

**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 Authority to Sell    )  
or Transfer a Portion of its Franchise, Works, or       )  
System to SSM HEALTH, INC. d/b/a SSM Health           )  
Saint Louis University Hospital                            )

**File No. EO-2019-0391**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and files its *Staff Recommendation* regarding the application of Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) for authority to sell, transfer, and otherwise dispose of a portion of its franchise, works, or system to SSM HEALTH, INC. d/b/a SSM Health Saint Louis University Hospital (“SSM Health”). In support, Staff states as follows:

1. On June 13, 2019, Ameren Missouri filed an *Application and Request for Waiver and Motion for Expedited Treatment* (“Original Application”) seeking authority to sell, transfer, and otherwise dispose of a portion of its franchise, works, or system, namely a three-phase, pad-mounded transformer and associated manhole, to SSM Health.

2. Ameren Missouri also requested expedited treatment per 4 CSR 240-2.080(14) and a waiver of the 60 day notice requirement of 4 CSR 240-4.017(1). Ameren Missouri verified that in the prior 150 days it had no Commission communication regarding any issue likely to be substantive in this case.

3. On June 14, the Commission issued its *Order Providing Notice and Directing Staff Recommendation* (“Order”) directing Staff to file a recommendation by July 3, 2019. The Order also states that “[i]f Staff finds that it cannot reasonably file a

recommendation by that date, it may file a request for additional time, indicating when it can file a recommendation.”

4. On June 26, 2019 Staff filed *Staff’s Motion for Additional Time to July 23, 2019 to File Staff Recommendation*. In this motion, Staff stated that additional time was needed to receive responses to data requests and complete Staff’s recommendation. The Commission granted this motion June 27, 2019.

5. On July 16, 2018, Staff informed Ameren Missouri that the property (transformer and manhole combined) cost in the Bill of Sale attached to the Original Application does not match the amount in the Original Application. The price in the Bill of Sale includes state and federal income taxes, but these taxes were not included in the price listed in paragraphs 9 and 10 of the Original Application. On July 17, 2019, Ameren Missouri filed an *Amended Application and Request for Waiver and Motion for Expedited Treatment* (“First Amended Application”).

6. On July 22, 2019, Staff filed *Staff’s Motion for a Further Extension of Time to August 2, 2019 to File Staff Recommendation*. Staff explained that questions about revised data requests responses required additional time in order to meet with Ameren Missouri. The Commission granted this motion July 22, 2019.

7. After discussions with Staff, Ameren Missouri determined that it miscalculated the income taxes to be included in the sale price. On July 31, 2019, Ameren Missouri filed *Ameren Missouri’s Motion for a Further Extension of Time to August 13, 2019 for Staff to File its Recommendation*. The Commission granted this motion August 2, 2019. On August 2, 2019, Ameren Missouri filed its *Second Amended*

*Application and Request for Waiver and Motion for Expedited Consideration* (“Second Amended Application”).

8. As explained in the *Staff Recommendation to Approve Second Amended Application* (“Recommendation”), attached as Appendix A, Staff investigated Ameren Missouri’s request. Based upon this review, Staff determined that the sale is not detrimental to the public interest, and Staff recommends approval. SSM Health is the only customer served by this transformer; this sale will not have an effect on Ameren Missouri’s service to other customers. This transaction benefits Ameren Missouri customers because Ameren Missouri will receive a fair price for the transformer and forgo future maintenance expenses. This transformer will become an essential part of SSM Health’s distribution system, and SSM Health will be responsible for all maintenance.

9. Ameren Missouri proposes to sell the transformer and manhole for \$15,346.96. The property’s net book value is \$12,567.10.<sup>1</sup> Ameren Missouri indicated to Staff that it would not realize a gain associated with the sale.

10. The \$15,346.96 sales price represents the property’s reproduction cost depreciated (\$14,002.55), plus state and federal income taxes (\$1,344.41).<sup>2</sup> The \$14,002.55 will be recorded as salvage and will reduce Ameren Missouri’s rate base. Staff does not object to Ameren Missouri’s proposed journal entries, described on pages

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<sup>1</sup> Ameren Missouri, *Second Amended Application and Request for Waiver and Motion for Expedited Treatment*, EO-2019-0391, App. 3 (Aug. 2, 2019).

<sup>2</sup> There is no sales tax due on the purchase because the transformer and manhole are considered real property for sales tax purposes. Additionally, SSM Health has an exemption from paying Missouri sales tax on sales by the State of Missouri. *Id.* ¶ 14 and App. 3.

five and six of Staff's Recommendation. This transaction will have a *de minimus* impact on real property taxes.<sup>3</sup>

11. Staff does not oppose Ameren Missouri's request for expedited treatment and a waiver of the 60 day notice requirement.

12. The Commission need not hold a hearing if, after proper notice and opportunity to intervene, no party requests such a hearing. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo. App. W.D. 1989).

**WHEREFORE**, Staff respectfully submits this *Staff Recommendation* for the Commission's information and consideration. Staff requests the Commission approve the sales of the subject transformer and manhole from Ameren Missouri to SSM Health.

Respectfully submitted,

**/s/ Karen E. Bretz**

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<sup>3</sup> SSM Health is non-profit 501(c)(3) organization. *Id.* ¶ 4.

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 13th day of August, 2019.

**/s/ Karen E. Bretz**

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. EO-2019-0391, In the Matter of the Application of the Union Electric Company d/b/a Ameren Missouri for Authority to Sell or Transfer a Portion of Its Franchise, Works, or System to SSM Health Inc. d/b/a SSM Health, Saint Louis University Hospital

FROM: Jane Dhority – Auditing Unit – St. Louis  
Alan J. Bax – Engineering Analysis Unit

Dan I. Beck / August 13, 2019      Karen Bretz / August 13, 2019  
Engineering Analysis / Date      Staff Counsel's Office / Date

Mark Oligschlaeger / August 13, 2019  
Auditing / Date

SUBJECT: Staff Recommendation to Approve Second Amended Application

DATE: August 13, 2019

### **STAFF RECOMMENDATION TO APPROVE SECOND AMENDED APPLICATION**

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the *Second Amended Application and Request for Waiver and Motion for Expedited Treatment* (“Second Amended Application”) of the Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”)<sup>1</sup> for authority to sell, transfer, or otherwise dispose of a portion of its franchise, works, or system to SSM Health, Inc., d/b/a SSM Health Saint Louis University Hospital (“SSM Health”), for approximately \$15,347 per the terms in the Bill of Sale attached to the Second Amended Application. SSM Health is located at 3635 Vista Avenue, St. Louis, MO 63110 and it seeks to acquire Ameren Missouri assets at this location.<sup>2</sup> Staff finds the transaction is not detrimental to the public interest pursuant to Section 393.190.1 RSMo 2000, 4 CSR 240-2.060 and 4 CSR 240-10.105.

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<sup>1</sup> Ameren Missouri’s Second Amended Application was filed on August 2, 2019.

<sup>2</sup> SSM Health’s principal place of business is located at 10101 Woodfield Lane, St. Louis, MO 63133.

## **OVERVIEW**

On June 13, 2019, Ameren Missouri filed an *Application and Request for Waiver and Motion for Expedited Treatment* (“Original Application”) to sell one three-phase, pad-mounted transformer<sup>3</sup> (“transformer”) and one manhole<sup>4</sup> to SSM Health for a purchase price of approximately \$14,003 as stated on page 5 of its Original Application. However, the “Bill of Sale” attached as Appendix 4 to Ameren Missouri’s Original Application indicated an approximate \$17,521 purchase price “as-is,” subject to the terms and conditions contained therein. Ameren Missouri requests that the Commission approve the transaction as not detrimental to the public interest pursuant to 4 CSR 240-10.105, 4 CSR 240-2.060, and Section 393.190.1 RSMo 2000. In addition, Ameren Missouri requests a waiver from 4 CSR 240-4.017 that requires a sixty day notice be provided in anticipation of filing a case, as well as expedited treatment per 4 CSR 240-2.080.

In an *Order Providing Notice and Directing Staff Recommendation* dated June 14, 2019, the Commission directed that the Clerk for the City of St. Louis be notified of the pending [Original] Application. The Commission also ordered Staff to file a Recommendation, or alternative pleading, by July 3, 2019.<sup>5</sup> On June 26, 2019, Staff filed a motion, requesting an extension of time to file its recommendation by July 23, 2019. Staff’s request was granted by the Commission in its *Order Extending Time to File Staff Recommendation* issued on June 27, 2019.<sup>6</sup>

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<sup>3</sup> The three-phase pad mounted transformer is described in the bill of sale as being 500 KVA, 4160-480Y/277V with the following serial number identifier: #15JC620450027. Ameren Missouri placed this transformer into service during 2016

<sup>4</sup> The manhole contemplated in the bill of sale includes the top and bottom half of the manhole and was installed by Ameren Missouri in 1985.

<sup>5</sup> The Commission also ordered that any other party wishing to address the application the same opportunity in regard to requesting an extension of time.

<sup>6</sup> In this Order, the Commission also extended the time allowed for any party wishing to either respond to the Application or the Staff Recommendation to two days following the filing of Staff’s Recommendation. No other party filed a response to the Commission’s Order.

During early July 2019, Staff notified Ameren Missouri that its Original Application reflected a different sales price (\$14,003) for the transformer and manhole than that in the attached Bill of Sale (\$17,521). On July 17, 2019 Ameren Missouri filed an *Amended Application and Request for Waiver and Motion for Expedited Treatment* (“Amended Application”) which indicated that the Ameren Missouri property would be sold to SSM Health for approximately \$17,521. At that time, Ameren Missouri explained that the \$17,521 amount included recovery through the sales price of an approximately \$3,518 income tax impact to Ameren Missouri resulting from the assets’ sales.<sup>7</sup>

Staff and Ameren Missouri met, beginning on July 19, 2019, to discuss proposed calculations supporting the \$3,518 income tax impact. Ameren Missouri agrees with Staff that Ameren Missouri’s income tax calculations were overstated and, on July 31, 2019, Ameren Missouri filed a *Motion for a Further Extension of Time to August 13, 2019 for Staff to File its Recommendation*. On August 2, 2019, the Commission issued its *Order Further Extending Time To File Staff Recommendation* granting Ameren Missouri’s request for additional time. Also on August 2, 2019, Ameren Missouri filed a Second Amended Application with correct income tax calculations reflecting a total sale amount of approximately \$15,347.<sup>8</sup> In addition, on July 31 and on August 8, 2019, Ameren Missouri provided Staff with updated responses to data requests that supported the correct income tax calculations as well as corresponding journal entries.

### **DISCUSSION**

SSM Health is a non-profit 501(c)(3) religious organization established to provide health care in the state of Missouri. SSM Health is not subject to the regulatory jurisdiction of the

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<sup>7</sup> \$17,521 calculated as follows: \$14,003 asset price plus \$3,518 for income tax impact.

<sup>8</sup> \$15,347 calculated as follows: \$14,003 asset price plus \$1,344 for income tax impact.



Commission, and will not become subject to the Commission's regulatory jurisdiction if the sale of the transformer is approved. SSM Health currently receives electric service from Ameren Missouri as a Large General Rate Service customer. SSM Health requested to purchase an Ameren Missouri-owned transformer and related manhole that are currently used in providing electric service to SSM Health's West Pavilion Radiation Oncology building located on 3635 Vista Avenue, St. Louis, MO 63110. This building is located adjacent to a larger SSM Health campus. SSM Health owns and operates its own distribution system at that location.

SSM Health wants to acquire the transformer to facilitate campus expansion plans. The transformer would become an essential part of SSM Health's primary voltage distribution system, and SSM Health will be responsible for all maintenance. Other Ameren Missouri customers benefit because the sale of the transformer will enable Ameren Missouri to recover a fair price for the transformer and Ameren Missouri also forgoes future maintenance expenses. Furthermore, Ameren Missouri asserts that the impact on property tax revenues in the area resulting from the proposed transaction, if any, will be negligible since the value of the assets being sold to SSM Health total less than \$50,000. Sales taxes are not applicable since SSM Health is granted a "Limited Exemption" from Missouri Sales and Use Tax on purchases and sales by the State of Missouri. In addition, since the transformer is installed, it is considered real property for sales tax purposes; therefore, there is no sales tax applicable to the transaction.

Ameren Missouri's calculation of net book value is depicted in the chart that follows:

<u>Equipment Item</u>	<u>Original Cost</u>	<u>Less: Depreciation Reserve</u>	<u>Net Book Value</u>
Transformer	\$ 13,211	\$ 655	\$ 12,556
Manhole	\$ 21	\$ 10	\$ 11
Total	\$ 13,232	\$ 665	\$ 12,567

Ameren Missouri proposes to sell the property for approximately \$15,347; however, its net book value is approximately \$12,567. Ameren Missouri indicated to Staff that it would not realize a gain associated with the sale of this property on its books and records, per Uniform System of Accounts (“USOA”) guidelines. USOA guidelines provide specific recording instructions, subject to modification based upon Commission rulings, for reflecting a gain or loss on the utility’s books related to the sale of an operating unit or system. Subject to the Commission’s approval, Ameren Missouri proposes to reflect the following journal entries to record the proceeds resulting from this transaction and to record the retirement of the assets on its books and records upon completion of the sale of the transformer and manhole described above:

To record the receipt of proceeds:

<i>Debit Cash – Account 131</i>	<i>\$15,347</i>	
<i>Credit Line Transformers – Salvage – Account 368</i>		<i>(\$14,003)</i>
<i>Credit Miscellaneous Non-Operating Income – Account 421</i>		<i>(\$1,344)</i>

To record the retirement of assets:

<i>Debit Line Transformers Reserve Account – 368</i>	<i>\$13,211</i>	
<i>Debit Underground Conduit-Manholes Reserve – Account 366</i>	<i>\$ 21</i>	
<i>Credit Line Transformers Plant-in-Service Account – 368</i>		<i>(\$13,211)</i>
<i>Credit Underground Conduit - Manholes Plant-in-Service Account – 366</i>		<i>(\$21)</i>

Upon completion of the sale of assets, Ameren Missouri will also record the following journal entries to reflect the income tax impact on their books and records:

<i>Debit Current Income Tax Expense – Account 409</i>	<i>\$1,344</i>	
<i>Debit Accumulated Deferred Income Tax Liability – Account 282</i>	<i>\$1,002</i>	
<i>Credit Accrued Tax Liability – Account 236</i>		<i>(\$1,344)</i>
<i>Credit Deferred Income Tax Expense – Account 411</i>		<i>(\$1,002)</i>

Finally, when the income tax is actually paid, during the fourth quarter of 2019, Ameren Missouri will record the following journal entry:

<i>Debit Accrued Tax Liability – Account 236</i>	<i>\$1,344</i>
<i>Credit Cash – Account 131</i>	<i>(\$1,344)</i>

Staff does not dispute Ameren Missouri's proposed journal entries recording this transaction since no gain (or loss) will be recognized as a result of this sale. These proposed journal entries make the ratepayers whole by reflecting an approximate \$14,003 increase in overall salvage value, which increases the depreciation reserve by the same amount.<sup>9</sup> This, in turn, will reduce Ameren Missouri's overall rate base by \$14,003 as a result of this transaction. The journal entries also properly reflect the retirement of the assets on Ameren Missouri's books and records. Finally, Ameren Missouri's proposed journal entries to address income taxes are appropriate because the \$1,344 amount of non-utility revenue that would be recorded upon the completion of the sale will be paid to federal and state income tax authorities during the fourth quarter of 2019.

### **CONCLUSION**

Staff recommends the Commission approve Ameren Missouri's request, as described in the Second Amended Application, to sell one transformer and one manhole as described above to SSM Health for a purchase price of approximately \$15,347 "as-is," subject to the terms and conditions set forth in the Bill of Sale. It is Staff's opinion that this transaction is not detrimental to the public interest per Section 393.190.1 RSMo 2000, 4 CSR 240-2.060 and 4 CSR 240-10.105.

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<sup>9</sup> Because of the immaterial value assigned to the manhole that is part of the sale (approximately \$21), Ameren Missouri plans to assign the entire \$14,003 amount of proceeds received as an increase to salvage for transformers in account 368.

The transaction benefits not only Ameren Missouri and SSM Health, but it is also advantageous to Ameren Missouri's customers. No other Ameren Missouri customers are served by this transformer. Staff has verified that journal entries proposed by Ameren Missouri to record all aspects of the transaction are appropriate. With regard to the \$15,347 selling price, \$14,003 of the proceeds will be recorded as salvage, which represents a proper reduction to rate base while the remaining \$1,344 of proceeds will be used to address federal and state income taxes. Approval of this transaction should result in *de minimis* property tax implications on the local area. Selling this transformer to SSM Health 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. The 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. Finally, SSM Health is not subject to Commission jurisdiction.

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Company d/b/a Ameren Missouri for Authority     )  
To Sell or Transfer a Portion of its Franchise,     )  
Works, or System to SSM HEALTH, INC. d/b/a     )  
SSM Health Saint Louis University Hospital     )

**File No. EO-2019-0391**

**AFFIDAVIT OF JANE DHORITY**

State of Missouri     )  
   ) ss.  
County of St. Louis     )

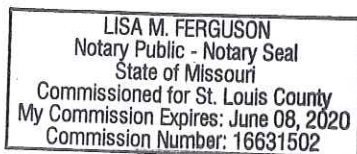
**COMES NOW** Jane Dhority and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

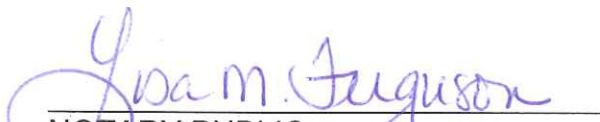
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Jane Dhority

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 15<sup>th</sup> day of August, 2019.



  
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NOTARY PUBLIC