

**MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
File No. EM-2022-0292, In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Permission to Transfer an Interest in Transmission Assets under 393.190.1

FROM: Paul K. Amenthor – Senior Utility Regulatory Auditor  
Alan J. Bax – Associate Engineer

/s/ Alan J. Bax / August 9, 2022                      /s/ Scott Stacey / August 9, 2022  
Engineering Analysis Dept. / Date                      Staff Counsel’s Office / Date

/s/ Paul K. Amenthor / August 9, 2022  
Auditing Dept. - St. Louis / Date

SUBJECT: Staff Recommendation to Approve Verified Application and Request for Waiver

DATE: August 9, 2022

**STAFF RECOMMENDATION TO APPROVE UNION ELECTRIC COMPANY, d/b/a AMEREN MISSOURI’S VERIFIED APPLICATION AND REQUEST FOR WAIVER**

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the *Verified Application of Union Electric d/b/a Ameren Missouri for Permission to Transfer an Interest in Transmission Assets Under 393.190.1* (“Application”) of Ameren Missouri to transfer an undivided 49% interest in certain transmission facilities in, around, and near the City of Hannibal, Missouri to the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”), and for waiver of the 60-day notice requirements of 20 CSR 4240-4.017(1) per the terms in the Confidential Joint Ownership Agreement filed with the Verified Application. Staff finds the transaction is not detrimental to the public interest pursuant to 20 CSR 4240-2.060 and 20 CSR 4240-10.105.

**OVERVIEW**

On April 19, 2022, Union Electric Company, d/b/a Ameren Missouri (“Ameren Missouri” or “AMMO”) filed a *Verified Application for Permission to Transfer an Interest in Transmission Assets* to transfer an undivided 49% interest in certain transmission facilities in, around, and near the City of Hannibal, Missouri to MJMEUC. As stated in Ameren Missouri’s application, the transfer of assets will enable Ameren Missouri to replace aged infrastructure and improve

reliability in the Hannibal area and Northeast Missouri at a lower cost due to the use of a collaborative effort and a cost sharing arrangement among Ameren Missouri, MJMEUC, the City of Hannibal Utility (“Hannibal”) and the Associated Electric Cooperative, Inc. (“AECI”).

On April 20, 2022, in its *Order Directing Notice, Setting Deadlines for Intervention Requests and Directing Staff’s Recommendation*, the Commission directed that the data center shall provide notice of Ameren Missouri’s application to the Commissions of Marion and Ralls Counties, the City Council of Hannibal, and to local newspapers, and members of the General Assembly representing residents of Marion County, Ralls County, and the City of Hannibal. On this same date, the Commission also set a deadline for intervention of May 20, 2022 and ordered Staff to file either a recommendation regarding Ameren Missouri’s application or a status report advising when it expects to file a recommendation, no later than June 6, 2022.

On May 19, 2022, the MJMEUC requested intervention in the case and the Commission granted that intervention on June 1, 2022.

On May 23, 2022, Staff filed a suggestion to the Commission to join Ameren Illinois, AECI, and the City of Hannibal to the case.

On May 24, 2022, the Commission requested responses from the parties of the case regarding Staff’s request to join Ameren Illinois, AECI, and the City of Hannibal to the case.

On June 1, 2022, the Commission granted the application to intervene of MJMEUC.

On June 2, 2022, Staff filed a status report requesting an extension of time, until August 10, 2022, to file its recommendation in the case so as to review the responses to data requests submitted to Ameren Missouri as well as to meet and have discussions with the various entities that are parties to the case and the project.

After receiving responses from AECI, Ameren Missouri, and the MJMEUC, on June 23, 2022, the Commission denied Staff’s request for joining Ameren Illinois, AECI, and the City of Hannibal as parties to the case.

## **DISCUSSION**

There are multiple parties involved, directly and indirectly, in this project for which they are providing value to receive benefits of the completed project.

Associated Electric Cooperative, Inc. (“AECI”) was formed in 1961 and provides wholesale power generation and high voltage transmission for six transmission cooperative member-owners. These six member-owners supply approximately 51 local electric cooperatives in Missouri, Iowa, and Oklahoma. One of the six member-owners, the Northeast Missouri Electric Power Cooperative, serves Lewis, Marion, Monroe, Ralls, and Shelby Counties in Missouri. AECI is not subject to the regulatory jurisdiction of the Commission, and will not be subject to the Commission’s regulatory jurisdiction if the transfer of the interest in the assets is approved.

The City of Hannibal is located in Marion and Ralls Counties. Electricity is provided to the City via the Hannibal Board of Public Works (“HBPW”). The City of Hannibal is a member of the MJMEUC and utilizes approximately 200,000,000 kWh’s annually. The City of Hannibal purchases approximately 20 MW’s from Illinois’ Prairie State Energy Center and supplements the remainder of its electricity needs from MISO market purchases. The HBPW maintains 160 miles of electric line, 6 Substations, and 1,700 streetlights. The City of Hannibal and the HBPW are not subject to the jurisdiction of the Commission regarding regulation of its rates, and the transfer of interest in the assets will not change Commission’s regulatory jurisdiction if approved.

The Municipal Public Utility Alliance (“MPUA”) represents community-owned (municipal) and locally regulated electric, gas, water, sewer and broadband utilities and began in 1998 through a combination of three member groups: the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”), the Missouri Association of Municipal Utilities (“MAMU”), and the Municipal Gas Commission of Missouri (“MGCM”). MJMEUC owns generation or long term purchase power agreements in coal-fired power plants, natural gas power plants, windfarms, landfill gas plants, CHP plants, diesel generators and solar farms. The MPUA is, in fact, a co-owner of Prairie State Energy Center who currently supplies a portion of the City of Hannibal’s electric load. While the MPUA itself is a qualified transmission owner in MISO, SPP, and AECI respective territories, the MJMEUC has indicated its plan to become a transmission owner in Missouri<sup>1</sup> by the end of calendar year 2022 through one of a number of projects in which it has collaborated with Ameren and other parties. The transfer of the 49% undivided interest in the assets that are the subject of this case filing is one of those projects. The MPUA and the MJMEUC are not subject to the regulatory jurisdiction of the Commission regarding rates, and the transfer of interest in the assets will not change the Commission’s regulatory jurisdiction if approved.

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<sup>1</sup> Ameren Missouri Response to Staff Data Request Nos. 0018 and 0020: MJMEUC will become a MISO Transmission Owner (TO) as a result of the transaction under review in this proceeding and/or the project described in File No. EA-2022-0099 (involving Sikeston and New Madrid).

Ameren Illinois is a subsidiary of Ameren Corporation and an affiliate to Ameren Missouri and provides regulated electric distribution service within the State of Illinois under the jurisdiction of the Illinois Commerce Commission.

As listed below from Ameren Missouri’s original application, for parties directly involved to the transaction, the following assets are to be built, or replaced (with certain assets then transferred) with each party to the collaborative effort putting forth a payment for their benefit to the project.

<b>Project Component</b>	<b>AMMO \$</b>	<b>MJMEUC \$</b>	<b>Hannibal \$</b>	<b>Component Total</b>
1) a. New Finn Substation	\$3,645,073	\$3,502,129		\$7,147,202
b. Land, Finn Communication Equipment, Related Peno Creek Sub Relays	\$835,213			\$835,213
2) a. Spalding to Finn Circuit Reconstruction	\$4,247,690	\$4,081,114		\$8,328,805
b. Remaining Reconstruction of Peno Creek-Spalding Line and Finn-Marion Line	\$7,682,314			\$7,682,314
3) Double Circuit 0.9 miles of Peno Creek-Spalding Line (Finn-Oakwood/Finn- Marion)			\$1,026,267	\$1,026,267
4) Marion Substation Upgrades	\$3,344,051			\$3,344,051
<b>Project Total</b>	<b>\$19,754,342</b>	<b>\$7,583,243</b>	<b>\$1,026,267</b>	<b>\$28,363,852</b>

On August 1, 2022, Ameren Missouri provided an update to the cost chart above, citing increased costs to the overall project due to time and material contracts for additional construction activities such as rock drilling, access installation, and site restoration work. The overall increase to the project is \$2,827,212. Ameren Missouri had identified conditions that could necessitate employing specialized excavation methods as a project risk and found that this indeed became an issue for rock drilling that was required for installation of new structures. The work at the Marion site has also resulted in increased engineering costs, schedule delays and increased construction costs. However, all materials required to execute the remaining parts of the project have been procured

and the project is at 80% completion. As of August 1, 2022, of the remaining \$6.3 million spend, \$4.8 million is price fixed. The chart below shows the change in cost as compared to Ameren Missouri’s original application above.

<b>Project Component</b>	<b>AMMO \$</b>	<b>MJMEUC \$</b>	<b>Hannibal \$</b>	<b>Component Total</b>
1) a. New Finn Substation	\$3,769,879	\$3,622,040		\$7,391,919
b. Land, Finn Communication Equipment, Related Peno Creek Sub Relays	\$836,981			\$836,981
2) a. Spalding to Finn Circuit Reconstruction	\$4,226,041	\$4,060,314		\$8,286,355
b. Remaining Reconstruction of Peno Creek-Spalding Line and Finn-Marion Line	\$9,483,178			\$9,483,178
3) Double Circuit 0.9 miles of Peno Creek-Spalding Line (Finn-Oakwood/Finn- Marion)			\$1,226,450	\$1,226,450
4) Marion Substation Upgrades	\$3,966,181			\$3,966,181
<b>Project Total</b>	<b>\$22,282,260</b>	<b>\$7,682,354</b>	<b>\$1,226,450</b>	<b>\$31,191,064</b>

The complete project consists of four parts of construction, all of which will be completed by Ameren Missouri. These four parts of construction are explained below. However, peripherally there are also two other activities that will occur in tandem with the four phases of construction. In exchange for Ameren Missouri connecting to AECI’s Spalding Substation as part of this project, Ameren Missouri has allowed AECI to connect to its Zachary Substation. In exchange for Ameren Missouri connecting via river crossing to Ameren Illinois Hull Substation, Ameren Missouri has allowed Ameren Illinois to connect to its Marion Substation.<sup>2</sup>

<sup>2</sup> Staff requested to receive the associated FERC contracts between Ameren Missouri and AECI and AIC respectively regarding these new substation connections. Staff Data Request No. 0019 should be updated with this information.

**Part 1:**

This part of the overall project consists of construction of a new 161 kV substation, called the “Finn Substation,” that interconnects with Ameren Missouri’s transmission system, Hannibal’s system and the AECI system.

**Part 2:**

This part of the overall project consists of the reconstruction of approximately 11.7 total miles of Ameren Missouri’s 161 kV transmission line that spans two sections. The first section runs from AECI’s Spalding Substation to Ameren Missouri’s new Finn Substation and the second section runs from the new Finn Substation to Ameren Missouri’s existing Marion Substation

**Part 3:**

This part of the overall project consists of the construction of 0.7 miles of 161 kV, double circuit line, interconnecting to Finn Substation. One circuit, Finn-Oakwood, will be owned, operated and paid for by the City of Hannibal. This section will connect Ameren Missouri’s Finn Substation to the City of Hannibal’s Oakwood Substation. The other circuit, Finn-Marion, will be owned, operated and paid for by Ameren Missouri with any incremental costs being the responsibility of the City of Hannibal.

**Part 4:**

This part of the overall project consists of installing a new 161 kV bus and circuit breaker at Ameren Missouri’s Marion Substation, creating a 161 kV bus tie configuration on the high side of the station to enable a networked transmission path to the Ameren Illinois transmission system.

Ameren Missouri has portrayed in its application that construction is expected to be completed by December 1, 2022 with the projects energized by December 31, 2022. The transfer of the undivided 49% interest is to be completed prior to December 1, 2022 and Ameren Missouri has requested Commission approval of these projects by November 1, 2022. Staff does not object to approval on this time frame, however Staff requests Ameren Missouri to provide a final bill of sale and final journal entries reflecting the completion of the project components and the transfer of assets on its books and records, once the transfer is completed.

This project was developed to address \*\* [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

[REDACTED]

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<sup>3</sup> A MISO Operating Guide is a written set of operating practices that affect the Reliability Coordination Customer, Transmission Facilities, or the Combined Reliability Systems, to be followed for transmission and generation operations, including implementing procedures, actions, and sequences of actions to be taken to maintain operations within operating reliability criteria. MISO and Ameren jointly administer Operating Guides and apply them as necessary to address Bulk Electric System issues.

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As of June 21, 2022, the current construction status of each phase of the project is below:

Construction Project Component	Completion Percentage	Approximate Completion Date of Construction
Transmission Line Work – Overall Approximately 80% Complete	Approx. 80%	Remaining work will start September 1, 2022 and be complete December 1, 2022
Transmission Substation Work – Overall Approximately 80% Complete	Finn Substation – 95%  Marion Substation – 50%	<b>Finn Substation</b> – will be energized and in service on or about September 30, 2022  <b>Marion Substation</b> – will be complete by end of December 2022  <b>Peno Creek</b> – relay upgrade will be complete September 2022
Hull Transformer Installation (AIC)		Work will take place in parallel with Marion and be completed by end of December 2022

Ameren Missouri has portrayed to Staff that capital expenditures associated with all components of this project are eligible for Plant-In-Service-Accounting. Staff sought to verify that assets associated with this transaction are not producing new revenue sources<sup>4</sup>, as is required for PISA eligibility and Ameren Missouri confirmed this. Once the project is in-service, and transferred, Ameren Missouri will include the 51% interest it retains in its PISA deferral which will be considered for inclusion in rates in Ameren Missouri’s next rate case with carrying costs.

Ameren Missouri also indicated in response to Staff Data Request No. 0005 that the operations & maintenance (“O&M”) expense that is involved with this transaction affects FERC accounts 560-573. However the JOA delineates FERC accounts 562, 563 570, and 571. The accounts referenced in the JOA are not included in Ameren Missouri’s Fuel Adjustment Clause (“FAC”) and any impact should be reflected only in base rates. If for some reason, some reimbursements would affect accounts that are included within the FAC, Ameren Missouri will

<sup>4</sup> Response to Staff Data Request No. 0011.

need to ensure that all reimbursements for O&M for which those accounts are included in the FAC, are offset by the reimbursements prior to implementing the new FAC rate.

Ameren Missouri calculates that without the transfer of the 49% undivided interest to MJMEUC, the property taxes in Ralls County would have increased by \$1,163; however with the transfer of assets, as well as the fact that MJMEUC is exempt from property tax, the increase to Ameren Missouri customers for this project is \$878. In other words, Ameren Missouri customers are paying \$285 less in property tax than would have occurred without the associated transfer of assets.

Ameren Missouri also portrays that the sale of the undivided interest will have no effect on net Ameren Missouri transmission revenues and expenses other than to lower them as compared to the case where Ameren Missouri built and owned the entirety of the Project itself. This would be due to MJMEUC’s MISO Attachment O revenue requirement for that portion of the investment ultimately being lower than Ameren Missouri’s would be for the overall investment because of MJMEUC’s lower after-tax cost of capital. As far as the O&M, Ameren Missouri will perform the required maintenance and will then bill MJMEUC for 49% of the cost. However, MJMEUC will also include that 49% of O&M costs as part of its FERC transmission formula rate for which 92% will be billed to Ameren Missouri customers. Even with this cost coming to Ameren Missouri customers, they are overall still paying less for the project and receiving more in benefit with the asset transfer than without.

The table below shows the assets that are being retired and/or replaced as part of the project. The net book value is depicted in the chart that follows is estimated as closely as possible to the approximate asset transfer date. Ameren Missouri has relayed that the majority of the assets being retired are at the end of their lifecycle, however some of the assets will be sent to warehouse storage for future reuse.

<u>FERC Acct</u>	<u>FERC Account Description</u>	<u>Original Cost</u>	<u>Less: Depreciation Reserve</u>	<u>Net Book Value</u>
353	Transmission Station Equipment	60,453	(10,687)	49,766
355	Transmission Poles & Fixtures	328,655	(222,749)	105,906
356	Transmission Overhead Conductors	78,025	(71,894)	6,131
362	Station Equipment	534,234	(316,641)	217,593
364.1	Distribution Poles & Towers	333,110	(66,993)	266,117
365.1	Overhead Conductors	543,808	(530,078)	13,730
	<b>Total</b>	1,878,285	(1,219,041)	659,244

Subject to the Commission's approval, Staff recommends and Ameren Missouri confirms, through response to Data Request No. 0017, that plant-in-service and accumulated reserve will be reduced for retirements of replaced Ameren Missouri property and for the portion of capital costs received from MJMEUC and Hannibal. In addition, any O&M costs for which Ameren Missouri receives proceeds from MJMEUC are to be recorded as a contra-expense, where the proceeds received are a direct offset to the expense recorded on Ameren Missouri's books and records. In addition, the 49% of the transferred new capital investment will relieve Ameren Missouri of that portion of cost of removal.

Staff recommends the proposed accounting treatment be ordered, however there will be no ratemaking as part of this transaction in this case. If the Commission approves this transaction, Staff recommends the Commission order Ameren Missouri to provide all final journal entries and the final bill of sale as part of this docket and also maintain all components of this transaction within its books and records for Staff's review as part of a future Ameren Missouri general rate proceeding. Also, Staff recommends that Ameren Missouri be ordered to provide the "official" JOA with the Hannibal Board of Public Works upon gaining FERC approval, and further, to update its Response to Staff Data Request No. 0019 in providing the associated FERC contracts with AECI and AIC regarding the new connections with respective associated substations noted in Application.

### **CONCLUSION AND RECOMMENDATION**

In its application, Ameren Missouri states that the transfer of the 49% undivided interest is not detrimental to Ameren Missouri's customers. The transaction benefits Ameren Missouri, MJMEUC, the City of Hannibal, AECI, Ameren Illinois and Ameren Missouri's customers in different ways. Ameren Missouri benefits from replacing aging assets and constructing new assets at a cost less expensive than installing it themselves as many aspects of the project would have needed to be performed had the transfer of assets not occurred. Ameren Missouri could have completed this project itself without the involvement of the other parties with the exception of interconnection with AECI's Spalding Substation. However, Ameren Missouri would then have also had to have paid for all investment, increased transmission costs and O&M costs, including costs to connect to Ameren Illinois' Hull Substation for networked transmission ability. These are costs that Ameren Missouri would otherwise have had to incur if it had constructed the project on its own rather than transferring the undivided interest in the assets once in service.

Transferring these facilities to MJMEUC will have no effect on Ameren Missouri's provision of service to its other customers. Ameren Missouri is current on all assessment fees and annual report

filings. Staff is not aware of any other matter before the Commission that affects or is affected by this filing, nor is Staff aware of any pending or final unsatisfied decision against Ameren Missouri from any state or federal court involving customer service or rates within the last three years that would affect or is affected by this filing.

Staff recommends the Commission approve Ameren Missouri's request, as described in the Verified Application, to transfer a 49% undivided interest as described above to MJMEUC for a purchase price of approximately \$7.7 million, subject to the terms and conditions set forth in the Joint Ownership Agreements, and also subject to the following Staff conditions:

- Ameren Missouri is to provide the final bill of sale for the transaction and the final journal entries for the transfer of assets as part of this docket
- Ameren Missouri is to record the proceeds of the transferred assets and the approximately \$1.23 million contribution from the City of Hannibal as an offset to plant in service and accumulated reserve
- Ameren Missouri is to record all reimbursed expenses as a contra-expense
- Ameren Missouri is to maintain its records demonstrating all aspects of the project and transactions (additions, retirements, O&M, Hannibal Proceeds and asset transfer to MJMEUC) for review in a future rate proceeding
- Ameren Missouri be ordered to provide the "official" JOA with the Hannibal Board of Public Works upon gaining FERC approval, and further, to update its Response to Staff Data Request No. 0019 in providing the associated FERC contracts with AECI and AIC regarding the new connections with respective associated substations noted in the Application

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

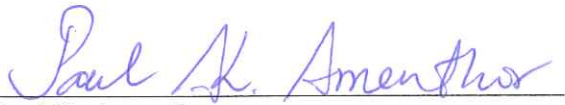
In the Matter of the Application of Union )  
Electric Company d/b/a Ameren Missouri for ) File No. EM-2022-0292  
Permission to Transfer an Interest in )  
Transmission Assets under 393.190.1 )

AFFIDAVIT OF PAUL K. AMENTHOR

STATE OF MISSOURI )  
 ) ss  
COUNTY OF ST. LOUIS )

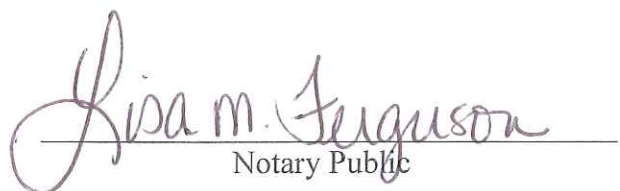
COMES NOW, Paul K. Amenthor, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
Paul K. Amenthor

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for St. Louis County, State of Missouri, at my office in St. Louis, on this 9<sup>th</sup> day of August, 2022.



  
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

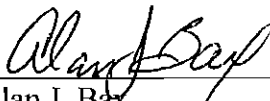
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Transmission Assets under 393.190.1 )

**AFFIDAVIT OF ALAN J. BAX**

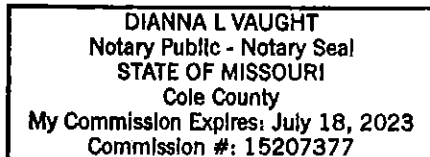
STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

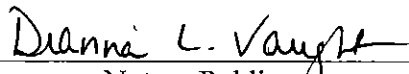
**COMES NOW**, Alan J. Bax, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
Alan J. Bax

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9<sup>th</sup> day of August, 2022.



  
\_\_\_\_\_  
Notary Public