

In the Matter of Union Electric Company  
d/b/a Ameren Missouri's Request for  
Deferral and Authorization Authority  
Relating to Certain Callaway Energy  
Center Operations and Maintenance  
Expenses

## STAFF RECOMMENDATION

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through the undersigned counsel, and submits its *Recommendation* as follows:

1. On October 28, 2019 the Union Electric Company d/b/a Ameren Missouri (“Ameren” or “Company”) filed an application for an Accounting Authority Order that would allow it to defer certain Callaway Energy Center (“Callaway”) refueling outage costs to Federal Energy Regulatory Commission Account No. 174 in the Uniform System of Accounts and to amortize those costs. Ameren also requested a waiver of Commission Rule 20 CSR 4240-4.017(1) regarding prior notice requirements.

2. The Commission issued an *Order Directing Notice, Setting Intervention Deadline and Directing Staff Recommendation* on October 29, 2019, ordering Staff to file its recommendation no later than December 27, 2019.

3. Staff's *Memorandum*, attached hereto as Appendix A and incorporated by reference, recommends the Commission issue an order approving Ameren's Application, including its request of a waiver from Commission Rule 20 CSR 4240-4.017(1), because it will better align the Company's books with the ratemaking treatment commonly afforded to those costs in Missouri. Further, Staff recommends that the Commission include in its order a statement that acceptance of this Application will not bind the Commission to any

particular ratemaking treatment of refueling costs and will not preclude any party from raising any ratemaking issues in future proceedings in relation to the refueling costs for Callaway.

**WHEREFORE**, Staff recommends the Commission issue an order approving Ameren's Application for authority to defer certain Callaway Energy Center refueling outage costs to Federal Regulatory Commission Account No. 174 in the Uniform Systems of Accounts, and to amortize such costs once the refueling is complete, as well as grant the Company a waiver from Commission Rule 20 CSR 4240-4.017(1).

Respectfully Submitted,

**/s/ Travis J. Pringle**

Travis J. Pringle  
Missouri Bar No. 71128  
Legal Counsel  
Attorney for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Mo 65102-0360  
(573) 751-4140 (Telephone)  
(573) 751-9285 (Facsimile)  
(Email) [travis.pringle@psc.mo.gov](mailto:travis.pringle@psc.mo.gov)

### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand delivered, transmitted by facsimile or electronically mailed to all counsel of record this 27th day of December, 2019.

**/s/ Travis J. Pringle**

## MEMORANDUM

**TO:** Missouri Public Service Commission  
Official Case File, Case No. EU-2020-0114

**FROM:** Kimberly K. Bolin, Manager, Auditing Department

/s/ Mark Oligschlaeger 12/27/2019      /s/ Travis Pringle 12/27/2019  
Financial and Business Analysis / Date      Staff Counsel Department / Date

**SUBJECT:** Staff Recommendation for the Approval of the Application of Union Electric Company d/b/a Ameren Missouri's Request for Deferral and Amortization Authority Relating to Certain Callaway Energy Center Operations and Maintenance Expenses.

**DATE:** December 27, 2019

On October 28, 2019, Union Electric Company d/b/a Ameren Missouri ("Company" or "Ameren Missouri") filed an Application for Deferral and Amortization Authority ("Application") requesting authority to defer certain Callaway Energy Center refueling outage costs to Federal Energy Regulatory Commission ("FERC") Account No. 174 in the Uniform Systems of Accounts ("USOA") and to amortize such costs once the refueling is complete. Staff recommends the Commission approve the Application because it will better align the Company's books with the ratemaking treatment commonly afforded to these costs in Missouri. Acceptance of this Application will not bind the Commission to any particular ratemaking treatment of refueling costs and will not preclude any party from raising any ratemaking issues in future proceedings in relation to the refueling costs for Callaway Energy Center.

### Background Information

Ameren Missouri's Callaway Energy Center nuclear power plant undergoes routine refueling and maintenance outages every eighteen months. During these outages, in addition to the refueling process, Ameren Missouri typically performs certain maintenance tasks, inspections, and testing that can only be completed when the reactor is offline. The most recent outage occurred in the spring of 2019 and is known as "Refuel 23."

Ameren Missouri has been expensing the refueling costs on the Company's financial statements to various FERC USOA accounts when the costs have been incurred, in accordance with Generally Accepted Accounting Principles ("GAAP"). However, for ratemaking purposes the practice of including refueling costs in rates as incurred is generally not appropriate, as GAAP reporting results in most of the refueling costs appearing on Ameren Missouri's books as a lump sum around the time the refueling outage occurs instead of spreading the costs over a more normal time period (i.e., the 18-month duration between refueling outages). For ratemaking purposes, two-thirds of the non-labor costs of the most recent refuel (or, alternatively, two-thirds of the average cost of recent refuels) are typically included in the cost of service as a proxy for an annual amount since

the refueling outages occur approximately every eighteen months.<sup>1</sup> The deferral of these costs and the subsequent amortization requested in this Application will allow Ameren Missouri to reflect a full year's worth of costs related to refueling outages in its annual financial reporting.

### **Requested Accounting Authority**

In this Application, Ameren Missouri is seeking authority to defer non-labor Operations & Maintenance (O&M) costs associated with refueling outages for its Callaway nuclear plant to Account No. 174, Miscellaneous Current and Accrued Assets, and then to amortize these costs ratably over the 18-month period following completion of the refueling. Ameren Missouri is requesting the authority to start deferring costs incurred for "Refuel 24" which is currently planned to begin October 2020. As of October 2019, Ameren Missouri has already incurred approximately \$161,000 of costs associated with the next refueling outage, Refuel 24. Ameren Missouri proposes to include this amount in the deferral for consistency and record keeping purposes.

The amortization of the deferred costs will begin in the month Callaway is brought back online if the date occurs on or before the 15<sup>th</sup> of the month, otherwise the amortization will begin the following month. The amortization will be on a straight line basis ending the month prior to the month in which amortization of the next refueling outage is scheduled to begin.

### **Surveillance**

As required by Commission rule, based upon its ongoing use of the fuel adjustment clause, Ameren Missouri reports earnings information to the Commission in the form of quarterly "surveillance reports." As these earnings results are not subject to adjustment as would happen in general rate proceedings, refueling costs are currently reflected on the surveillance reports as incurred. This means the information regarding refueling costs in any surveillance report will not be reported consistently with the ratemaking treatment currently granted to refueling costs.

If Ameren Missouri's proposal is adopted in this case, its surveillance reporting would be based upon deferral and amortization accounting treatment of refueling costs. One benefit of Ameren Missouri's proposal is that it will result in a more accurate and consistent measurement of its surveillance earnings to match what is conducted in its rate cases.

### **Other Utilities**

Another utility that is regulated by the Commission, Evergy Metro (formerly Kansas City Power & Light Company), currently defers refueling outage costs associated with a nuclear generating unit, and then amortizes such costs over an 18-month period. In other words, Evergy Metro is accounting for nuclear refueling costs in a substantially identical manner to what Ameren Missouri is now proposing. As a result, adoption of Ameren Missouri's proposed accounting for refueling

---

<sup>1</sup> Refueling costs are also subject to further adjustment for prudence or other reasons.

costs in this Application would allow consistent accounting for these costs between both Missouri utilities owning nuclear generation.

### **Recommendations**

Staff recommends that the Commission approve Ameren Missouri's Application for Deferral and Amortization Authority. However, Staff also recommends that the Commission include in its order a statement that approval of the requested accounting does not represent in any way a finding as to how refueling costs are to be treated in future general rate proceedings. Staff and other parties should retain the ability to review the historical refuelings, and propose any necessary adjustment to normalize refueling costs included in any test year, update period or true-up period; to remove refueling costs on grounds of imprudence; to propose a different amortization period for some of all of such costs; or to propose any other adjustment as necessary.

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

In the Matter of Union Electric Company            )  
d/b/a Ameren Missouri's Request for                )  
Deferral and Authorization Authority                )  
Relating to Certain Callaway Energy                )  
Center Operations and Maintenance Expenses)

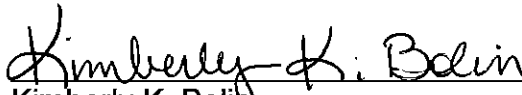
**Case No. EU-2020-0114**

**AFFIDAVIT OF KIMBERLY K. BOLIN**

STATE OF MISSOURI        )  
                                      ) ss  
COUNTY OF COLE        )

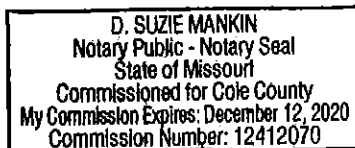
**COMES NOW** Kimberly K. Bolin, and on her oath states that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Memorandum*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
Kimberly K. Bolin

**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 27<sup>th</sup> day of December, 2019.



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