

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

In the Matter of the Application of Union Electric)
d/b/a Ameren Missouri for Authority to Sell or Transfer)
a Portion of its Franchise, Works, or System to)
Mercy Health East Communities, Southern Region) **File No. EO-2017-0127**

STAFF RECOMMENDATION TO APPROVE TRANSFER OF ASSETS

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and recommends that the Missouri Public Service Commission (“Commission”) authorize Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) to sell a 12,470 – 120/208 volt, three phase padmounted transformer to Mercy Health East Communities, Southern Region (“Mercy Health”), and states as follows:

1. On October 26, 2016, Ameren Missouri filed its *Application*, seeking authorization from the Commission for Ameren Missouri to sell a transformer to Mercy Health for a purchase price of \$3,317.08.

2. On October 31, 2016, the Commission issued its *Order and Notice*, directing notice to be served on applicable parties in Jefferson County, such as the County Commission of Jefferson County, the media serving Jefferson County, and the members of the General Assembly representing Jefferson County. The Commission also established a deadline for any proper person wishing to intervene in this matter to file an application with the Commission no later than November 15, 2016. No one has filed to intervene in this case.

3. In its *Order Directing Filing*, issued November 29, 2016, the Commission ordered Staff to file a Recommendation, or alternative pleading, by December 13, 2016.

On December 8, 2016, Staff filed its *Motion For Extension of Time*, requesting up to and including January 27, 2017, within which to complete and file its Recommendation. The Commission granted Staff's request in its *Order Granting Motion For Extension of Time*, issued December 9, 2016.

4. Pursuant to Section 393.190.1, RSMo, no electric corporation shall sell or transfer its assets or franchise without having first secured authorization from the Commission. "The standard governing the Commission's review of an application for sale of assets is set forth in *Fee Fee Trunk Sewer, Inc. v. Litz*: 'The Commission may not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest.'"¹

5. As explained in Staff's Memorandum, attached hereto as *Appendix A*, Mercy Health is currently renting a transformer from Ameren Missouri for a monthly fee, and has indicated to Ameren Missouri its desire to purchase the transformer because the facility is currently undergoing expansion. Staff recommends the Commission authorize Ameren Missouri to sell the transformer to Mercy Health for \$3,317.08 "as is," subject to the terms and conditions set forth in the Bill of Sale, because the sale is not detrimental to the public interest. Staff reviewed Ameren Missouri's calculation of net book value of the transformer and found the transaction will reduce overall rate base in the amount of the \$3,317.08 sale price. Therefore, this transaction benefits not only Mercy Health and Ameren Missouri, but also benefits Ameren Missouri's customers; the sale will enable Ameren Missouri to recover a fair price for the transformer, while forgoing future maintenance expenses for the asset. Ameren Missouri will not reflect a

¹ *Environmental Utilities, LLC v. Public Service Com'n*, 219 S.W.3d 256, 265 (Mo. App. W.D., 2007) citing *Fee Fee Trunk Sewer, Inc. v. Litz*, 596 S.W.2d 466, 468 (Mo. App., 1980).

gain (or a loss) associated with the sale of the transformer on its books and records, pursuant to Uniform System of Accounts guidelines. This sale should result in minimal, if any, local tax implications.

6. Ameren Missouri is current on all Commission annual assessment and annual report filing requirements. Staff is not aware of any other matter before the Commission that affects or is affected by this filing; Staff is unaware 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.

WHEREFORE, Staff recommends that the Commission authorize Ameren Missouri to sell to Mercy Health the transformer described in the Bill of Sale that it is currently renting; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

/s/ Mark Johnson

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was either hand delivered or served electronically on this 25th day of January, 2017, to the parties of record.

/s/ Mark Johnson

MEMORANDUM

TO: Missouri Public Service Commission Official Case File No. EO-2017-0127,
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 Mercy Health East Communities, Southern Region.

FROM: Erin Carle, Auditor III – Auditing Unit – St. Louis
Alan J. Bax, Operational Analysis Unit – Engineering Analysis

/s/ Daniel I. Beck 1/25/17

Engineering Analysis / Date

/s/ Mark Johnson 1/25/17

Staff Counsel's Office / Date

/s/ Mark Oligschlaeger 1/25/17

Auditing / Date

SUBJECT: Staff Recommendation to Approve Application

DATE: January 25, 2017

STAFF RECOMMENDATION TO APPROVE APPLICATION

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the *Application* of the Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) for authority to sell, transfer, or otherwise dispose of a portion of its franchise, works, or system to Mercy Health East Communities, Southern Region (“Mercy Health”), located at 1400 U. S. Highway 61 South, Crystal City, Missouri, 63019, per the terms stated in the Bill of Sale that is included in the Application. 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 240-3.110.

OVERVIEW

On October 26, 2016, Ameren Missouri filed an application to sell a 12,470-120/208 volt, three-phase, pad-mounted transformer to Mercy Health for a purchase price of \$3,317.08 “as is,” subject to the terms and conditions set forth in the Bill of Sale, which is included in the

Application. Ameren Missouri requests that the Commission approve the transaction as not detrimental to the public interest pursuant to 4 CSR 240-3.110, 4 CSR 240-2.060, and Section 393.190.1 RSMo 2000. In support of its application, Ameren Missouri notes that this transaction will result in both ratepayers and Ameren Missouri receiving full benefits of the assets' transfer. In addition, Ameren Missouri asserts that Mercy Health benefits via negating an existing rent payment, as well as gaining control of an asset that is an integral part of its design pertaining to its expansion efforts at a cost that is less than it would incur to acquire and install new fixtures. In an *Order and Notice* dated October 31, 2016, the Commission directed that applicable parties in Jefferson County, Missouri, such as members of the General Assembly, the County Commission and the media, be notified of the pending *Application*. The Commission also established a deadline of November 15, 2016, for anyone desiring to intervene in this case. No party has filed for intervention.

In an *Order Directing Filing* issued on November 29, 2016, the Commission ordered Staff to file a Recommendation, or alternative pleading, by December 13, 2016. On December 8, 2016, the Staff filed a motion requesting an extension of time until January 27, 2017 in which to file its Recommendation, a request that was authorized by the Commission in an *Order Granting Motion For Extension of Time* issued December 9, 2016.

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. Mercy Health is not subject to Commission jurisdiction.

DISCUSSION

Mercy Health is a non-profit 501(c)(3) religious organization established to provide health care in the state of Missouri. Mercy Health is not subject to the regulatory jurisdiction of the Commission, and will not become subject to the Commission's regulatory jurisdiction if the sale of the transformer is approved. Mercy Health currently receives electric service from Ameren Missouri at the Small Primary Service Rate. Mercy Health recently informed Ameren Missouri that it wanted to purchase the transformer enabling service to its customer-owned, primary service facility in Crystal City; currently Mercy health rents the transformer installed at this facility. Mercy Health wants to purchase this transformer because the facility is currently undergoing expansion, and the transformer is an integral part of the expansion design. All maintenance to the transformer after the sale will be the financial responsibility of Mercy Health. Customers benefit because the sale of the transformer will enable the Company to recover a fair price for the transformer, while forgoing future maintenance expenses for the asset. Further, Ameren Missouri asserts that the impact on tax revenues, if any, resulting from the proposed transaction will be negligible since the value of those assets being sold to Mercy Health are less than \$50,000. Income taxes have been considered and accounted for as part of the sale price and sales tax is not applicable since Mercy Health is granted a Limited Exemption from Missouri Sales and Use Tax on purchases and sales by the State of Missouri.

Ameren Missouri's response to Staff Data Request No. 1 indicates that Ameren Missouri's calculation of net book value considering an estimated theoretical reserve associated with the transformer and related items were calculated as depicted in the chart that follows:

<u>Equipment</u>	<u>Original Cost</u>	<u>Less: Depreciation Reserve</u>	<u>Net Book Value</u>
12,470-120/208 volt, three-phase padmounted transformer	\$4,818.52	\$4,421.47	\$397.05

Ameren Missouri is proposing to sell the property for \$3,317.08; however, the net book value of the property as reflected on its books is \$397.05. Ameren Missouri indicated to Staff that it would not reflect a gain associated with the sale of this property on its books and records, per Uniform System of Accounts (“USOA”) guidelines. USOA guidelines provides 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 entry to record the proceeds resulting from this transaction on its books and records upon completion of the sale of the transformer described above:

Debit Cash – Account 131	\$3,317.08
Credit Line Transformers – Salvage – Account 368	(\$3,317.08)

Ameren Missouri’s proposed entry to record the resulting proceeds from the sale make the ratepayers whole by reflecting a \$3,317.08 increase in overall salvage value, which serves to increase the depreciation reserve by \$3,317.08. This, in turn, will reduce Ameren Missouri’s overall rate base by \$3,317.08 as a result of this transaction.

Ameren Missouri also proposes the following journal entry to record the retirement of the property:

Debit Line Transformers – Reserve – Account 368	\$4,818.55
Credit Line Transformers – Account 368	(\$4,818.55)

Staff does not dispute Ameren Missouri's proposed journal entries used to record this transaction since no gain (or loss) will be recognized as a result of this sale. Ameren Missouri's customers are also being made whole through the journal entries which serve to reduce rate base by the amount of the proceeds from the sale.

CONCLUSION

Staff recommends the Commission approve Ameren Missouri's request to sell a 12,470 - 120/208 volt, three-phase, pad-mounted transformer to Mercy Health for a purchase price of \$3,317.08 "as is," subject to the terms and conditions set forth in the Bill of Sale, as not detrimental to the public interest per Section 393.190.1 RSMo 2000 and 4 CSR 240-3.110. The *Application* meets the filing requirements of 4 CSR 240-2.060 and 4 CSR 240-3.110. The transaction benefits not only Ameren Missouri and Mercy Health, but is also advantageous to Ameren Missouri's customers. No other Ameren Missouri customers are served by this transformer. Staff has verified that the asking price for the assets of \$3,317.08 is representative of the original book cost minus depreciation reserve. Any proceeds from the sale that are above the calculated book value of the transformer will be credited to the corresponding reserve account. Approval of this transaction should result in minimum, if any, tax implications on the local area. Selling this transformer to Mercy Health will have no effect on Ameren Missouri's provision of service to its other customers.

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Mercy Health East Communities, Southern Region)
File No. EO-2017-0127

AFFIDAVIT

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 Memorandum; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




Alan J. Bax

JURAT

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 25th day of January, 2017.

JESSICA LUEBBERT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: February 19, 2019 Commission Number: 15633434



NOTARY PUBLIC

**BEFORE THE PUBLIC SERVICE COMMISSION
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Mercy Health East Communities, Southern Region)
File No. EO-2017-0127

AFFIDAVIT

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

COMES NOW Erin M. Carle and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Memorandum; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Erin M. Carle
Erin M. Carle

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, on this 25th day of January, 2017.

LISA M. FERGUSON Notary Public - Notary Seal State of Missouri Commissioned for St. Louis County My Commission Expires: June 08, 2020 Commission Number: 16631502
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Lisa M. Ferguson
NOTARY PUBLIC