP and WVPA to deliver energy to them after the Commission denied AmerenUE's Application to modify its recently approved FAC. This was a prudent action by AmerenUE given the significant amount of energy AmerenUE would not be delivering to Noranda for months, at that time expected to be 12-15 months. However, AmerenUE designated these contracts to be "wholesale" contracts rather than to be off-system sales, and did not include the costs and revenues from them in calculating FAC charges.

3. Conclusion

Given the Commission's February 19, 2010 decision to not modify AmerenUE's FAC due to the loss of Noranda's load, it would be imprudent not to treat the revenues from the sales of the energy that became available due to the loss of the Noranda load as off-system sales revenues under AmerenUE's FAC. Therefore, AmerenUE was imprudent in not including the costs and revenues associated with the AEP and WVPS contracts in the FPA calculations for accumulation periods 1 and 2. When those costs and revenues are included for the period March 1 to September 30, 2009, the period of this prudence review, the result is that AmerenUE overcharged its customers during recovery periods 1 and 2 for the March 1 to September 30, 2009 period. Therefore, Staff proposes that the amount of $24,073,236 for the period March 1 to September 30, 2009, be refunded to ratepayers as a prudence review adjustment concurrently with AmerenUE's next FAC true-up adjustment.

Staff determined the proposed refund amount by modifying AmerenUE's FPA model filed in support of this case for both accumulation periods. Staff began by removing the kW's and MWh's associated with the AEP and WVPA contracts from the list of wholesale contracts in the calculations that determine the fixed and variable retail allocation factors.

This change accounts for the fuel costs to generate power for the AEP and WVPA contracts. Secondly, Staff included the revenue amounts in the model as reported in AmerenUE's response to Staff's Data Request 49. Staff then compared the modified FPA model result with AmerenUE's filed FPA to calculate the proposed refund amounts, including interest, for accumulation periods 1 and 2.

4. Documents Reviewed

a. Monthly reports submitted in compliance with 4 CSR 240-3.161(5);

b. AmerenUE's response to Staff Data Request Nos. 1 & 2;

c. Monthly outage data submitted by AmerenUE in compliance with 4 CSR 240-3.190;

d. Application for Rehearing and Motion for Expedited Treatment in File No. ER-2008-0318; and

e. Order Denying AmerenUE's Application for Rehearing in File No. ER-2008-0318.

Staff Expert: Dana Eaves

I. SO_2 and NO_x Allowances

1. Description

<u>SO_2 Emission Allowances</u>

All activities involving SO_2 emission allowances that occurred during March 1, 2009 to September 30, 2009 were recorded in the SO_2 Tracker authorized in File No. ER-2008-0318. Revenues and expenses from the sales of SO_2 allowances were not included in the FAC cost recovery for the time period of this audit.

<u>NO_x Emission Allowances</u>

In File No. EO-2010-0149, AmerenUE filed an Application with the Commission seeking authorization to manage its NO_x inventory, and on June 25, 2010, AmerenUE subsequently filed for dismissal of its application. On June 25, 2010, the Commission acknowledged the dismissal of application and closed the case. Therefore, as of this report, AmerenUE does not have the trading authority from the Commission to trade NO_X allowances.

2. Summary of Cost Implications:

At the point when the existing bank of SO_2 emission allowances is exhausted, AmerenUE will be required to purchase additional credits to offset its emissions. Selling SO_2 emission allowances that are needed in the future at a price that is lower than the future price AmerenUE would have to pay could be imprudent. These future purchases of allowances could possibly increase fuel costs and will be included in the FAC. If it was found that AmerenUE had been imprudent in its banking, purchasing and trading decisions relating to SO_2 emission allowances, ratepayer harm could result from an increase in rates.

If the cost of SO_2 and NO_x emission allowances were passed through the FAC prior to approval by the Commission, ratepayer harm could result from an increase in FAC adjustments.

3. Conclusion

Either SO_2 and NO_x emission allowance costs or revenues were part of the FAC during the time period of this audit. Therefore, Staff is not making a recommendation regarding AmerenUE's SO_2 and NO_x administration in this report. No revenues or expenses resulting from activities involving SO_2 and NO_x emission allowances were passed through the FAC during the two accumulation periods covering March 1, 2009 to September 30, 2009.

4. Documents Reviewed:

AmerenUE response to Staff Data Request Nos. 41, 44, 45, 46, and 50

Staff Expert: David Roos

IV. Interest Costs

1. Description

For the FAC accumulation and recovery periods AmerenUE is required to calculate the interest associated with the over- or under-recovered balance of fuel and purchased power costs and off-system sales revenues. AmerenUE applies its short-term interest rate to the over- or under-recovered balance and the interest is compounded on a monthly basis. This interest amount is component "I" of the FPA calculation described on Schedule No. 5 of Original Sheet No. 98.4.

2. Summary of Cost Implications

If AmerenUE was imprudent in its calculation of the interest amount or used an interest rate that was higher than AmerenUE's short-term interest rate, ratepayers could be harmed by increased FAC adjustment. If it was found that AmerenUE had been imprudent during the calculation of the interest amount or using a rate that was lower than AmerenUE's short-term interest rate, shareholder harm could result from a decrease in FAC adjustment.

3. Conclusion

Staff found no imprudence with regard to the issue of the Company's interest rate calculation applied to the over- or under-recovered balance.

4. Documents Reviewed

AmerenUE's interest calculation work papers in support of the interest calculation on the over- under-recovered balance.

Staff Expert: Matt Barnes

V. Outages

1. Description

AmerenUE generates most of its energy with its own generating units. Outages at any of the generating units have an impact on how much AmerenUE pays for fuel and purchased power. Outages can be either planned or unplanned. Staff examined AmerenUE's outages and the timing of those outages to determine if they were prudent. An example of an imprudent outage would be planning an extended outage of a large coal unit during peak demand times.

2. Summary of Cost Implications

An imprudent outage could result in AmerenUE purchasing expensive spot power or running its more expensive gas units to meet demand. Thus, AmerenUE would purchase more natural gas or purchased power and, consequently, have higher costs. If AmerenUE was imprudent in its decisions relating to plant outages, ratepayers could be harmed by that imprudence through an increase in FAC adjustment.

3. Conclusion

Staff did not find any evidence of imprudent outages during the time period examined in this review.

4. Documents Reviewed

a. AmerenUE's responses to Staff Data Requests 27, 38, 44, 45; and

b. Monthly Outage data submitted by AmerenUE in compliance with 4 CSR 240-3.190.

Staff Expert: Leon Bender

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a AmerenUE	)))))	Case No. EO-2010-0255

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Matthew J. Barnes, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Matthew J. Barnes

Matthew J. Barnes

Subscribed and sworn to before me this 31st day of August, 2010.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Susan L. Sundermeyer

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a AmerenUE	)))))	Case No. EO-2010-0255

AFFIDAVIT OF LEON C. BENDER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Leon C. Bender, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Leon C. Bender

Subscribed and sworn to before me this 31st day of August, 2010.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a AmerenUE	)))))	Case No. EO-2010-0255

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Dana E. Eaves, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Dana E. Eaves

Subscribed and sworn to before me this 31st day of August, 2010.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Susan L. Sundermeyer
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Union Electric Company d/b/a AmerenUE	)))))	Case No. EO-2010-0255

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

David C. Roos, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

D. C. Roos
David C. Roos

Subscribed and sworn to before me this 31st day of August, 2010.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Susan L. Sundermeyer
Notary Public

Schedule DEE-2

Is Deemed

Highly Confidential

In Its Entirety

CASE PROCEEDING PARTICIPATION

DANA E. EAVES

PARTICIPATION		TESTIMONY
COMPANY	**CASE NO.**	**ISSUES**
AmerenUE	EO-2010-0255	Prudency Review
Empire District Electric Company	EO-2010-0084	Prudency Review
Missouri American Water Company	WR-2008-0311	*Pension and Other Post-Retirement Employee Benefits Costs, Annual Incentive Plan Pay-out Based Upon Meeting Financial Goals and Customer Satisfaction Survey, Labor and Labor-Related Expenses, Rate Case Expenses, Insurance Other than Group, and Waste Disposal Expense*
Empire District Electric Company	ER-2008-0093	Fuel and Purchased Power, Fuel Inventories, FAS 87 (pension), FAS 106 (OPEBS), Expenses and Regulatory Assets, Off System Sales, Transmission Revenue, SO2 Allowances, Maintenance Expense
Laclede Gas Company	GR-2007-0208	Accounting Schedules Reconciliation
Empire District Electric Company	ER-2006-0315	Direct - Jurisdictional Allocations Factors, Revenue, Uncollectible Expense, Pensions, Prepaid Pension Asset, Other Post-Employment Benefits Rebuttal - Updated: Pension Expense, Updated Prepaid Pension Asset, OPEB's Tracker, Minimum Pension Liability
Missouri Gas Energy (Gas)	GR-2004-0209	Direct – Cash Working Capital, Payroll, Payroll Taxes, Incentive Compensation, Bonuses, Materials and Supplies, Customer Deposits and Interest, Customer Advances and Employee Benefits Surrebuttal – Incentive Compensation

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Aquila, Inc. d/b/a Aquila Networks-MPS & L&P (Natural Gas)	GR-2004-0072	Direct - Payroll Expense, Employee Benefits, Payroll Taxes Rebuttal – Payroll Expense, Incentive Compensation, Employer Health, Dental and Vision Expense
Aquila, Inc. d/b/a Aquila Networks-MPS (Electric)	ER-2004-0034	Direct - Payroll Expense, Employee Benefits, Payroll Taxes Rebuttal – Payroll Expense, Incentive Compensation, Employer Health, Dental and Vision Expense
Aquila, Inc. d/b/a Aquila Networks-L&P (Electric & Steam)	HR-2004-0024	Direct - Payroll Expense, Employee Benefits, Payroll Taxes
Osage Water Company	ST-2003-0562 WT-2003-0563	Direct - Plant Adjustment, Operating & Maintenance Expense Adjustments
Empire District Electric Company	ER-2002-0424	Direct - Cash Working Capital, Property Tax, Tree Trimming, Injuries and Damages, Outside Services, Misc. Adjustments
Citizens Electric Corporation	ER-2002-0297	Direct - Depreciation Expense, Accumulated Depreciation, Customer Deposits, Material & Supplies, Prepayments, Property Tax, Plant in Service, Customer Advances in Aid of Construction
UtiliCorp United Inc, d/b/a Missouri Public Service	ER-2001-672	Direct - Advertising, Customer Advances, Customer Deposits, Customer Deposit Interest Expense, Dues and Donations, Material and Supply, Prepayments, PSC Assessment, Rate Case Expense

PROCEEDING PARTICIPATION

DANA E. EAVES

Schedule 2

PARTICIPATION – No direct testimony filed or NON-Case (Informal) proceeding		
COMPANY	**CASE or Tracking No.**	**ISSUES**
RDG Sanitation	SA-2010-0096	Certificate Case
Mid Mo Sanitation	SR-2009-0153	Informal General Rate Case
Highway H Utilities, Inc.	SR-2009-0392 and WR-2009-0393	Informal General Rate Case
Osage Water Company	SR-2009-0149 WR-2009-0152	General Rate Case Lead Auditor
Hickory Hills	SR-2009-0151 WR-2009-0154	General Rate Case Lead Auditor
Missouri Utilities	SR-2009-0153 WR-2009-0150	General Rate Case Lead Auditor
Roy L. Utilities	QS-2008-0001 and QW-2008-0002	General Informal Rate Case
IH Utilities, Inc.	QW-2007-0003	General Rate Case
W.P.C. Sewer Company	QS-2007-0005	Rate Case Lead Auditor
West 16th Street Sewer Company, Inc.	QS-2007-0004	Rate Case Lead Auditor

PARTICIPATION – No direct testimony filed or NON-Case (Informal) proceeding		
COMPANY	**CASE or Tracking No.**	**ISSUES**
Gladlo Water & Sewer Company, Inc.	QS-2007-0001 and QW-2007-0002	Rate Case Lead Auditor Supervised: Kofi Boateng
Taneycomo Highlands, Inc.	QS-2006-0004	Rate Case Lead Auditor
Empire District Electric	QW-2005-0013	Informal General Rate Case
Cass County Telephone Company	TO-2005-0237	Cash Flow Analysis, LEC Invoices, Bank Reconciliations, Expense Analysis
LTA Water Company	WM-2005-0058	Merger Case with Missouri American Main Issue: Plant Valuation Lead Auditor
Noel Water Company, Inc.	QW-2005-0002	Rate Case Lead Auditor Supervised: Kofi Boateng
Suburban Water and Sewer Company, Inc.	QW-2005-0001	Rate Case Lead Auditor Supervised: Kofi Boateng
Osage Water Company	WC-2003-0134	Customer Refund Review
Noel Water Company, Inc.	QW-2003-0022	Rate Case Lead Auditor Supervised: Trisha Miller
AquaSource	WR-2003-0001 and SR-2003-0002	Plant in Service, Construction Work in Progress, Payroll, Depreciation Expense
Warren County Water and Sewer Company	WC-2002-155	General
Environmental Utilities, LLC	WA-2002-65	General
Meadows Water Company	WR-2001-966 and SR-2001-967	Expense Items

* RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE

APPLICABILITY

This rider is applicable to kilowatt-hours (kWh) of energy supplied to customers served by the Company under Service Classification Nos. 1(M), 2(M), 3(M), 4(M), 5(M), 6(M), 7(M), 8(M), 11(M), and 12(M).

Costs passed through this Fuel and Purchased Power Adjustment Clause (FAC) reflect differences between actual fuel and purchased power costs, including transportation, net of Off-System Sales Revenues (OSSR) (i.e., Actual Net Fuel Costs) and Net Base Fuel Costs (factor NBFC, as defined below), calculated and recovered as provided for herein.

For purposes of this FAC, the true-up year shall be from March 1 through the last day of February of the following year. The Accumulation Periods and Recovery Periods are as set forth in the following table:

Accumulation Period (AP)	Filing Date	Recovery Period (RP)
February through May	By August 1	October through September
June through September	By December 1	February through January
October through January	By April 1	June through May

Accumulation Period (AP) means the historical calendar months during which fuel and purchased power costs, including transportation, net of OSSR for all kWh of energy supplied to Missouri retail customers are determined.

Recovery Period (RP) means the billing months as set forth in the above table during which the difference between the Actual Net Fuel Costs during an Accumulation Period and NBFC are applied to and recovered through retail customer billings on a per kWh basis, as adjusted for service voltage level.

The Company will make a Fuel and Purchased Power Adjustment (FPA) filing by each Filing Date. The new FPA rates for which the filing is made will be applicable starting with the Recovery Period that begins following the Filing Date. All FPA filings shall be accompanied by detailed workpapers supporting the filing in an electronic format.

FPA DETERMINATION

Ninety five percent (95%) of the difference between Actual Net Fuel Costs and NBFC for all kWh of energy supplied to Missouri retail customers during the respective Accumulation Periods shall be reflected as an FPA_C credit or debit, stated as a separate line item on the customer's bill and will be calculated according to the following formulas.

For the FPA filing made by each Filing Date, the FPA_C rate, applicable starting with the Recovery Period following the applicable Filing Date, to recover fuel and purchased power costs, including transportation, net of OSSR, to the extent they vary from Net Base Fuel Costs (NBFC), as defined below, during the recently-completed Accumulation Period is calculated as:

* Indicates Addition.

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Missouri Public
Service Commission
ER-2008-0318; YE-2009-0561

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FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

$$FPA_{(RP)} = [[(CF+CPP-OSSR-TS-S) - (NBFC \times S_{AP})] \times 95\% + I + R]/S_{RP}$$

The FPA rate, which will be multiplied by the voltage level adjustment factors set forth below, applicable starting with the following Recovery Period is calculated as:

$$FPA_C = FPA_{(RP)} + FPA_{(RP-1)} + FPA_{(RP-2)}$$

where:

FPA_C = Fuel and Purchased Power Adjustment rate applicable starting with the Recovery Period following the applicable Filing Date.

FPA_{RP} = FPA Recovery Period rate component calculated to recover under/over collection during the Accumulation Period that ended prior to the applicable Filing Date.

$FPA_{(RP-1)}$ = FPA Recovery Period rate component from prior FPA_{RP} calculation, if any.

$FPA_{(RP-2)}$ = FPA Recovery Period rate component from FPA_{RP} calculation prior to $FPA_{(RP-1)}$, if any.

CF = Fuel costs incurred to support sales to all retail customers and Off-System Sales allocated to Missouri retail electric operations, including transportation, associated with the Company's generating plants. These costs consist of the following:

a) For fossil fuel or hydroelectric plants:

(i) the following costs reflected in Federal Energy Regulatory Commission (FERC) Account Number 501: coal commodity, applicable taxes, gas, alternative fuels, fuel additives, Btu adjustments assessed by coal suppliers, railroad transportation, switching and demurrage charges, railcar repair and inspection costs, railcar depreciation, railcar lease costs, similar costs associated with other applicable modes of transportation, fuel hedging costs (for purposes of factor CF, hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel and purchased power, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), hedging costs associated with SO2 and fuel oil

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Missouri Public
Service Commission
ER-2008-0318; YE-2009-0561

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FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, ash disposal revenues and expenses, and revenues and expenses resulting from fuel and transportation portfolio optimization activities; and

(ii) the following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, capacity reservation charges, fuel losses, hedging costs, and revenues and expenses resulting from fuel and transportation portfolio optimization activities;

b) Costs in FERC Account Number 518 (Nuclear Fuel Expense).

CPP = Costs of purchased power reflected in FERC Account Numbers 555, 565, and 575, excluding MISO administrative fees arising under MISO Schedules 10, 16, 17, and 24, and excluding capacity charges for contracts with terms in excess of one (1) year, incurred to support sales to all Missouri retail customers and Off-System Sales allocated to Missouri retail electric operations. Also included in factor "CPP" are insurance premiums in FERC Account Number 924 for replacement power insurance (other than relating to the Taum Sauk Plant) to the extent those premiums are not reflected in base rates. Changes in replacement power insurance premiums (other than those relating to the Taum Sauk Plant) from the level reflected in base rates shall increase or decrease purchased power costs. Additionally, costs of purchased power will be reduced by expected replacement power insurance recoveries (other than those relating to the Taum Sauk Plant) qualifying as assets under Generally Accepted Accounting Principles. Notwithstanding the foregoing, concurrently with the date the "TS" factor is eliminated as provided for in this tariff, the premiums and recoveries relating to replacement power insurance coverage for the Taum Sauk Plant shall be included in this CPP Factor.

OSSR = Revenues from Off-System Sales allocated to Missouri electric operations.

Off-System Sales shall include all sales transactions (including MISO revenues in FERC Account Number 447), excluding Missouri retail sales and long-term full and partial requirements sales, that are associated with (1) AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve Missouri retail load, and (3) any related transmission.

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Missouri Public
Service Commission
ER-2008-0318; YE-2009-0561

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FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

TS = The Accumulation Period value of Taum Sauk. This factor will be used to reduce actual fuel costs to reflect the value of Taum Sauk, and will be credited in FPA filings (of which there are three each year as shown in the table above), until the next rate case or, if sooner, until Taum Sauk is placed back in service. This value is $22.7 million annual for each true-up year as determined in the rate proceeding in which this FAC was established, one third of which (i.e., $7.56 million) will be applied to each Accumulation Period.

S = The Accumulation Period value of Blackbox Settlement Amount of $3 million annually, which shall expire on September 1, 2010. One third of the annual value ($1 million) shall be applied to each Accumulation Period. For the Accumulation Period during which the factor expires, the factor shall be prorated according to the number of days during which it was effective during that Accumulation Period.

I = Interest applicable to (i) the difference between Actual Net Fuel Costs (adjusted for Taum Sauk and factor "S") and NBFC for all kWh of energy supplied to Missouri retail customers during an Accumulation Period until those costs have been recovered; (ii) refunds due to prudence reviews (a portion of factor R, below); and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the annual true-up filings provided for herein (a portion of factor R, below). 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.

R = Under/over recovery (if any) from currently active and prior Recovery Periods as determined for the annual FAC true-up adjustments, and modifications due to adjustments ordered by the Commission (other than the adjustment for Taum Sauk as already reflected in the TS factor), as a result of required prudence reviews or other disallowances and reconciliations, with interest as defined in item I.

S_{AP} = Supplied kWh during the Accumulation Period that ended prior to the applicable Filing Date, at the generation level.

S_{RP} = Applicable Recovery Period estimated kWh, at the generation level, subject to the FPA_{RP} to be billed.

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Missouri Public
Service Commission
ER-2008-0318; YE-2009-0561

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FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

NBFC = Net Base Fuel Costs are the net costs determined by the Commission's order as the normalized test year value (and reflecting an adjustment for Taum Sauk, consistent with the term TS) for the sum of allowable fuel costs (consistent with the term CF), plus cost of purchased power (consistent with the term CPP), less revenues from off-system sales (consistent with the term OSSR), less an adjustment (consistent with the term "S"), expressed in cents per kWh, at the generation level, as included in the Company's retail rates. The NBFC rate applicable to June through September calendar months ("Summer NBFC Rate") is 1.001 cents per kWh. The NBFC rate applicable to October through May calendar months ("Winter NBFC Rate") is 0.690 cents per kWh.

To determine the FPA rates applicable to the individual Service Classifications, the FPA_C rate determined in accordance with the foregoing will be multiplied by the following voltage level adjustment factors:

Secondary Voltage Service	1.0888
Primary Voltage Service	1.0492
Large Transmission Voltage Service	1.0147

The FPA rates applicable to the individual Service Classifications shall be rounded to the nearest 0.001 cents, to be charged on a cents/kWh basis for each applicable kWh billed.

TRUE-UP OF FAC

After the completion of each true-up year, the Company will make a true-up filing by May 1 of each year (starting by May 1, 2010) with the Commission. Such filings shall be made by May 1 of every subsequent year until all fuel and purchased power costs accumulated during the effective period of the FAC have been recovered and trued-up. Any true-up adjustments or refunds shall be reflected in item R above, and shall include interest calculated as provided for in item I above.

The true-up adjustment shall be the difference between the revenues billed and the revenues authorized for collection during the true-up year.

GENERAL RATE CASE/PRUDENCE REVIEWS

The following shall apply to this Fuel and Purchased Power Adjustment Clause, in accordance with Section 386.266.4, RSMo. and applicable Missouri Public Service Commission Rules governing rate adjustment mechanisms established under Section 386.266, RSMo:

The Company shall file a general rate case with the effective date of new rates to be no later than four years after the effective date of a Missouri Public Service Commission order implementing or continuing this Fuel and

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ER-2008-0318; YE-2009-0561

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FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Purchased Power Adjustment Clause. The four-year period referenced above shall not include any periods in which the Company is prohibited from collecting any charges under this Fuel and Purchased Power Adjustment Clause, or any period for which charges hereunder must be fully refunded. In the event a court determines that this Fuel and Purchased Power Adjustment Clause is unlawful and all moneys collected hereunder are fully refunded, the Company shall be relieved of the obligation under this Fuel and Purchased Power Adjustment Clause to file such a rate case.

Prudence reviews of the costs subject to this Fuel and Purchased Power Adjustment Clause shall occur no less frequently than every eighteen months, and any such costs which are determined by the Missouri Public Service Commission to have been imprudently incurred shall be returned to customers with interest at a rate equal to the weighted average interest rate paid on the Company's short-term debt.

*Indicates Addition.

UNION ELECTRIC COMPANY ELECTRIC SERVICE

MO.P.S.C. SCHEDULE NO. 5	2nd Revised	SHEET NO. 98.7
CANCELLING MO.P.S.C. SCHEDULE NO. 5	1st Revised	SHEET NO. 98.7

APPLYING TO MISSOURI SERVICE AREA

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

* Calculation of Current FPA_C Rate:

	Accumulation Period Ending:		Sept. 30, 2009
1.	Total Energy Cost (CF+CPP-OSSR-TS-S)		$152,992,169
2.	Base Energy Cost	-	133,185,194
	2.1 NBFC ($/kWh)	x	$0.01001
	2.2 Accumulation Period Sales kWh (S_{AP})		13,305,214,156
3.	First Subtotal (1.-2.)		$19,806,975
4.	Customer Responsibility	x	95%
5.	Second Subtotal		$18,816,626
6.	Adjustment for Under / Over recovery for Prior Periods Plus Interest (I + R)	±	$136,961
7.	Third Subtotal		$18,953,587
8.	Estimated Recovery Period Sales kWh (S_{RP})	÷	40,800,048,000
9.	FPA_{RP}		$ 0.00046
10.	FPA_{RP-1}	+	$(0.00033)
11.	FPA_{RP-2}	+	$ 0.00000
12.	FPA_C (without Voltage Level Adjustment)		$ 0.00013
13.	Voltage Level Adjustment Factor		
	13.1 Secondary	x	1.0888
	13.2 Primary	x	1.0492
	13.3 Large Transmission	x	1.0147
14.	FPA_C (with voltage level adjustment)		
	14.1 Secondary		$ 0.00014
	14.2 Primary		$ 0.00014
	14.3 Large Transmission		$ 0.00013

* Indicates Change.

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DATE OF ISSUE November 25, 2009 DATE EFFECTIVE January 27, 2010

ISSUED BY Warner L. Baxter (NAME OF OFFICER) President & CEO (TITLE) St. Louis, Missouri (ADDRESS)

Schedule DEE-5-7