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REBUTTAL TESTIMONY
OF
ROBERT E. SCHALLENBERG

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI

FILE NO. ER-2019-0335

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Denotes Confidential Information
that has been Redacted

January 21, 2020

NON-PROPRIETARY

OPL Exhibit No. 207P
Date 3/11/20 Reporter JMB
File No. ER-2019-0335

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OF

ROBERT E. SCHALLENBERG

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

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Q. Please state your name, title and business address.

A. My name is Robert E. Schallenberg. My title is Director of Policy working for the Office of Counsel. My business address is the Governor Office Building, Suite 650, 200 Madison Street, Post Office Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Robert E. Schallenberg who filed direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. I will address the direct testimonies and schedules of Ameren Missouri's ("Ameren Missouri" or Union Electric Company (UEC) witnesses, Warren Wood, Laura Moore, Kelly S. Hasenfratz, and John J. Reed.

I challenge Ameren Missouri's (Ameren Missouri, UEC, or Company) lack of compliance with the Commission's Affiliate transactions Rules (the rule). 4 CSR 4240.20.015 because the amount of affiliate transactions, for which the Company seeks recovery in this case, are not separately identified from normal business transactions. Because of the Company's lack of compliance with the rule, I testify that these affiliate transactions payments should not be have been recorded on Ameren Missouri's books and records. The rule prohibits Ameren Missouri from participating in non-compliant affiliate transactions. If Ameren Missouri wants its electric customers to pay for affiliate transactions costs, the correct approach would have been to make adjustments to its books

1 to reflect these costs and support the costs in its direct testimony with evidence proving
2 the costs justness, reasonableness and prudence.

3 In its Staff Report Cost of Service direct testimony it fails to recognize that Ameren
4 Services Company (AMS') claimed affiliate transactions do not satisfy the rule
5 requirements to prove that the costs are must be either the fully distributed costs (FDC) for
6 UEC to produce the goods or services for itself, or the fair market value (FMV) of the good
7 or service. The Staff also is apparently unaware of the 2013 Supreme Court decision that
8 it may not use a presumption of prudence for affiliate transactions. *Office of the Public*
9 *Counsel v. Missouri Public Service Comm'n and Atmos Energy Corp.*, 409 S.W.3d
10 371(Mo. banc 2013).

11 I also note that, even though Staff has filed a Stipulation and Agreement with AMS
12 recommending the Commission grant AMS a variance from essentially every customer
13 protection in the rule (Case No. EO-2017-0176), that Stipulation has not been presented to
14 the Commission for approval, so it has no effect on this rate case and the requirements in
15 the Commission's current affiliate transactions rule.

16 I will discuss the Company's lack of any evidence to demonstrate that the
17 AMS/UEC affiliate transaction costs do not result in subsidization of AMS has that UEC
18 has always been required by statute to show that its proposed cost changes are just and
19 reasonable.

20 I also explain how auditing affiliate transactions is not feasible without UEC's and
21 AMS' compliance with the rules and especially the recordkeeping requirements of the
22 electric affiliate transactions rule. 4 CSR 4240-20.015 The Company's non-compliance
23 with the rule's requirement for competitive bidding and documentation, especially coupled

1 with AMS's failure to effectively cost and price on a goods-and-services-basis makes
2 determining which of AMS' costs are reasonably and prudently charged to Ameren
3 Missouri's customers difficult. In fact, these deficiencies make the determination of the
4 amount of costs that should be included in rates virtually impossible.

5 A separate, but equally problematic, issue that I discuss is the question of whether
6 the \$200,000,000 of AMS' costs it proposes to charge to its Missouri captive customers
7 have been prudently incurred. In a 2013 Opinion, the Missouri Supreme Court decisively
8 concluded that the Commission may not use its practice of a presumption that costs are
9 prudently incurred for affiliate transactions. *Atmos* 409 S.W.3d 371 at 379.

10 I will address the continuing concern of the AMS' use of Asset Retirement Obligation
11 accounts 374 and 379 regarding its legitimacy and appropriateness in properly assigning
12 UEC construction costs. First, I address the Company's testimony.

14 Warren Wood's Direct Testimony

15 Q. What are your comments regarding Mr. Wood's direct testimony on page 3, lines 3
16 through page 4, line 2?

17 A. He indicates that rate cases should be filed whenever a rate review indicates an increase or
18 decrease in rates. My view is that the quality of the rate review and each of the factors
19 included in the rate review need to be identified and analyzed before making a proper rate
20 case decision. It is my understanding that Ameren Missouri's update of its initial rate
21 review shows a rate increase is needed instead of the rate decrease in its initial filing.

22 Q. What is your opinion regarding the nature of this case in light of the Company's
23 testimony?

1 A. Ameren Missouri's current retail rates, both before and after expiration of the Tax Cut and
2 Jobs Act bill credits, are significantly excessive. Ameren Missouri is proposing an
3 extremely insignificant rate decrease. I refer to this case as the three (3) penny rate case as
4 that is the monthly rate reduction planned in the Company's filed case. Their filed case will
5 reduce base retail rates by 32 pennies for a year due to seasonally. Schedule
6 RES-R-1 contains support for my quantification of the impact of the Company's original
7 rate filing.

8 **Q. Did you attempt to verify Mr. Wood's assertion that Ameren Missouri filed this case**
9 **because their rate review showed their rates to be excessive by less than a million**
10 **dollars?**

11 A. Yes. I submitted a Data Request OPC 1000 asking for all documentation used to justify
12 filing this case. I did not expect that the Company would not produce any documentation.
13 Schedule RES-R-2 shows the data requests and Ameren Missouri responses regarding why
14 the Company filed this three (3) penny rate case decrease.

15 **Q. How do you respond to Mr. Wood's testimony about diversity?**

16 A. Mr. Wood testifies that:

17
18 Ameren takes diversity seriously: building a diverse workforce for the future,
19 expanding our expenditures to more diverse suppliers, and serving the diverse
20 needs of our communities are critical to achieving performance leadership in our
21 industry.

22
23 Mr. Wood further discusses the diversity of suppliers on page 7, line 15 through page 8,
24 and line 2 of his direct testimony:

25 These diversity and inclusion efforts extend to our suppliers. As the energy
26 provider for the communities we serve, we believe providing diverse-owned
27 businesses an opportunity to compete in the performance of goods and services
28 for Ameren is a critical component of our company's business strategy. This
29 includes providing equal access and opportunity to all qualified suppliers,

1 including diverse suppliers (e.g. minority-, women-, veteran-, service disabled
2 veteran- and LGBT-owned businesses). This strategy is focused on providing
3 access, development and sustainable opportunities for qualified diverse owned
4 business participation within our organization. In 2018 we exceeded our
5 corporate goal of 19% non-fuel spending with diverse suppliers, finishing with
6 \$624 million in total diverse spending, or 25.2%.

7
8 **Q. What are your comments regarding these statements?**

9
10 **A.** Ameren Missouri aggressively restricts the market it makes available to other suppliers
11 for opportunities to bid and supply a good or service to the Company. Its diversity and
12 inclusion efforts fail because Ameren Missouri ignores the Commission's affiliate
13 transaction requirements that it must acquire goods and services through a competitive
14 bidding process or demonstrate that competitive bidding is neither necessary nor
15 appropriate. 4 CSR 4240.20.015(3)(A). This rule requirement is designed to prevent AMS
16 from excluding other potential UEC suppliers from the opportunity to do business with
17 UEC. Instead AMS provides a vast majority of goods and services UEC purchases without
18 the benefit of competitive bidding.

19 **Q. What does Mr. Wood say about Missouri's new Plant in Service Accounting (PISA)**
20 **statute?**

21 **A.** On page 9, line 5 through page 11, page 3. Mr. Wood testifies:

22
23 "When a utility constructs a capital project, it accrues an Allowance for Funds
24 Used During Construction ("AFUDC"), which represents the cost of capital used
25 during construction. Once the project is put into service, the accrual of AFUDC
26 stops and the depreciation of the capital project – including AFUDC – begins. Of
27 course, the utility cannot recover the capital cost of the project or the cost of its
28 depreciation until the next rate case. Depending on the in-service date of the
29 project and the filing of the next rate case, it could be months or even years before
30 the utility can reflect the project costs in its rates.

31
32 **Q. Do you agree with this characterization?**

1 A. No. Mr. Wood omits mentioning how the rate making process, now modified by PISA,
2 addressed the costs of new construction in the rate making process. Prior to PISA,
3 construction costs were offset by the excess recovery of existing plant-in-service costs. The
4 existing plant-in-service costs of interest and profit are never actually incurred in the period
5 new rates are effective. In fact, the day new rates become effective the plant in service costs
6 placed in rates begin declining. This fact is caused by the Company's continuing recovery
7 of depreciation for legacy plant cost over the life of the plant. Another regulatory offset is
8 that future construction causes retirement of existing plant. In such a retirement
9 depreciation expense discontinues but is still included customer rates and being recovered
10 from the utility's ratepayers.

11 Now that new construction costs are being addressed by PISA, the recognition of
12 the declining net-plant balances should be addressed in the rate case to keep the rates just
13 and reasonable. I recommend that 85% of one half of the annual depreciation accrual be
14 use as a rate base offset to provide balances to the modification of prior ratemaking
15 practice. Without the adjustment, Ameren Missouri will overcharge its customers by
16 obtaining PISA benefits, while retaining the benefits of the legacy plant declining.

17 **Q. Do you have anything else to address in Mr. Wood's direct testimony?**

18 A. Mr. Wood testifies that:

19 "We are planning carefully for this future, and planning with our customers in mind.
20 We know we must be innovative and forward-thinking, but we also must be good
21 stewards for our customers. To guide us on this journey, we have established Smart
22 Energy Plan Principles, which you can see in Figure 2 below. At the center of all
23 of our planning is our commitment to deliver value to our customers and our
24 communities."

25
26 But, contrary to that statement the principles shown in "Figure 2" state that the goal is:

27 "Provide Financial Stewardship on Behalf of All Stakeholders," thus, expanding the focus

1 of Ameren's stewardship beyond customers to "All Stakeholders," which is much broader
2 focus than just customers and can produce less or no benefit to customers.

3 In this case the Company states its \$1 billion spend on additional plant did not even
4 produce \$1.00 dollar of known and measurable savings. On Staff's data request 463 **
5
6

7 ** It is my understanding the stewardship should have an accountability aspect
8 related to this function. Schedule RES-R-3 ** **

9 **Ms. Moore's Direct Testimony**

10 **Q. What are the factors driving this case that are not identified or supported by Ms.**
11 **Moore's direct testimony and related schedules?**

12 **A.** Ms. Moore direct testimony does not identify or provide any support for the Ameren
13 Missouri's affiliate transactions. **

14 ** between Ameren Missouri and Ameren Services
15 Company (AMS) in the test year.

16 **Q. How does this affect the case?**

17 **A.** Since the Missouri Supreme Court found that Commission's practice of presumption of
18 prudence cannot be applied to affiliate transactions, the Company must provide some
19 justification for this significant proposed inclusion in rates. There is no evidence that these
20 costs are prudently incurred and are not subsidizing Ameren Missouri affiliates. Ms.
21 Moore direct testimony simply does not address it.

22 **Q. What else in Ms. Moore's direct testimony do you will address?**

1 A. On the page 6, line 18 through page 7, line 6 of Ms. Moore testifies as to the definition of
2 “revenue requirement”- the annual amount of revenues the Company should be allowed an
3 opportunity to obtain from its customers through its rates. Ms. Moore has provided one
4 of the two definitions used for “revenue requirement.” Her definition has been used by
5 Ameren Missouri for as long as I can recall. However, Staff, and others, also define
6 “revenue requirement” as being the amount current rates need to be increased or decreased.
7 It is important to understand what definition is being used being used by another party to
8 avoid misunderstandings.

9 **Q. What is the next portion of Ms. Moore’s testimony will you be addressing in your**
10 **rebuttal testimony?**

11 A. On page 7, lines 18 through page 8, line 5, Ms. Moore testifies as to Company’s plant
12 accounts being recorded consistent with the Uniform System of Accounts (USOA) as
13 prescribed by the Commission and its Asset Retirement Obligation (ARO) accounts.

14 **Q. Do you have any comments regarding these topics?**

15 A. Yes. Ameren Missouri does not fully comply with the USOA regarding its Asset
16 Retirement Obligations (ARO). Ameren Missouri has no waiver or variance granting it
17 approval for its non-compliance with its USOA requirements.

18 **Q. On page 7, line 18 through page 8, line 5, Ms. Moore’s direct testimony addresses her**
19 **Asset Retirement Obligation (ARO) adjustments. Why did you look into this matter?**

20 A. I discovered the accounting being performed in the ARO accounts was outside the
21 established purposes for these accounts. My attention was first drawn to the accounts when
22 I started to examine the Ameren Missouri annual affiliate transaction report that was
23 submitted to the Commission. I saw a significant charge to Ameren Missouri from AMS,

1 which was being recorded in ARO accounts. My initial inquiries revealed that Ameren
2 Missouri was using these ARO accounts as clearing accounts where costs recorded in the
3 ARO accounts are then charged to Ameren Missouri account 107, Construction Work in
4 Progress (CWIP). These costs would finally be included Plant in Service when the CWIP
5 projects are completed.

6 **Q. What caused you to look into this matter?**

7 A. I first looked into this matter in the Ameren Missouri's Cost Allocation Manual (CAM) in
8 Case No. EO-2017-0176. Schedule RES-R-4 is a copy of Ameren Missouri's response to one of
9 the data requests in that case. This information shows the amount AMS charged Ameren Missouri
10 and recorded in these accounts for the period 2003 through 2018, the latest information available.
11 This schedule also shows that AMS has increased the amount of indirect overheads to be capitalized
12 dramatically in the test year. The second page of this schedule shows Ameren Missouri current
13 footnote regarding its usage of accounts 374 and 379.

14 **Q. What is the concern with these costs?**

15 A. The costs to be charged to accounts 374 and 379 and ultimately capitalized into Ameren
16 Missouri's rate base as plant in service are described as indirect overhead capital charges.

17 **Q. What is your concern with AMS charging these costs to accounts 374 and 379 not
18 being indirect overhead capital costs?**

19 A. My concern is that the charges to accounts 374 and 379 are costs that should have been
20 recorded as expenses and are not subject to capitalization. These costs should not be
21 earning a return on and a recovery of these costs, they should have been charged to expense.

22 **Q. What raised your concern?**

23 A. When I looked at a transaction regarding an out-of-town investor meeting costs, I noticed
24 that a portion of these costs were being charged to account 374. I was planning to inquire

1 through a data request about this concern. While trying to find the meeting cost in question,
2 I was searching data regarding the detail of items being charged to account 374. There were
3 a significant number of items that appear to not be eligible to satisfy the FERC criteria to
4 allow capitalization of construction overhead.

5 **Q. What are FERC's USOA criteria, guidelines, direction, or instruction regarding the**
6 **capitalization of construction overheads?**

7 **A.** The FERC USOA has several sections. These sections are Definitions, General Instructions,
8 Electric Plant Instructions, Operating Expense Instructions, Balance Sheet Chart of Accounts,
9 Balance Sheet Accounts, Electric Plant Chart of Accounts, Income Chart of Accounts,
10 Retained Earnings Accounts, Operating Revenue Chart of Accounts, and Operation and
11 Maintenance Expense Chart of Accounts. The Electric Plant Instructions address the
12 capitalization of construction overheads. The USOA instructions for construction overheads
13 is:

14 *4. Overhead Construction Costs.*

15 **A.** All overhead construction costs, such as engineering, supervision, general office
16 salaries and expenses, construction engineering and supervision by others than the
17 accounting utility, law expenses, insurance, injuries and damages, relief and pensions,
18 taxes and interest, shall be charged to particular jobs or units on the basis of the
19 amounts of such overheads reasonably applicable thereto, to the end that each job or
20 unit shall bear its equitable proportion of such costs and that the entire cost of the unit,
21 both direct and overhead, shall be deducted from the plant accounts at the time the
22 property is retired.

23 **B.** As far as practicable, the determination of pay roll charges includible in
24 construction overheads shall be based on time card distributions thereof. Where this
25 procedure is impractical, special studies shall be made periodically of the time of
26 supervisory employees devoted to construction activities to the end that only such
27 overhead costs as have a definite relation to construction shall be capitalized. The
28 addition to direct construction costs of arbitrary percentages or amounts to cover
29 assumed overhead costs is not permitted.

30 **C.** For Major utilities, the records supporting the entries for overhead construction
31 costs shall be so kept as to show the total amount of each overhead for each year, the
32 nature and amount of each overhead expenditure charged to each construction work
33 order and to each electric plant account, and the bases of distribution of such costs.

1
2 An important take-away from these instructions is that all overheads are not eligible to be
3 capitalized. Overheads must have a definite relation to construction.

4 **Q. What are the items that you viewed that caused your concern that the costs were not**
5 **eligible for capitalization and can only be expensed.**

6 A. I noticed, as described by Ameren Missouri, a United Way lunch, Professional Engineer
7 license, celebration cake, chamber membership, Plattsburg chamber, Lathrop chamber,
8 Clay County EDC, the Leader magazine, Caldwell County News, Holiday Dinner, Boots
9 for Supervisor, Celebrate Ameren, Give away candy for CARES booth @ Celebrate
10 Ameren, IEEE membership renewal, EEI membership, vaccine for Puerto Rico, Potosi
11 Town Hall Meeting, Hoskin Town Hall Meeting, SEMO United Way kickoff, EUEC
12 Registration, CARES, Ellisville, Purchase two monitor stands for Celebrate Ameren, GAB
13 Team, United Way Breakfast, NADUUWG, MEA, Mo. PE License Renewal, Retirement
14 meal, Chicago travel NK battery project, Donation Booster Club Golf Tournament, United
15 Way fundraiser, MMRPC, MEDC conference., Company picnic \$850, YMCA Capital
16 Campaign Meeting, Retirement gift, Lunch Callaway County Commissioner, GOB
17 Retirement Catering-Exec. Dining, Retirement Deposit, Final payment Retirement,
18 Retirement, EEI conference, ALT Forum, Plattsburg Chamber, PE Exam Mileage, Puerto
19 Rico, Puerto Rico, Puerto Rico, Burger March, retirements, retirements, Food for Blues
20 Game in Ameren Box, Food for Cards Game in Ameren Box, Farewell lunch, SEC tickets,
21 retirement cake, retirement, retirement, Professional Society membership, PMP yearly
22 dues, PMP exam fee, P/E Club MEA Conference, Airfare – EPRI Renewable , PMP,
23 \$74.00 Tip from July Cardinal game, EEI conference, Final payment for retirement
24 celebration \$477.85, Executive Dining, Retirement, Take photos of Poles, MEDC

1 Conference, United Way Fundraiser, YMCA Capital Campaign Meeting, Company picnic,
2 and Donation Booster Club.

3 Here, I am not testifying as to whether these items should be recovered in customer
4 rates. But I do dispute whether these costs have a definite relationship to construction and
5 are eligible to be capitalized. I noticed items with project numbers or that are mileage and
6 meals associated work activity. Where the labor was charged the related meals and mileage
7 should also be charged there as well. Costs related to specific projects should be charged
8 to the project and not cleared through account 374.

9 **Q. What is the USOA definition of the costs that should be charged to account 374?**

10 A. The USOA definition for costs to be recorded in account 374 is:

11 **374 Asset retirement costs for distribution plant.**

12 This account shall include asset retirement costs on plant included in the distribution
13 plant function.”

14
15 **Q. What is the significance regarding the circumstances that caused you to discover
16 this issue?**

17 A. It raises a concern regarding effectiveness of Ameren Missouri internal controls. I noticed
18 in the response to Staff Data Request 15 in this case for the Accounting Policies and
19 Procedures, Ameren Missouri did not have any policies. All the policies and procedures
20 appear to be Ameren not Ameren Missouri. This indicates that documentation is needed
21 regarding Ameren Missouri’s requirement to maintain its books and records separate from
22 its affiliates. The showing of compliance with the rule is more difficult based on the fact
23 that AMS, Ameren Missouri’s operator controls the policies and procedures that dictate
24 how Ameren Missouri maintains its book and records separate from its affiliates.

25 **Q. What does Ms. Moore’s Schedule LMM-D17 reflect?**

1 A. Schedule LMM-D17 compares the total electric revenue requirement of \$3,030,811,000
2 with the total electric pro forma operating revenues under the present rates of
3 \$3,031,585,000, including off-system energy sales revenues. It shows that the revenue
4 requirement for the test year is \$774,000 less than the pro forma operating revenues at
5 present rates. The \$3,030,811,000 is the amount of revenues used to set the rates filed in
6 this case and is the level of revenues needed to provide Ameren Missouri an opportunity
7 to collect and recover its cost of service, including an opportunity to recover its cost of
8 capital.

9 **Q. What is your fundamental problem with Ms. Moore's the determinations of any**
10 **amounts in this Schedule?**

11 A. I disagree with an adjustment made in the determination of revenues. The adjustment is
12 referred to on page 18 of her direct testimony where she discusses adjustment number 5.
13 Her testimony states that: "Because new retail rates (resulting from File No. ER-2018-
14 0362) were effective August 1, 2018, Adjustment 5 decreases revenues by \$115,711,000
15 to annualize the effect of those new rates."

16 **Q. Why do you disagree with adjustment 5?**

17 A. An adjustment to annualize the new rates is only appropriate when the item being
18 annualized is expected to continue to occur into the future. Ms. Moore testimony on page
19 7 is correct when she testifies that "it is often necessary to adjust the test year data so that
20 it is more representative of future operating conditions. This requires pro forma
21 adjustments to reflect known and measurable changes."

22 **Q. Why is the adjustment inappropriate?**

1 A. The adjustment is predicated on the basis that the TCJA bill credit will continue into the
2 future. The Commission order approving the Stipulation and Agreement, specifically
3 states, "Upon the conclusion of the next general rate proceeding of Ameren Missouri, the
4 newly introduced credit line item will be removed from the service classification tariffs".
5 The credit currently reducing customer bills will be removed from tariffs. Thus, the revenue
6 generated by these tariffs will increase as the credit line on those tariffs is removed.

7 **Q. Did Staff also make the same revenue adjustment as the company?**

8 A. Yes.

9 **Q. Do you have the same comments for Staff's adjustment?**

10 A. Yes.

11 **Kelly Hasenfratz Direct Testimony**

12 **Q. Do you disagree with Ms. Hasenfratz direct testimony?**

13 A. Yes. The cover page for this testimony shows the testimony is to address the issue of
14 "Ameren Services Wages and Benefits." Since Ameren Missouri and Ameren Services
15 (AMS) are separate entities, it was unclear why AMS wages and benefits would be a topic
16 in an Ameren Missouri cost of service determination. The Commission's affiliate
17 transaction rules require the Ameren Missouri to competitively bid when the Company
18 purchases information, assets, goods or services from an affiliated entity (i.e. AMS). Or
19 the Company must be able to demonstrate why competitive bids are neither necessary nor
20 appropriate. (20 CSR 4240-20.015 (3) (A). UEC should only use AMS services when
21 AMS's bid is better than the other competitive non-affiliate bids. The fact that AMS has
22 market based wages and benefits does not indicate that AMS is the best vendor to supply
23 goods and services to Ameren Missouri.

1 **Q. What are your other concerns about Kelly S Hasenfratz's direct testimony?**

2 A. My concern is that this testimony is being offered to support the Company's assertion that
3 the sum of the market price of all inputs of a product would equal the product's fair market
4 price. In other words, the sum of the market price of all inputs to a product equals the
5 market price of the whole product. I disagree that wages or salary with benefits totally
6 represent the costs associated with the labor devoted to any product. My experience is that
7 labor related costs, such as supervisors' salary and benefits, employee credit card expenses,
8 mileage, and office space costs are direct or indirect costs associated with labor devoted to
9 the production of a good or service and must be addressed in pricing the product. The
10 productivity of the cost-to-produce process is as important as the market-price-of-the-
11 product process inputs. For example a seller of product with market based price inputs will
12 not succeed if another seller uses less than market-priced inputs to create the competing
13 price.

14
15 **Mr. Reed's Direct Testimony**

16 **Q. What do you address in Mr. Reed's direct testimony?**

17 A. First he describes his testimony as the "purpose of my direct testimony is to provide my
18 assessment and recommendation pertaining to the reasonableness of Ameren Service
19 Company's ("AMS") services and associated costs billed to Ameren Missouri during the
20 test year." I disagree that Mr. Reed or myself can offer an assessment and recommendation
21 of reasonableness of AMS services unless AMS and Ameren Missouri comply with the
22 Commission affiliate transaction rule.

1 The rule is the standard that defines affiliate subsidization. You compliance with the rule
2 then no affiliate is subsidized by the utility. Non-compliant action is a subsidization of
3 the utilities affiliate. For example, when the utility buys from an affiliate at the price that
4 is greater than it would cost the utility to produce the good or service itself, the utility is
5 subsidizing its affiliate. This is why the rule prohibits Missouri electric utilities from
6 participating in these type of transactions. The process to obtain and maintain a
7 Commission approved CAM is the venue to address differences on how the utility will
8 operate to comply with the rule when the utility cannot show “good cause” or non-
9 compliance is in the best interest of the utility’s customers. The rule already provides a
10 process for non-compliance when the utility can show either “good cause” or non-
11 compliance is in the best interests of the utility’s customers.

12 **Q. On page 3, line 16 through 21, however, Mr. Reed testifies that the Commission**
13 **approved AMS in 1997 saying “[i]n its 1997 order approving the merger of Union**
14 **Electric and CIPS, the Missouri Commission also approved the formation of AMS,**
15 **which is a centralized service company that provides various corporate support**
16 **services to Ameren Corporation (AMC) affiliates at cost.” Is this accurate?**

17 **A.** No. I have found nothing in the Commission’s Order in EM-96- 149 or related
18 Stipulation and Agreement that states the Commission approved the formation of AMS.
19 In fact, the Stipulation and Agreement approved by the Commission’s order has a “No
20 Acquiescence” paragraph 13, that states the none of the signatories shall be deemed to
21 approve or acquiesced to the factors that may underlie the Stipulation and Agreement or
22 for which provision is made in the “Stipulation and Agreement”, Schedule RES-R-5 is a
23 copy of the Commission order in question.

1 Q. On page 8, line 20 through page 9, line 8 Mr. Reed provides his opinion regarding the
2 costs Ameren Missouri would incur if the Company would perform the services on
3 their own. Do you agree with him that costs of AMS' services the same as if Ameren
4 Missouri were to self-provide the services?

5 A. No. I cannot agree with Mr. Reed that "the services are, at worst, the same as if Ameren
6 Missouri were to self-provide the services. His opinion is that "it is more likely, however,
7 that due to the economies of scale realized by centralizing the shared services at AMS, the
8 services are provided at a cost lower than if Ameren Missouri were to self-provide the
9 services on a stand-alone basis." My disagreement is that he does not prove the statement
10 that "is more likely" that "[t]here are inherent efficiencies realized by consolidating
11 common functions at one company, as opposed to requiring each operating company to
12 individually perform each service.

13 However, I am aware of one time AMS did examine this issue with UEC with
14 certain AMS employees were transferred to Ameren Missouri. After this review, no other
15 review has occurred' RES-R-6 is a copy of the information that supports my testimony.

16 Schedule RES-R-7 is a schedule of AMS FERC Form 60 filing that show AMS'
17 annual billing to Ameren Affiliates. A review of AMS cost performance shows that
18 Ameren Missouri and Ameren Illinois Company are paying the highest percentage
19 (93.27%) of AMS' total cost. Looking at a period beginning 2005 through 2018, UEC and
20 AIC are paying more to AMS than any previous year. On the other side, AMS costs to
21 operate all non UEC/AIC Ameren entities has near been lower. AMC costs in 2018 are the
22 second lowest the holding company has been charged. The costs of AMS' operations of

1 non UEC/AIC Ameren entities has shrunk to 6.73% with of AMS total costs. The potential
2 that UEC can do better than AMS is at its highest level but is not being explored.

3 **Q. What else do you challenge in Mr. Reeds direct?**

4 A. Mr. Reed provides his opinion regarding whether affiliate costs charged to Ameren are
5 market based when he testifies on page 9, lines 9 through 14 that:

6 AMS' services are provided at cost, without mark-up or profit, which consist primarily of
7 the wages, salaries, and benefits of AMS employees. The wages, salaries, and benefits
8 AMS pays and provides are market based. Therefore, it is reasonable to conclude that
9 AMS' costs are market based.

10
11 I don't disagree that AMS wages, salaries, and benefits are not market based if not
12 above market. I disagree that AMS costs by themselves establish the Fair Market Price
13 (FMP) for the goods and services charged to Ameren Missouri. The FMP considers more
14 than costs. FMP recognizes the buyer's need and related net benefit to determine whether
15 the seller's price satisfies the buyer's needs.

16 **Q. Do you agree with Mr. Reed's suggestion that it is reasonable to conclude AMS'
17 costs are market based?**

18 A. No.

19
20 **Q. Do you agree with Mr. Reed when he testifies surveys are a reasonable substitute for
21 determining FMP or FDC?**

22 A. No. On page 9 line 15 through 23 state Mr. Reed states that: "To ensure that the employees
23 are provided a reasonable compensation package, the AMS Human Resources Department
24 routinely benchmarks wages, salaries, and benefits against local, regional, and national
25 companies. Its goal is to provide a total compensation package that is reflective of the
26 market. But this is not the method required by the rule to develop a FMP or a FDC and is
27 contrary to the requirements of the Rule.

1 **Q. Has the Commission accepted benchmarking as an acceptable substitute for rule**
2 **compliance?**

3 A. No. Although Mr. Reed says: “The Company appropriately periodically participates in
4 and reviews the results of benchmarking studies to assess AMS’ costs, as well as Ameren
5 Missouri’s overall operating expenses, AMS has not requested a waiver from the
6 Commission to use “reviews of benchmarking studies” as a substitute for determining FDC
7 or FMP.

8 **Q. Mr. Reed testifies that “Ameren Missouri has formed a CAM team and meets**
9 **extensive reporting and recordkeeping requirements, going well beyond existing**
10 **legislative and regulatory requirements, to continually oversee the dealings between**
11 **AMS and the operating companies. Have you seen any documents to support this**
12 **testimony?**

13 A. No I have not. The results that are being shown on Schedule RES-R-7 show that AMS and
14 Ameren Missouri AMS costs are rising not stabilizing.

15 **Q. Do you agree with Mr. Reed concerning how AMS charges UEC?**

16 A. No. On page 4 line 7, Mr. Reed testifies that; “AMC has no employees and provides no
17 services to Ameren Missouri.” On page 7, line 18 through page 8, line 9, Mr. Reed testifies:

18 AMS direct charges for its services when the service is only to one affiliate?

19 But AMC is the only entity with shareholders and it should be charged for

20 all shareholder services. AMC is UEC’s only shareholder but AMS still

21 incorrectly charges UEC for shareholder services.

1 **Q. When the direct assignment of costs is not possible, are AMS' services provided to**
2 **Ameren Missouri and its other affiliated companies at the fully distributed cost of**
3 **providing those services?**

4 **A. Yes, they are (and that is true for directly charged services as well). All costs incurred by**
5 **AMS are either directly charged (when the cost applies only to one affiliate) or allocated**
6 **using a service request system. Regardless of whether the services are directly assigned or**
7 **allocated, the cost of the services is always priced at AMS' fully distributed cost with no**
8 **mark-up or profit component.**

9 **Q. What are your responses to these claim that UEC has any control over service**
10 **requests?**

11 **A. The service request system is completely controlled by AMS. UEC does not complete a**
12 **service request for goods or services, instead AMS provides the good or service and**
13 **charges it to UEC. Important to the issue of costs AMS assigns to UEC is the fact that the**
14 **rule judges full distributed cost based on UEC's ability to provide the service for itself**
15 **rather than AMS' full distributed cost.**

16 **Q. Please explain the difference.**

17 **A. In his direct testimony in this case Mr. Reed's testifies on page 8 lines 11 through line 17**
18 **regarding "fully distributed costs;"**

19 Section (1)(F) of the Code defines fully distributed cost as "a methodology that
20 examines all costs of an enterprise in relation to all the goods and services that
21 are produced. Fully distributed cost requires recognition of all costs incurred
22 directly or indirectly used to produce a good or service. Costs are assigned either
23 through a direct or allocated approach. Costs that cannot be directly assigned or
24 indirectly allocated (e.g., general and administrative) must be included in the
25 fully distributed cost calculation through a general allocation."
26

1 Mr. Reed neglects to mention the fact that under Section 2 of the rule "Standards"
2 the rule specifies which entity's fully distributed cost is required to be established:

3 (2) Standards.

4 (A) A regulated electrical corporation shall not provide a financial advantage to
5 an affiliated entity. For the purposes of this rule, a regulated electrical
6 corporation shall be deemed to provide a financial advantage to an affiliated
7 entity if—

8 1. It compensates an affiliated entity for goods or services above the lesser of—

9 A. The fair market price; or

10 B. The fully distributed cost to the regulated electrical corporation to provide
11 the goods or services for itself; or

12 2. It transfers information, assets, goods or services of any kind to an affiliated
13 entity below the greater of—

14 A. The fair market price; or

15 B. The fully distributed cost to the regulated electrical corporation.

16 4 CSR 240-4240.015 (2)(emphasis added)

17 **Q. What opinion does Mr. Reed offer on UEC's ability to provide the service itself?**

18 A. Mr. Reed on page 8, line 20 through page 9, line 8 provides his opinion regarding the
19 costs Ameren Missouri would incur if the Company would perform the services on their
20 own when he testifies concerning whether the costs of AMS' services are the same as
21 if Ameren Missouri were to self-provide the services that:

22 The services are, at worst, the same as if Ameren Missouri were to self-provide
23 the services. It is more likely, however, that due to the economies of scale realized
24 by centralizing the shared services at AMS, the services are provided at a cost
25 lower than if Ameren Missouri were to self-provide the services on a stand-alone
26 basis.

27
28 **Q. How do you respond to Mr. Reed's defense of AMS' services?**

29 A. There is no documentation or any proof that UEC's customers have seen lower rates or
30 more efficient provision of service due centralized services. Mere assertion of lower costs
31 absent documentation of an easily measured statistic is of little or no value. Mr. Reed
32 provides his opinion regarding whether affiliate costs charged to Ameren are market based
33 when he testifies on page 9, lines 9 through 14 that:

1 A. Yes. AMS' services are provided at cost, without mark-up or profit, which
2 consist primarily of the wages, salaries, and benefits of AMS employees. The
3 wages, salaries, and benefits AMS pays and provides are market based. Therefore,
4 it is reasonable to conclude that AMS' costs are market based.
5

6 Q. What does the phrase "it is reasonable to conclude" mean?

7 A. It means that Mr. Reed is assuming the fact that AMS' costs are market based with no
8 support. He does not provide even basic examples or studies or any other evidence to
9 support his conclusion.

10 Q. If it were true that the "wages, salaries, and benefits of AMS[']s employees are . . .
11 market based," does that prove the wages, salaries and benefits are precisely the
12 same as UEC's employees would receive for providing the same service?

13 A. No. The argument that AMS' services are market-based is simply not accurate as I
14 explained in my response to Ms. Kelly Hasenfratz's testimony. There is no documentation
15 that AMS can provide the service at lower cost than UEC could provide the services or
16 incur these labor costs itself.

17 Q. Mr. Reed testifies that a CAM team has formed and the company meets "extensive
18 reporting and recordkeeping requirements, going well beyond existing legislative and
19 regulatory requirements, to continually oversee the dealings between AMS and the
20 operating companies." This leads him to conclude that Ameren Missouri is "going
21 beyond typical practices in overseeing such dealings, including the use of a dedicated
22 team of employees to oversee CAM compliance, as well as with its reporting activities
23 to monitor and enforce compliance with the requirements set forth in the CAM. How
24 do you respond?

25 A. What is important is that the Company enforce the requirements of the Commission's
26 Affiliate transactions rules, not its CAM. Ameren Missouri's CAM has never been

1 Commission approved. In my extensive experience at the Commission, UEC has never
2 been in compliance with the rules, so its compliance with the CAM is worthless in
3 determining whether the costs of goods and services UEC receives from AMS involve
4 subsidization or are prudently incurred.

5 **Q. In his testimony Mr. Reed offers his belief that Ameren Missouri would not have been**
6 **able to get goods and services “from an unaffiliated company at lower cost. Do you**
7 **agree?**

8 **A.** Mere belief without support through studies, detailed documentation and systematic
9 evaluation is worthless. If Mr. Reed were able to testify that AMS had complied fully with
10 the Commission’s affiliate transactions rules and carefully and thoroughly documented its
11 compliance that would be valuable.

12 **Q. On page 10, line 17, Mr. Reed testifies he does not believe that “Ameren Missouri**
13 **would be able to receive the services provided by AMS from an unaffiliated company**
14 **at a lower cost” because AMS follows well-established and well-designed**
15 **procurement policies and procedures that provide for solicitation of competitive bids**
16 **when appropriate so that it is obtaining qualified service providers, and other goods**
17 **it needs to provide its services, at reasonable, market-based prices. How do you**
18 **respond?**

19 **A.** Mr. Reed does not support his comment that AMS follows procedures that provide “for
20 solicitation of competitive bids when appropriate so that it is obtaining qualified service
21 providers and other goods It needs to provide services at reasonable market based prices”
22 I did not find any documents, workpapers, evidence of benchmarking or other supporting
23 documentation addressing AMS’ regular use of competitive bidding except the very few

1 limited instances mentioned in his testimony at as examples of services outsourced by
2 AMS, on behalf of Ameren Missouri, which include lock box services, printing and
3 distribution of customer bills, certain vegetation management services, and janitorial
4 services.

5 **Staff's Direct Testimony and Report**

6 **Q. What portions of Staff's direct testimony in its Staff Report Cost-of-Service**
7 **(Report) are you addressing in your rebuttal testimony?**

8 A. I am addressing the topics of Ameren Missouri's affiliate transactions and revenue that
9 would be generated from current rates including Lisa Ferguson's direct testimony and the
10 Staff Cost-of-Service Report. The issues raised by the Staff Report are: affiliate
11 transactions (Board of Directors and Lease), corporate allocations, depreciation, and the
12 treatment of the TCJA bill credits. On page 2 of the Staff Report "is an overview of the
13 Staff's revenue requirement determination" where Ms. Ferguson gives her review of all the
14 components that determine Ameren's Missouri revenue requirement Ms. Ferguson does
15 not reference affiliate transactions as one of the primary components.

16 On page 13 Ms. Ferguson identifies issues regarding Corporate Allocations and
17 "Disallowance of all institutional advertising expense, certain dues and donations and
18 miscellaneous expenses and Ameren Corporation board of directors related costs on page
19 14 of the Report. On page 16, neither of these issues, affiliate transactions or corporate
20 allocations is noted as a known and significant issue between Staff and Ameren Missouri.

21 **Q. How do you respond to the Staff's handling of the affiliate transactions and the total**
22 **lack of any mention of affiliate transactions?**

1 A. Staff handled the affiliated transactions in a manner similar with Ameren Missouri in that
2 affiliate transactions are presumed to be prudent until challenged. As stated previously no
3 affiliate transaction is presumed to be prudent and needs an affirmation showing that the
4 affiliate transactions are appropriate and prudent. Both Staff and Ms. Moore made a
5 ratemaking adjustment to remove costs AMS billed Ameren Missouri for AMC expenses.
6 These are expenses incurred by AMS on AMC's behalf that were charged in part to Ameren
7 Missouri and recorded on Ameren Missouri's accounts. Neither Staff nor Ameren Missouri
8 prepared any review to see if there were other inappropriate charges to Ameren Missouri.

9 **Q. What are your concerns with Staff's testimony?**

10 A. This Report lacks the analysis needed to reach a conclusion as to the legitimacy of AMS
11 charges to UEC in the test year. Staff supports the inclusion of over \$200 million in the
12 cost of service study to be used to establish new electric rates in this case. The Report's
13 failed to do any analysis or investigation of the prudence of \$200,000,000 in affiliate
14 transactions costs it proposes to pass to customers. Staff cannot assume that these costs
15 are prudent without verified Company evidence showing the prudence of these
16 transactions.

17 **Q. What is the audit procedure for affiliate transactions?**

18 A. In auditing UEC, Staff may not presume any affiliate transaction to be prudently incurred.
19 In Case No. WA-2019-0299 Staff witness Kim Bolin, and auditor V, testified: "Costs
20 incurred as a result of affiliated transactions between a utility and [its] affiliates are
21 reviewed in detail for prudency during a rate case audit. As part of this review, Staff will
22 request from the Company any bids for services submitted by third parties other than [the

1 utility's] affiliates to determine if the company appropriately explored the option of
2 securing the services at a lower price by using an unaffiliated third party."

3 **Q. Is UEC's recordkeeping sufficient for Staff to audit affiliate transactions?**

4 **A.** No. In response to OPC data request 1022, asking "If Ameren Missouri has not used
5 competitive bidding in the acquisition of assets, goods, information and services during the
6 period January 1, 2018 through December 31, 2019, did Ameren Missouri document why
7 the reason competitive bidding was not used? Please provide said documentation," Mr.
8 Byrne stated "There is no specific documentation . . ." Staff needs such documentation to
9 audit AMS affiliate transactions with UEC for prudence.

10

AFFILIATE TRANSACTIONS

1
2 **Q. In your direct testimony in this case you stated the Company in many ways fails to**
3 **comply with the Commission's affiliate transactions. Here, please discuss the**
4 **problems created when a company does business with its affiliates and does not**
5 **comply with the rules.**

6 **A. UEC cannot operate independently.**

7 **Q. How do you know?**

8 **A. I checked the contract that UEC had with its service company. This contract (GSA) had**
9 **several elements in its contract inconsistent with the rule's requirement. The Company has**
10 **never complied with the Commission's requirements to use competitive bidding or be able**
11 **to demonstrate that competitive bidding is neither necessary nor appropriate. While the**
12 **Ameren system has purchasing policies and procedures that require competitive bidding or**
13 **approval not to procure without competitive bidding, these policies and procedures are not**
14 **applied to the UEC affiliate transactions. The Company has never applied the cost**
15 **requirements to the goods and services it procures from its affiliates.**

16 **Q. Have you worked with the Company to develop a Commission approved Cost**
17 **Allocation Manual (CAM)?**

18 **A. Yes. The parties to Case No. EO-2017-0176, UEC, AMS, Commission Staff and the OPC**
19 **engaged in lengthy discussions about what should be included in a Cost Allocation Manual**
20 **for submission to the Commission. The resulting Stipulation between the Company and**
21 **Staff is filed at the Commission but stayed pending the possibility the Commission will**
22 **change the current affiliate transactions rules. Case No. AW-2018-0394**

23 **Q. Is a Commission approved CAM required?**

1 A. Yes. In the Commission affiliate transaction rules evidentiary standards section (3), UEC
2 is required to use a Commission approved CAM in its purchase of affiliate goods and
3 services. The Commission approved CAM sets forth cost allocation, market valuation and
4 internal costs methods. It is these costing standards that allow the Commission to audit
5 and supervise utility companies.

6 **Q. Has the Commission addressed its powers to supervise the activities of monopoly
7 utility companies?**

8 A. Yes, in its June 3, 2002 Substitute Brief to the Missouri Supreme Court supporting its
9 affiliate transactions rules the Commission noted that its powers to supervise utility
10 companies is broad: "The Commission has broad power to assure that a utility provides
11 safe and adequate service at just and reasonable rates and no more, and to supervise utilities
12 in the public interest. Section 393.130.1 and Section 393.140(1)." Case No. SC84344
13 Comm'n Br. at p. 36.

14 The Commission further explained that its purpose is to protect ratepayers from
15 the actions of monopoly utilities:

16 In its broadest aspects, the general purpose of such regulatory legislation is
17 to substitute regulated monopoly for destructive competition. But the
18 dominant thought and purpose of the policy is the protection of the public
19 while the protection given the utility is merely incidental.
20 Case No. SC84344 Comm'n Br. at p. 25, *citing De Paul Hosp. Sch. of Nursing*,
21 539 S.W.2d 542, 548 (Mo.App. 1976)(citations omitted).

22 The Commission explained the danger inherent in affiliate transactions that
23 captive customers may pay higher than reasonable rates:

24 Affiliate transactions are less than arms-length dealings that may result in
25 consumers paying higher than reasonable rates. The Commission
26 promulgated these Rules because, as a Texas court explained, "affiliate
27 transactions are subject to heightened scrutiny because when a utility and
28 its suppliers are both owned and controlled by the same . . . company, the
29

1 safeguards provided by arms-length bargaining are absent and ever present
2 is the danger that the utility will be charged exorbitant prices which will, by
3 inclusion in its operating costs, become the predicate for excessive rates.”
4 *Id.* at 32, emphasis added)
5

6 **Q.** When had the Commission become aware of the setback on its ability to regulate
7 utility companies?

8 **A.** It was in a 1975 telephone case involving telephone company rates, the Commission clearly
9 indicated its intention to closely scrutinize utilities operating in Missouri that are part of a
10 holding company structure:

11 The policy which this commission enunciates in this case is that it will not
12 shut its eyes to the facts of such pyramiding and simply look at the legal
13 entity, the Missouri operating company, in determining the level of expense,
14 rate base, revenues, and tax consequences when it is setting the level of rates
15 for the Missouri intrastate operating company.

16
17 This commission recognizes a clear and present danger that affiliated
18 interests can be used to defeat regulation, that to ignore the impact of these
19 affiliated interests is to shirk the commission’s duty and responsibility to
20 examine and consider all facets of a regulated utility’s operations when the
21 commission engages in the ratemaking process. Commission Br. at 39 *citing*
22 *Re United Telephone Co.* Case No. 18,264, 20 Mo.P.S.C. (N.S.) 209, 214
23 (1975)(emphasis added).
24

25 **Q.** Which of AMS’ charges to UEC for affiliate transactions practices that are of
26 concern?

27 **A.** Generally, it is all of AMS’ charges because of discrimination against competitive bidding
28 from third parties to determine the market price for goods and services.

29 **Q.** Are any the transactions between AMS and UEC arms-length transactions?

30 **A.** They are not. They are affiliate transactions.

31 **Q.** Specifically, what are your concerns?

1 The concern with excessive costs assigned to Missouri ratepayers is broad because of
2 UEC's inability to: 1) to choose which services it receives from AMS contrary to the
3 AMS/UEC contract, 2) determine whether it could provide those services for its customers
4 at a better costs and/or quality rate and 3) to contract with third party vendors to see if it
5 can get the service at a lower price or maybe at a better way. AMS charges all of its costs
6 to its affiliates, but not does provide any documentation showing all the costs AMS charges
7 to UEC should be borne by its Missouri ratepayers as I will discuss below.

8 UEC's failure to comply with the Commission's affiliate transactions rule,
9 including, but not limited to: 1) failure to use FDC as defined by the RULE with its
10 requirement to assign costs to goods and services produced not which affiliate uses the
11 product, 2) FMP consideration to protect against paying more than the good or service is
12 worth to UEC including products not needed by UEC, and 3) protections against being
13 inappropriately charged for the goods or services UEC should be providing for itself or for
14 the goods or services UEC employees perform for AMS.

15 **Q. How is AMS charging UEC for the products it provides?**

16 **A.** Instead of charging UEC for goods and services provided as required by the Commission's
17 Affiliate Transactions rules, AMS charges are function base and affiliate. If an AMS good
18 or service is only used by one entity, then the costs are supposed to be charged to that
19 entity. If the good or service is needed by more than one Ameren entity then the costs is
20 allocated to these entities on a basis other than how much of the good or service did each
21 entity require. The rule is premised on the supplier affiliate's cost assignment being
22 charged on the portion of the goods and services needed and provided to the entity not

1 based on an allocation of the supplier costs not reflective of the usage of the goods and
2 services in question nor the price benefit of high volume buyer.

3 **Q. What does charging by “function” mean?**

4 A. Function is a category of costs for separate groups of employees. The functions are
5 identified in the Company’s response to OPC data request Schedule RES-R-8.

6 **Q. Why is charging by function not in compliance with the rules?**

7 A. The rule is based on a supplier-buyer basis and cost causer being the cost payer. One of the
8 main concerns with affiliate transaction is the lack of independence and conflict of interest
9 between the utility as a buyer or seller conducting business with an affiliate. For example,
10 the rule prohibits the utility from buying from an affiliate at price that is greater than
11 utility’s costs to provide goods or services for itself. One would not expect a transaction to
12 occur if an independent third party vendor offered the goods and services at a price greater
13 than the utility’s costs to produce the goods and services for itself. Further, one would also
14 not expect a transaction to occur if an independent third party vendor offered the goods and
15 services at a price greater than what the utility could procure the item from an independent
16 third party. On the other hand, affiliate transactions would incentivize the utility to engage
17 in these transactions to increase overall corporate profits at utility customer expense. The
18 rule’s purpose states:

19 “The rule and its effective enforcement will provide the public the assurance that their
20 rates are not adversely impacted by the utilities’ nonregulated activities.”

21 By charging AMS costs to UEC by function based on factors unrelated to UEC’s
22 usage of the function but based on its corporate factors such as capital will result in cost
23 overcharge to UEC.

1 **Q. Why is assigning costs by goods and services rather than by function a superior**
2 **method?**

3 A. This method recognizes the independence that would exist in an arms-length transaction
4 for both UEC, the affiliate buyer and UEC, the affiliate seller. An arms-length transaction
5 is a business deal in which buyers and sellers act independently without one party
6 influencing the other. As an independent buyer would buy or produce the good and service
7 you need at the best price and terms available. An independent buyer would buy a good or
8 service at the best price and terms available. As an independent seller would only sell at
9 the best terms and price they could negotiate. Neither party should have an interest in the
10 consequences of the transaction to the other party.

11 **Q. Does this conclude your testimony?**

12 A. Yes.

Residential Bills					1-Jan-20		
	Cust Chg	Summer \$/kWh		Tax credit	Base Bill @ 1000 kWh	Total Bill	
Current rate	\$ 9.00	\$ 0.1258		\$ (0.0062)	\$ 128.59	\$ 132.15	
					% change		% change
Proposed rate	\$ 11.00	\$ 0.1151		\$ -	\$ 126.10	\$ 129.66	-1.92%
Other							
		1st 750	>750 kWh				
Current rate	\$ 9.00	\$ 0.0876	\$ 0.0600	\$ (0.0062)	\$ 83.49	\$ 86.95	
					% change		% change
Proposed rate	\$ 11.00	\$ 0.0800	\$ 0.0551	\$ -	\$ 84.78	\$ 88.23	1.45%
Annual bills	Base	% Change	Total				
Current	\$ 1,182.28	0.03%	\$ 1,224.20	0.02%			
Proposed	\$ 1,182.60		\$ 1,224.48				

Based on usage of 1000 kWh/month

Total bill includes FAC charge, EEIR charge, Energy Efficiency charge, and Low-Income Pilot Program charge in effect on Jan 1, 2020.

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

In the Matter of the Union Electric Company d/b/a)
Ameren Missouri's Tariffs to Decrease Its) File No. ER-2019-0335
Revenues for Electric Service)

PUBLIC COUNSEL DATA REQUESTS NO. 1000 – 1018.2

The Office of Public Counsel (OPC) hereby presents the following Data Requests to Union Electric d/b/a Ameren Missouri (Ameren Missouri and UEC). Please provide electronic responses to the following: opcservice@opc.mo.gov and caleb.hall@opc.mo.gov. The data requests are continuing in nature and require supplemental responses as soon as further or different information is obtained that is responsive to them.

DEFINITIONS

1. "The Company" or "company" means: Union Electric d/b/a Ameren Missouri ("Union Electric and UEC"), its subsidiaries and affiliates, past or present; its employees, officers, directors, agents, consultants, attorneys, and all persons acting under contractual arrangements with or acting on behalf of Union Electric; any merged or consolidated predecessors or predecessor in interest; and any merged or consolidated successors or successor in interest.
2. "Document" should be interpreted to include, but not be limited to, the original or any copy, of any kind, any, exhibit, pleading, transcript, calendar, cancelled check, photograph, form, memo, ledger, tax return, report, record, order or notice of the Commission or other governmental action of any kind, study (including engineering, feasibility, general economic, and market studies), survey, summaries, comparisons, calculations, handwritten note, minutes, logs, graphs, indices, computer files, computer inputs and outputs, internal operating manuals, data sheets, recordings, electronic mail or text messages and attachments, or any other written, or retrievable matter or data of any kind.
3. Any document that is not exactly identical to another document for any reason, including, but not limited to, marginal notations or deletions, should be considered to be a separate document.

4. Please provide data responses as they become available.
5. Consider each data request is continuing in nature and requires a supplemental response as soon as further or different information is obtained that is responsive to the request.

DATA REQUEST

1000. Please provide copies of all the documentation related to UEC's decision to file this case versus maintaining its current rates.
1002. Does Ameren Missouri have any company specific policies and procedures?
 - 1002.1 If yes, please provide a copy all Ameren Missouri specific policies and procedures effective for the period January 1, 2018 through December 31, 2019.
1003. Will the current rate case change the amount of money UEC will charge its Missouri retail customers through its Fuel Adjustment Clause (FAC)?
 - 1003.1 If yes, has UEC studied the FAC revenue impact this rate case will have on UEC customers versus the revenue impact from maintenance of current rates?
1004. Please provide copies of all documentation related to UEC's examination and approval of the FAC changes in this rate case.
 - 1004.1 If no, why was the impact of this case on the Ameren UE FAC not studied or approved separately?
1005. Is it UEC's position that the proposed FAC base costs components are the best estimation of future and expected revenues and costs results impacting the Company's FAC recovery?
 - 1005.1 If yes, please provide any documentation supporting the Company's response.
1006. Does the proposed FAC base costs components match Ameren Missouri's budget for 2020 and beyond?
 - 1006.1 If yes, please provide copies of budgeted material used to establish the proposed FAC base costs.
 - 1006.2 If no, please provide a copy of the non-budget material used to establish each component of the proposed FAC base costs?
1007. Has UEC performed any study to examine the probability that the proposed FAC base in this case will be equal to, less than, or greater than future FAC costs?
 - 1007.1 If yes, please provide a copy of the study and its results.

- 1007.2 If no, what was the reason(s) such an analysis was not needed to develop the proposed FAC base in this case?
1008. Will Ameren Missouri customers continue to receive the Tax Cut Jobs Act (TCJA) credit on their bills at the time new rates go into effect from this case?
- 1008.1 If the answer is no, state with specificity the annual amount of these credits that will be removed from customer bills?
1009. **** Did UEC make a pro forma adjustment for Tax Law Rate Change reducing Test Year revenues by \$115,711,166? ** CONFIDENTIAL**
- 1009.1 **** If yes, why would the removal of a bill credit reduce UEC revenue? ** CONFIDENTIAL**
- 1009.2 **** Wouldn't a removal of a bill credit increase UEC's revenues? ** CONFIDENTIAL**
1010. What is the 2020 and 2021 revenue impact on Ameren Missouri if the tariffs filed in this case are approved as filed?
1011. What is the Ameren Missouri revenue impact included in Ameren Missouri's 2020 & 2021 budget related to this rate case?
1012. Provide the Ameren Missouri 2020-2024 Business Plan immediately when it becomes available.
1013. Please highlight and provide copies of any variance identification and explanation or modification to the Ameren Missouri 2019-2020 Business Plan?
1014. Is it Ameren Missouri's position that its update and true-up case position can and will result in elimination of a reduction of the requested rate decrease in this case and can or will result in a rate increase to current rates? If no, please identify and describe the impacts of the Company's update and true-up information can have on its initial filed positions.

AFFILIATE TRANSACTION/CAPITAL STRUCTURE

1015. In the January 1, 2018 thru December 31, 2019 period will UEC's treasury function be completely under the control of UEC employees only.
- 1015.1 If no, which affiliate employee positions are performing exactly which specific treasury functions on UEC's behalf?
- 1015.2 What UEC employees perform what specific treasury functions on UEC's behalf?
1016. Does UEC have any specific treasury function policies and procedures?
- 1016.1 If yes, please provide copies of all such policies and procedures in effect during the period January 1, 2018 through December 31, 2019.

1017. What is the organization structure of the functions (e.g. executive, treasury, accounting, legal, etc.) performed by AMS?
- 1017.1 Which employee positions do not charge costs to UEC?
1018. Please provide the AMS, UEC, and AIC employee organization charts for the period January 1, 2018 through December 31, 2019.
- 1018.1 If no charts exist, please provide narrative descriptions of the organization as to how it produces goods and services for UEC and AIC and does not duplicate any work performed by UEC and AIC employees.
- 1018.2 If no charts exist, please provide narrative descriptions of the organization as to how it produces goods and services for non-UEC and AIC Ameren entities and do not charge UEC and AIC for any work performed by AMS to operate the Ameren entities other than UEC and AIC.

Submitted by Robert E. Schallenberg, October 25, 2019.

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COLLY J. DURLEY
JAMES B. LOWERY
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JENNY BECKETT, RN

November 1, 2019

Mr. Caleb Hall
Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102

Re: File No. ER-2019-0335 – OPC DR Nos.

Dear Caleb:

The Company objects to DR No. 1000 because it seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence, is overbroad, unduly burdensome, and seeks materials protected by one or more of the attorney-client, work product, and accountant-client privileges.

The Company objects to DR Nos. 1002 (and 1002.1)¹ on the same bases and because it is vague in that it fails to specify any subject matter for any policies or procedures.

The Company objects to DR Nos. 1004 (and 1004.1) (see footnote 1) because it seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence, is overbroad, unduly burdensome, and seeks materials protected by one or more of the attorney-client, work product, and accountant-client privileges.

The Company objects to DR Nos. 1006 (and 1006.1, .2 (see footnote 1)) because it seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence and it is overly broad and unduly burdensome. Subject to the foregoing objections, a response will be provided.

¹ Please note that the Company will treat DRs with the same numerical value (e.g., 1000, 1000.1) as one DR with multiple subparts. The Company requests that DRs in the future be submitted as such.

Mr. Caleb Hall
November 4, 2019
Page 2

The Company objects to DR Nos. 1010, 1011, and 1013 because they seek information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence and are overly broad and unduly burdensome. The Company further objects to those DRs to the extent they may improperly seek to require Ameren Missouri to engage in research, to compile data, and to perform analyses rather than seeking the discovery of existing facts or data, which would render them beyond the proper scope of discovery. Subject to the foregoing objections, responses will be provided to DR Nos 1010 and 1013.

The Company objects to DR No. 1014 to the extent it seeks a legal conclusion or seeks information protected by the attorney-client or work product privileges.

With respect to DR No. 3057, the Company is confirming whether its agreements with the providers of these reports allow providing copies with or without protections beyond that provided by the Commission's rules. Assuming it may provide copies without further action, confidential copies will be provided.

Sincerely,

/s/ James B. Lowery

James B. Lowery

Cc: Caleb Hall, Geri Best, Carolyn Mora, Yvette Scott, Wendy Tatro

Case No. ER-2019-0335

Schedule RES-R-3 to
Robert E. Schallenberg's
Rebuttal Testimony has
been deemed "Confidential"
in its entirety

Case No. ER-2019-0335

Schedule RES-R-4 to
Robert E. Schallenberg's
Rebuttal Testimony has
been deemed "Confidential"
in its entirety

Public Service Commission of the State of Missouri

February 21, 1997

Case No. EM-96-149

Reporter

1997 Mo. PSC LEXIS 1 *; 176 P.U.R.4th 201; 6 Mo. P.S.C. 3d 28

In the Matter of the Application of Union Electric Company for an Order Authorizing (1) Certain Merger Transactions Involving Union Electric Company; (2) the Transfer of Certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company; and (3) in Connection Therewith, Certain Other Related Transactions.

Core Terms

customer, affiliate, staff, merger, retail, electric, signatory, calculate, market power, transmission, energy, subsidiary, annual, rate reduction, stock, terminate, ratemaking, fuel, decommissioning, recommend, vertical, monitor, nuclear, pilot, wheel, kwh, modify, tariff, eligible, winter

Counsel

APPEARANCES: James J. Cook, Associate General Counsel, Joseph H. Raybuck, Attorney, and William J. Niehoff, Attorney, Union Electric Company, Post Office Box 149, St. Louis, Missouri 63166, for Union Electric Company.

Richard W. French, French & Stewart Law Offices, 1001 Cherry Street, Suite 302, Columbia, Missouri 65201, for Trigen-St. Louis Energy Corporation.

Sondra B. Morgan and James C. Swearengen, Brydon, Swearengen & England, P.C., Post Office Box 456, 312 East Capitol Avenue, Jefferson City, Missouri 65102, for The Empire District Electric Company and UtiliCorp United Inc.

Sondra B. Morgan and Gary W. Duffy, Brydon, Swearengen & England, P.C., Post Office Box 456, 312 East Capitol Avenue, Jefferson City, Missouri 65102, for Missouri Gas Energy, a division of Southern Union Company.

Thomas M. Byrne, Associate Counsel, Laclede Gas Company, 720 Olive Street, St. Louis, Missouri 63101, for Laclede Gas Company.

Robert C. Johnson, Diana M. Schmdit, and Michael R. Annis, Peper, Martin, Jensen, Maichel and Hetlage, 720 Olive Street, [*2] 24th Floor, St. Louis, Missouri 63101, for: Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, Hussmann Refrigeration, Lincoln Industrial, MEMC Electronic Materials, Mallinckrodt, Inc., McDonnell Douglas Corporation,

Monsanto Company, and The Doe Run Company (the Missouri Industrial Energy Consumers).

James M. Fischer, Attorney at Law, 101 West McCarty Street, Suite 215, Jefferson City, Missouri 65101, and

William G. Riggins, Staff Attorney, Kansas City Power & Light Company, 1201 Walnut Street, Post Office Box 418679, Kansas City, Missouri 64141, for Kansas City Power & Light Company.

Paul S. DeFord, Lathrop & Gage, 2345 Grand Boulevard, Kansas City, Missouri 64108, for Illinois Power Company.

Marilyn S. Teitelbaum, Schuchat, Cook & Werner, 1221 Locust Street, Second Floor, St. Louis, Missouri 63103, for Local 2, Local 309, Local 702 and Local 1455, International Brotherhood of Electrical Workers, AFL-CIO.

Daryl R. Hylton, Assistant Attorney General, and Michelle Smith, Assistant Attorney General, Office of the Attorney General, Post Office Box 899, Jefferson City, Missouri 65102, [*3] for the State of Missouri, at the relation of Jeremiah W. (Jay) Nixon, Attorney General.

Lewis R. Mills, Jr., Deputy Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Steven Dottheim, Acting General Counsel, Roger W. Steiner, Assistant General Counsel, and Aisha Ginwalla, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

Panel: [*1] McClure, Kincheloe, CC., Zobrist, Chm., Crumpton, Drainer, CC.

Opinion

REPORT AND ORDER

ADMINISTRATIVE LAW JUDGE: Joseph A. Derque, III.

Procedural History

On November 7, 1995, Union Electric Company (UE) filed an application with the Missouri Public Service Commission (Commission) requesting an order from the Commission authorizing certain merger transactions, the transfer of certain assets, real estate, leased property, easements and contractual agreements, and authorizing certain other transactions, all to effectuate a proposed merger between UE and CIPSCO Incorporated (CIPSCO).

UE is a Missouri corporation engaged in the provision of energy services to the public in the state of Missouri and regulated by the Commission as a public utility. CIPSCO is an Illinois corporation and the parent corporation of its wholly owned subsidiary, Central Illinois Public Service Company (CIPS). CIPS is engaged in the business of providing energy services in the state of Illinois and, as such, is a regulated public utility in that state.

In addition, two other corporations have been formed for the purpose of facilitating the proposed merger, those being Arch Merger, Inc. (Arch) and Ameren Corporation (Ameren). The corporate structure resulting from the proposed merger will include Ameren as a federally regulated utility holding company, with UE as a Missouri subsidiary operating company and CIPS and CIPSCO as other subsidiaries. The merger transactions are intended to result in a tax-free exchange.

In addition to the Staff of the Commission (Staff), UE, and the Office of the Public Counsel (OPC), the following parties were also granted intervention: the Missouri Industrial Energy Consumers (MIEC)¹; Laclede Gas Company (LGC); The Empire District Electric Company (EDE); Locals 2, 309, 702 and 1455 of the International Brotherhood of Electrical Workers, [*5] AFL-CIO (Unions); Kansas City Power & Light Company (KCPL); the State of Missouri ex rel. The Attorney General (State); Missouri Gas Energy, a division of Southern Union Company (MGE); Trigen-St. Louis Energy Corporation (Trigen); Illinois Power Company (IP); and UtiliCorp United Inc. (UtiliCorp).

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

A. Stipulation And Agreement

On July 12, 1996, a Stipulation And Agreement was filed purporting to settle all issues raised by the parties and seeking Commission approval of the proposed transaction. This Stipulation And Agreement is appended to this Report And Order as Attachment 1 and incorporated herein by reference.

Various interveners did not sign the proposed Stipulation And Agreement. Those parties were given the opportunity to exercise their due process right to compel an evidentiary hearing, but all chose not to do so. Those parties who are not signatories to the agreement are LGC, MIEC, IP, and the Unions. All have stated in filed documents that, while not signatories to the agreement, none wish to litigate any issue and none are opposed to Commission approval of the proposed stipulation. The Commission, therefore, in accordance with rule 4 CSR 240-2.115, will treat the Stipulation And Agreement as a unanimous stipulation and agreement.

The Stipulation And Agreement contains the following terms and conditions. In setting out this summary it is not the intent of the Commission to alter any terms and conditions therein.

The Stipulation And Agreement specifies that the proposed merger, as specified in the merger agreement, filed with the original application on November 7, 1995, should be approved by the Commission as not detrimental to the public interest, subject to the conditions and modifications as set out in the remainder of the Stipulation And Agreement.

UE has agreed that it will not seek to recover the asserted merger premium of \$ 232 million in rates [*7] in any Missouri proceeding. The merger premium represents the portion of the purchase price that exceeds the

¹ The MIEC is composed of the following: Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, Hussmann Refrigeration, Lincoln Industrial, MEMC Electronic Materials, Mallinckrodt, Inc., McDonnell Douglas Corporation, Monsanto Company, and The Doe Run Company.

current book value of the acquired company's assets or market value of the acquired company's stock. UE will, however, retain the right to state, in any future proceedings, alleged benefits of the merger. UE will forgo any additional specific adjustments to cost of service related to the merger savings or any claim to merger savings other than the adjustments to cost of service and claims to merger savings resulting from the Commission's approval of the Stipulation And Agreement or the benefits and savings which would occur through regular ratemaking treatment or the current Experimental Alternative Regulation Plan (ARP) or the new Experimental Alternative Regulation Plan (EARP) effective July 1, 1998, pursuant to the Stipulation And Agreement.

Actual prudent and reasonable merger transaction and transition costs (estimated to be \$ 71.5 million) shall be amortized over ten years beginning the date the merger closes. The annual amortization of merger transaction and transition costs will be the lesser of: (1) the Missouri jurisdictional portion of the total Ameren amount of \$ 7.2 million; or (2) the Missouri jurisdictional portion of the total Ameren unamortized amount of actual merger transaction and transition costs incurred to date. No rate base treatment of the unamortized costs will be included in the determination of rate base for any regulatory purposes in Missouri.

UE commits that it will propose and file with the Commission an experimental retail wheeling pilot program for 100 MW of electric power, to be available to all major classes of Missouri retail electric customers, as soon as practical, but no later than March 1, 1997.² The commitment to file such a pilot program for Commission consideration and determination covered by this provision is made by UE alone. Prior to filing its proposal with the Commission, UE will seek substantive input from Missouri retail electric customers, Staff, OPC and others.

The parties concur that earnings monitoring in Case No. EO-96-14 will result in a general change in rates charged and revenues collected after August 31, 1998. The change in revenues collected will be equal to the average annual total revenues credited to customers during the three ARP years ending June 30, 1998, adjusted to reflect normal weather. Any rate reduction shall be spread within and among revenue classes on the basis of the Commission decision in Case No. EO-96-15, which is the UE customer class cost of service and comprehensive rate design docket created as a result of Case No. ER-95-411. In the event that a Commission decision has not been reached in Case No. EO-96-15, the parties will jointly or severally propose to the Commission a basis or bases on which a rate reduction may be spread on an interim basis within and among the classes pending issuance of the Commission's decision in Case No. EO-96-15.

UE will make a good faith effort to provide the earnings report for the final Sharing Period in Case No. ER-95-411 in time to implement this rate reduction on September 1, 1998. In the event the earnings data is not available, or in the event the review process of the earnings data or the weather normalization review process does not allow for a September 1, 1998 effective date, the following will occur: An additional credit, equal to the excess revenues billed between September 1, 1998 and the effective date of the rate reduction, will be made. Said credit will be made at the same time and pursuant to the same procedures as the Sharing Credits in Case Nos. ER-95-411 and EO-96-14. If no Sharing Credits are to be made for the third Sharing Period in Case Nos. ER-95-411 and EO-96-14, the excess revenue credit will be made as expeditiously as possible.

² The Commission will entertain a motion to modify the above date in order to ensure that UE has the opportunity to receive "substantive input" from the parties and others.

UE shall file tariff sheets for Commission approval consistent with this section.

The EARP will be instituted July 1, 1998 at the end of the ARP created in Case No. ER-95-411. In its Report And Order approving this Stipulation And Agreement, the Commission shall create a new docket to facilitate the EARP (EARP Docket). All signatories to the Stipulation And Agreement shall be made parties to the EARP Docket, as intervenors or as a matter of right, as will the parties to Case No. EO-96-14 who are not parties to Case No. EM-96-149, without the necessity of taking further action.

The following sharing grid is to be utilized as part of the EARP:

Earnings Level (Missouri Retail Electric Operations)	Sharing	Sharing
	Level	Level
	UE	Customer
1. Up to and including 12.61% Return on Equity (ROE)	100%	0%
2. That portion of earnings greater than 12.61% up to and including 14.00% ROE	50%	50%
3. That portion of earnings greater than 14.00% up to and including 16.00% ROE	10%	90%
4. That portion of earnings greater than 16.00% ROE	0%	100%

The EARP will be in effect for a full three-year period.

In the event UE files an electric rate increase case, any Sharing Credits due for the current or prior Sharing Period will remain the obligation of UE, and the EARP shall terminate at the conclusion of the then current Sharing Period.

In the event any signatory to the Stipulation And Agreement files a rate reduction case, any Sharing Credits due for the current or prior Sharing Period will remain the obligation of UE, and the parties to that case will recommend to the Commission whether the EARP should remain in effect as currently structured, be modified or terminated.

Upon any termination of the EARP pursuant to the foregoing, the signatories will have no further obligation under this section.

Monitoring of the EARP will be based on UE supplying to Staff and OPC, on a timely basis, the reports and data identified in the Stipulation And Agreement. These reports and data must be provided as part of

the EARP. Staff, OPC and the other signatories participating in the monitoring of the EARP may follow up with data requests, meetings and interviews, as required, to which UE will respond on a timely basis. UE will not be required [*12] to develop any new reports, but information presently being recorded and maintained by UE may be requested.

The sharing of earnings in excess of 12.61 percent, as contemplated in the sharing grid set out above, is to be accomplished by the granting of a credit to UE's Missouri retail electric customers by applying credits to customers' bills in the same manner as applied in Case No. ER-95-411, and as set forth in the Stipulation And Agreement.

In the final year of the EARP, UE, Staff, OPC and other signatories to the Stipulation And Agreement shall meet to review the monitoring reports and additional information required to be provided. By February 1, 2001, UE, Staff and OPC will file and other signatories may file their recommendations with the Commission as to whether the EARP should be continued as is, continued with changes, or discontinued. The rates resulting from the Stipulation And Agreement will continue in effect after the three-year EARP period until UE's rates are changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action.

UE and its prospective holding company, Ameren, agree to make available to the Commission, at reasonable times and places, all books and records and employees and officers of Ameren, UE and any affiliate or subsidiary of Ameren as provided under applicable law and Commission rules; provided, that Ameren, UE and any affiliate or subsidiary of Ameren shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel are not subject to Commission jurisdiction by operation of the Public Utility Holding Company Act of 1935 (PUHCA).

UE, Ameren and any affiliate or subsidiary thereof agree to continue voluntary and cooperative discovery practices.

UE, Ameren and each of its affiliates and subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of non-UE Ameren businesses by UE's retail customers.

UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a contract, agreement, arrangement or transaction with any affiliate, associate, holding, mutual service or subsidiary company on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the Securities and Exchange Commission (SEC) or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the SEC. This provision is also applied to both gas and electric contracts filed with the Federal Energy Regulatory Commission (FERC).

No preapproval of affiliated transactions will be required, but all filings with the SEC or FERC for affiliated transactions will be provided to the Commission and the OPC. The Commission may make its determination

regarding the ratemaking treatment to be accorded these transactions in a later ratemaking proceeding or a proceeding respecting any alternative regulation plan.

Finally, the parties have agreed to a proposed system support agreement between UE and CIPS for a term of ten years. This agreement allows UE to transfer its current Illinois customers to CIPS, and provides for the transfer of electric power and capacity to CIPS for the ten-year period. This is capacity and energy currently used to supply UE's Illinois customers. The Stipulation And Agreement provides that the Commission has the authority to allocate energy and capacity addressed in the system support agreement in future ratemaking proceedings.

B. Market Power Issues

In its September 25, 1996 order, the Commission requested additional testimony regarding the potential harm to the public interest from any increase in market power which may be created by the approval of the merger. Because market power might be of greatest concern to Missouri customers if full retail competition were authorized, the Commission specifically requested that the parties include retail competition as a scenario in their analysis.

In response to this request, UE witness Rodney Frame stated that because retail competition will require changes to existing institutions that will affect how markets should be analyzed, it is neither reasonable nor advisable to address the implications of market power until these more fundamental issues are addressed. UE witness Maureen A. Borkowski stated that UE's transmission system was designed so that its power plants would serve its native load. Therefore, the import capability into the St. Louis area is limited by the capacity of its own transmission system. Further, Ms. Borkowski stated that these limits only become important to retail competition, and it would be premature to deal with such a scenario now. Mr. Frame believed that market power problems are likely to require more scrutiny when generation supplies are deregulated and individual retail customers can shop among alternative suppliers. UE witness Donald E. Brandt stated that the time to address potential market power problems associated with deregulation and retail customer choice is when the decision is made to go down that path, not now. Further, Mr. Brandt stated that any market power which UE or Ameren possesses in the retail market is currently mitigated by the regulatory oversight of the Commission.

OPC stated that the Commission is correct in its concern for the potential harm to the public interest from an increase in market power from the merger, especially under the assumption of retail competition. OPC's witness Dr. Richard A. Rosen recommended that the Commission require UE to analyze carefully and thoroughly whether the ability of the merged utilities to exercise market power under retail competition is likely to be greater than the ability of either individual utility. If there is a significant increase in market power resulting from the merger, the Commission should identify and implement all appropriate measures to mitigate the market power. OPC takes the position that the applicants for the merger have the responsibility to analyze market power, and that the Commission should require the companies to perform such an analysis as a condition for approving the merger. OPC does not argue that such a study must be completed prior to the Commission giving approval of the merger. Instead, it believes that if market power proves to be a problem, appropriate measures are available to mitigate market power, and the Commission should mandate such measures prior to implementation of retail competition.

In his testimony, Staff's witness Dr. John W. Wilson presented an analysis of market power under retail competition. He defined the relevant market to be requirements [*18] power for both wholesale and retail customers served in the joint service territories of UE and CIPS. Two scenarios were considered: with and without pancaked transmission rates. With pancaked transmission rates, Dr. Wilson found that Ameren would have a price advantage over any competitors having to pay an additional transmission charge, and would therefore have significant market power. Without pancaked transmission rates, the relevant geographic market was found to be limited by the nonsimultaneous first contingency total transfer capability into the Eastern Missouri (EMO) and South Central Illinois (SCILL) subregions of the Mid-America Interconnected Network (MAIN). Taking these transmission constraints into account, Dr. Wilson performed a concentration analysis to measure the likelihood of the merged firm exercising market power and found significant increases in concentration that exceeded the "safe harbor" limits established in the Department of Justice/Federal Trade Commission Merger Guidelines ("Guidelines"). Dr. Wilson then examined other factors, as suggested by the Guidelines, including: (1) the potential of the merger to give rise to anticompetitive effects; (2) entry conditions; (3) efficiencies; and (4) whether one of the firms is likely to exit the market because of financial stress. He found that the merger was likely to enhance the anticompetitive behavior associated with markets that are characterized as oligopolistic (few competitors with each recognizing that its own competitive conduct will significantly affect the other competitors), and will likely elicit defensive responses that allow dominant firms to exercise price leadership. With Ameren having just under 35 percent of the share of total capacity in the relevant market, Dr. Wilson expressed concern that the merged firm may find it profitable to increase price and reduce output below pre-merger levels because "the lost markups on the foregone sales may be outweighed by the resulting price increase on the merged base of sales" (Guidelines § 2.22). Market dominance was also seen as a potential barrier to entry for new firms. Most significant was the potential for vertical market power (the ability to exert market power in one or more horizontal markets as a result of the monopoly control of an essential element in a vertical chain of horizontal markets), based on Ameren's control of the transmission system required to serve the requirements markets for generation within UE's and CIPS's service territories.

While Dr. Wilson recommended against approval of the merger, the Staff continues to support the Stipulation And Agreement, as do UE and OPC. However, Dr. Wilson has made several recommendations regarding mitigation of market power should the Commission approve the merger. These include: (1) Ameren turning over the operation of its transmission system to an Independent System Operator (ISO) with a region-wide "postage-stamp" transmission rate; (2) divestiture of generation resources to reduce barriers to entry that arise from vertical integration; (3) introduction of retail access in Ameren's service territory to stimulate entry into retail generation sales; and (4) denial of stranded cost recovery by the merged entity to assure that any merger savings will be used to offset any above-market, uneconomic cost for generation.

UE witnesses Mr. Brandt and Ms. Borkowski stated that requiring it to eliminate pancaking or to participate in an ISO would be unnecessary, inappropriate and premature. For example, UE witness Rodney Frame argued that requiring UE to join [*21] an ISO could produce adverse consequences for UE's native load customers due to cost shifting of a \$ 42 million increase in transmission costs. Mr. Frame also cited FERC's Order 889, which sets forth a code of conduct and which requires that transmission owners participate in an Open Access Same-Time Information System (OASIS) for handling any concerns for the exercise of vertical market power in the markets that exist today. Thus, UE argues that the Commission should not

require it to participate in an ISO until the terms of participation are known, and should also delay any consideration of the impact on retail markets until retail competition becomes a reality.

Dr. Wilson stated that the purpose for turning the operation of the transmission system over to an ISO is to alleviate the concern that, as the owner of both transmission and generation, the vertically integrated utility would be able to use the transmission system to "depress competition in generation markets." Dr. Wilson further pointed out that if an ISO is not established in a fully independent manner, vertically integrated owners of generation and transmission could have influence over who becomes and remains as the [*22] ISO operator, in which case nonowner generation rivals may not receive equal consideration.

Dr. Rosen stated that while FERC Order 888 recognizes transmission access and pricing as core requirements to deal with potential vertical market power abuse, the FERC also identified regional ISOs as an important measure for mitigating potential vertical market power. Dr. Rosen summarized the FERC guidelines which specify that an ISO: "1) have no financial interest in the economic performance of any market power participant; 2) should have control over the operation of interconnected transmission facilities within its region; 3) should identify constraints on the system and be able to take operational action to relieve those constraints within the trading rules; and 4) should make transmission system information publicly available to all suppliers on a timely basis." In addition, Dr. Rosen noted that the FERC identified expansion of transfer capability by enlarging transmission capacity as a mitigation measure for vertical market power, but recognized that utilities must obtain approvals for such expansion from state and local authorities under applicable laws.

The Commission finds there [*23] are sufficient facts in evidence to be concerned about the potential increase in market power from the proposed merger. The merger could have a significant adverse impact on the degree of competition within UE's Missouri service territory due to limited transfer capability for imported power, as well as the disincentives caused by pancaked transmission rates. In order to eliminate pancaked transmission rates, Ameren would need to belong to a regional transmission group having a region-wide transmission rate. To address the vertical market power concern that Ameren could use its transmission system to restrict competition from other generation, the regional transmission group should be an entity that will independently operate the transmission systems of the vertically integrated utilities within the region. While the Commission agrees that UE and Ameren should not participate in an ISO at "any cost" to the Missouri ratepayers, now is the time for UE to take into account the impact that vertical market power could have on the requirements market under retail competition. Therefore, the Commission approves the merger upon the condition that UE shall participate in a regional ISO that [*24] eliminates pancaked transmission rates and that is consistent with the ISO guidelines set out in FERC Order 888. Such an ISO proposal could be formed in conjunction with the current efforts by UE and other regional utilities to establish a Midwest ISO or be organized by the merged company with membership open to other regional utilities. While the Commission understands that joining an ISO at "any cost" would be unwise, the participation by UE and Ameren in an ISO is a prudent, necessary condition to assure that the merger is not detrimental to the public interest.

The Commission also finds that the concerns expressed by OPC regarding horizontal market power are valid. Such market power can take place at any level of the production chain as a consequence of there being a very small number of competing sellers and significant barriers to entry. Specifically, Dr. Richard A. Rosen expressed concern about horizontal market power for the generation end of the production chain,

as well as in the retail merchant (demand-side aggregator) markets. Dr. Rosen expressed concern that alternative generators might find it difficult to enter certain submarkets for electricity such as the base load, [*25] long term market for capacity and energy, or areas where transmission constraints and strategically located generation facilities combine to form local "load pockets." In the retail merchant markets, Dr. Rosen believes that new aggregators would find it difficult to compete with the incumbent utility because of lack of name recognition.

In order to deal with this potential for horizontal market power, Dr. Rosen proposed a two-part analysis: (1) theoretical and empirical characterizations of the market; and (2) simulations of the particular electricity market under consideration. In both, the unique characteristics of electricity markets in at least the nine submarkets (base, cycling and peaking by short, medium and long term) should be examined. In the first analysis, Dr. Rosen suggested that a more sophisticated version of the Herfindahl-Hirschman Index (HHI) be developed. In the second analysis, Dr. Rosen recommended that the simulations include real data from various utilities in a proposed ISO, and that various gaming scenarios and bidding strategies be analyzed.

The Commission finds that there are sufficient facts in evidence for it to be concerned about horizontal market power [*26] for both generation and aggregation. The Commission also finds that these concerns are in part related to the merger of the two companies, but are also related to conditions that should be considered before implementing retail competition. OPC's proposal balances these two relationships. Therefore, the Commission will require UE and interested parties to assess the potential ability of the merged companies to exercise vertical and especially horizontal market power in price deregulated retail generation markets. Based on this analysis, if the market power under retail competition proves to be a problem, then the Commission will consider taking appropriate action to mitigate market power prior to establishing statewide retail competition. Because the level of detail and development of a study of horizontal market power will require significant effort and time, the Commission will require UE to undertake this study with the participation of Staff and OPC, with a completion date of January 1, 1998. This study need not be submitted before the merger is completed.

Therefore, the Commission finds the proposed Stipulation And Agreement to be reasonable and in the public interest if it is modified to include the conditions which the Commission requires to mitigate market power.

As set out in the Stipulation, after review of both the testimony filed in this matter and the proposed merger agreement of November 7, 1995, the Commission also finds the proposed merger, as modified and subject to the conditions of the attached Stipulation And Agreement, to not be detrimental to the public interest. Therefore, the Commission will approve the proposed Stipulation And Agreement as set out in Attachment 1 and the resulting merger transaction, and order UE to file tariffs in accordance therewith.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The applicant, Union Electric Company, is a public utility under the jurisdiction of the Commission, regulated generally by Chapter 393, RSMo 1994. Specifically, the proposed sale, transfer and assignment of certain rights, properties, and assets is controlled by Section 393.190(1), which states in part:

No gas corporation, electrical corporation, water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or [*28] encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it to do so.

The Commission has found the Stipulation And Agreement, as set out in Attachment 1 hereto, to be just and reasonable, and will approve the Stipulation And Agreement. In addition, the Commission finds the proposed merger transaction, as reflected in the contractual agreement contained as a part of the Union Electric Company filing of November 7, 1995, and subject to the conditions and modifications as set out in the above Stipulation And Agreement, is not detrimental to the public interest.

The Commission further concludes that Union Electric Company should file tariffs in full compliance with the merger agreement, the Stipulation And Agreement, and this Report And Order.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement, marked Attachment 1 to this Report And Order, will be approved [*29] by order of the Commission provided that Union Electric Company files a pleading in this docket within ten (10) days of the date of issuance of this order consenting to the following conditions:

(a) No later than December 31, 1997, Union Electric Company shall file or join in the filing of a regional ISO proposal at the Federal Energy Regulatory Commission that eliminates pancaked transmission rates, that is consistent with the ISO guidelines set out in FERC Order 888, and that meets the following requirements:

(1) If the ISO proposal filed at FERC is the result of the current efforts by UE and other utilities to establish a Midwest ISO, UE shall simultaneously file at this Commission a request for approval of its participation in the proposed ISO;

(2) If the Midwest ISO proposal is filed at FERC and UE has chosen not to participate, then UE shall advise this Commission within thirty (30) days of the FERC filing why it is not participating in the Midwest ISO;

(3) If the Midwest ISO proposal is not filed before the FERC by December 31, 1997, then by March 31, 1998 UE shall file with this Commission a plan for establishing an independent entity charged with the operation, pricing and planning of its transmission system. This plan shall be developed in cooperation with Staff and the Office of the Public Counsel, shall provide for the formation and expansion of this independent entity to include other utilities, and shall be filed with the FERC; and

(b) By January 1, 1998 and with the participation of Staff and the Office of Public Counsel, Union Electric Company shall file with this Commission a report that assesses the potential ability of the merged companies to exercise vertical and especially horizontal market power in price deregulated retail generation.

2. That, with the consent of the parties, the testimony of Union Electric Company witnesses Rodney Frame, Maureen A. Borkowski and Donald E. Brandt; Office of the Public Counsel witness Dr. Richard A. Rosen;

and the Commission Staff witness Dr. John W. Wilson is hereby entered into evidence and made a part of the record in this proceeding.

3. That this Report And Order shall become effective on March 4, 1997.

McClure and Kincheloe, CC., concur; Zobrist, Chm., Crumpton and Drainer, CC., concur, with concurring opinions to follow.

STIPULATION AND AGREEMENT

Dated: July [*31] 12, 1996

As a result of discussions among the parties to Case No. EM-96-149, the signatories hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval the following, including actions to be taken by Union Electric Company ("UE") and the other signatories in settlement of the above styled case:

1. Approval of the Merger

The signatories agree that the Commission should approve the merger as requested in UE's filing dated November 7, 1995, on the basis that, subject to the conditions and modifications set forth below, said merger is not detrimental to the public interest.

2. Merger Premium

UE shall not seek to recover the amount of any asserted merger premium in rates in any Missouri proceeding. UE has identified this amount as \$ 232 million.

3. Merger Benefits and Savings

UE shall retain the right to state, in future proceedings, alleged benefits of the merger but UE commits to forego any additional specific adjustments to cost of service related to the merger savings or any claim to merger savings other than the adjustments to cost of service and claims to merger savings resulting from the Commission's approval of this document or the benefits and savings which would occur through regular ratemaking treatment or the current Experimental Alternative Regulation Plan ("ARP") or the new Experimental Alternative Regulation Plan ("the New Plan") effective July 1, 1998 pursuant to this document.

4. Transaction and Transition Costs

Actual prudent and reasonable merger transaction and transition costs (estimated to be \$ 71.5 million, which reflects the total Ameren Corporation ("Ameren") estimated merger costs presented to the Commission Staff ("Staff") and Office of the Public Counsel ("OPC") in the UE/CIPSCO, Inc. Merger Implementation Plan, less executive severance pay of \$ 1.6 million, but including costs incurred in 1995) shall be amortized over ten years beginning the date the merger closes. The annual amortization of merger transaction and transition costs will be the lesser of: (1) the Missouri jurisdictional portion of the total Ameren amount of \$ 7.2 million; or (2) the Missouri jurisdictional portion of the total Ameren unamortized amount of actual

merger transaction and transition costs incurred to date. No rate base treatment of the unamortized costs will be included in the determination of rate base for any regulatory purposes in Missouri.

5. Retail Wheeling Experiment

As a result of settlement negotiations, UE commits that it will propose and file with the Commission an experimental retail wheeling pilot program for 100 MW of electric power, to be available to all major classes of Missouri retail electric customers, as soon as practical, but no later than March 1, 1997. The commitment to file such a pilot program for Commission consideration and determination covered by this provision is made by UE alone. Prior to filing its proposal with the Commission, UE will seek substantive input from Missouri retail electric customers, Staff, OPC and others (including, but not limited to, Trigen - St. Louis Energy Corp. and Missouri Retailers Association). If permitted by the Commission's Order, UE shall implement the retail wheeling pilot program as approved by the Commission so as to allow power purchase transactions to commence within sixty (60) days of the effective date of the Commission's Order or as soon as practicable thereafter, but in no event before the merger closes (except with the consent of UE and the approval of the Commission).

The commitment covered by this provision should not be construed as concurrence or acquiescence by the signatories in the specifics of the retail wheeling pilot program which will be filed by UE, the details of which are to be determined by UE based in part on a consideration of the substantive input referred to above. The non-objection of signatories to UE's commitment to file a retail wheeling pilot program should not be construed as a waiver of the signatories' right to contest the proposed retail wheeling pilot program before the Commission; nor are the signatories precluded from seeking a writ of review, appealing a Commission Order or pursuing any other appropriate legal remedy. The signatories agree not to attempt to enjoin the Commission from considering and issuing an Order respecting UE's proposal. UE commits not to appeal the Commission's Order establishing a retail wheeling pilot program unless said Order is significantly different from the UE filing and UE is materially and adversely affected thereby. Furthermore, Commission approval of the instant Stipulation And Agreement containing this provision is not intended by the signatories to be read as a Commission pronouncement of any sort respecting retail wheeling either in general, as public policy, or in specific, as a regulatory mechanism.

If such a retail wheeling pilot program is instituted, matters which affect the calculation of where UE falls on the "Sharing Grid" of the ARP or the New Plan may arise which will need to be resolved by agreement of the signatories to this Stipulation And Agreement, or by the Commission if agreement cannot be reached.

A signatory to this Stipulation And Agreement shall be made a party in the retail wheeling pilot program proceeding, as a matter of right, if it so requests.

6. Rate Reduction

Earnings monitoring in Case No. EO-96-14 will result in a general change in rates charged and revenues collected after August 31, 1998. The change in revenues collected will be equal to the average annual total revenues credited to customers during the three ARP years ending June 30, 1998, adjusted to reflect normal weather. The procedures to determine the adjustment to the annual credits for the three years comprising the ARP are set forth in Attachment A appended hereto. Any rate reduction shall be spread within and

among revenue classes on the basis of the Commission decision in Case No. EO-96-15, [*36] which is the UE customer class cost of service and comprehensive rate design docket created as a result of Case No. ER-95-411. In the event that a Commission decision has not been reached in Case No. EO-96-15, the parties will jointly or severally propose to the Commission a basis or bases on which a rate reduction may be spread on an interim basis within and among the classes pending issuance of the Commission's decision in Case No. EO-96-15.

UE will make a good faith effort to provide the earnings report for the final sharing period in Case No. ER-95-411 in time to implement this rate reduction on September 1, 1998. In the event the earnings data is not available, or in the event the review process of the earnings data or the weather normalization review process does not allow for a September 1, 1998 effective date, the following will occur: An additional credit, equal to the excess revenues billed between September 1, 1998 and the effective date of the rate reduction, will be made. Said credit will be made at the same time and pursuant to the same procedures as the Sharing Credits in Case Nos. ER-95-411 and EO-96-14. If no Sharing Credits are to be made for the third Sharing Period in Case Nos. ER-95-411 and EO-96-14, the excess revenue credit will be made as expeditiously as possible.

UE shall file tariff sheets for Commission approval consistent with this Section.

7. New Experimental Alternative Regulation Plan (New Plan)

a. The New Plan will be instituted July 1, 1998 at the end of the ARP created in Case No. ER-95-411. In its Report And Order approving this Stipulation And Agreement, the Commission shall create a new docket to facilitate the New Plan ("New Plan Docket"). All signatories to this Stipulation And Agreement shall be made parties to the New Plan Docket, as intervenors or as a matter of right, as will the parties to Case No. EO-96-14 who are not parties to Case No. EM-96-149, without the necessity of taking further action. (There are three such parties: (1) Asarco Inc. and the Doe Run Co.; (2) Cominco American; and (3) Missouri Retailers Association.)

b. The following Sharing Grid is to be utilized as part of the New Plan:

Earnings Level (Missouri Retail Electric Operations)	Sharing Level	Sharing Level
UE	Customer	
1. Up to and including 12.61% Return on Equity (ROE)	100%	0%
2. That portion of earnings greater than 12.61% up to and including 14.00% ROE	50%	50%
3. That portion of earnings greater than 14.00% up to and including 16.00% ROE	10%	90%

Earnings Level (Missouri Retail Electric Operations)	Sharing Level	Sharing Level
UE	Customer	
4. That portion of earnings greater than 16.00% ROE	0%	100%

c. The New Plan will be in effect for a full three year period. For purposes of this New Plan, there shall be three (3) "Sharing Periods." The first Sharing Period shall be from July 1, 1998 through June 30, 1999; the second, from July 1, 1999 through June 30, 2000; and the third, from July 1, 2000 through June 30, 2001. UE may not file an electric rate increase case, and Staff, OPC and other signatories may not file, encourage or assist others to file a rate reduction case through June 30, 2001, unless:

- i. UE's return on common equity falls below 10.00% for a twelve month Sharing Period (calculated as indicated in Attachment C appended hereto); or
- ii. An event occurs which would have a major effect on UE, such as, an act of God, a significant change in the federal or state tax laws, a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5), or an extended outage or shutdown of a major generating unit(s).

In the event UE files an electric rate increase case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the New Plan shall terminate [*39] at the conclusion of the then current Sharing Period.

In the event any signatory files a rate reduction case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the parties to that case will recommend to the Commission whether the New Plan should remain in effect as currently structured, be modified or terminated.

In the event that a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5) occurs, nothing herein shall prohibit any signatory from filing for Commission consideration a customer class cost of service and comprehensive rate design proposal, either as a part of or separate from a rate increase or rate reduction case; provided that any party may oppose such filing and shall not be deemed to have consented either to the establishment of a new docket to consider such request or to the proposals of the party making such request.

Upon any termination of the New Plan pursuant to the foregoing, the signatories will have no further obligation under this Section 7.

d. Except as set out immediately above in Subsection c. and below in Subsection h. and Subsection i., UE's rates resulting from this Stipulation And Agreement will continue in effect throughout the three year New Plan period, and thereafter, until changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action, for example, as contemplated by Subsection g. below.

e. Monitoring of the New Plan will be based on UE supplying to Staff and OPC, on a timely basis, the reports and data identified below. These reports and data must be provided as part of the New Plan. Other signatories to this Stipulation And Agreement may also participate in the monitoring of the New Plan, and receive the reports and data, after executing appropriate documents assuring the confidential treatment of the information provided. Staff, OPC and the other signatories participating in the monitoring of the New Plan may follow up with data requests, meetings and interviews, as required, to which UE will respond on a timely basis. UE will not be required to develop any new reports, but information presently being recorded and maintained by UE may be requested. The reports and data that must be provided include the following:

- i. Annual operating and construction budgets and any updates/revisions with explanations/reasons for updates/revisions;
- ii. Monthly operating budgets and any updates/revisions with explanations/reasons for updates/revisions;
- iii. Annually - explanation of significant variances between budgets and actual;
- iv. Monthly Financial & Statistical (F&S) reports;
- v. Directors reports;
- vi. Current chart of accounts;
- vii. Monthly surveillance reports;
- viii. Quarterly reports/studies of rate of return on rate base including supporting workpapers;
- ix. Annual summary of major accruals.

f. The sharing of earnings in excess of 12.61%, as contemplated by the Sharing Grid set out above, is to be accomplished by the granting of a credit to UE's Missouri retail electric customers by applying credits to customers' bills in the same manner as applied in Case No. ER-95-411, and as set forth in Attachment B. A notice to customers explaining the Sharing Credits will accompany customers' bills on which the Sharing Credits will appear. UE will submit the proposed language for such notice to the Staff and the OPC for their review.

- i. The return on common equity for determination of "sharing" will be calculated by using the methodology set out in Attachment C, Reconciliation Procedure, appended hereto.
- ii. Staff, OPC and UE have conferred and determined what items, based on prior Commission Orders, should be excluded from the calculation of UE's return on equity. These items are identified in Attachment C.
- iii. The twelve month period used to determine credits will be the immediately preceding Sharing Period.
- iv. Within 90 days after the conclusion of a Sharing Period, a preliminary earnings report, along with a proposed "Sharing Report" will be submitted by UE. A final earnings report and proposed Sharing Report will be filed in the New Plan Docket within 105 days after the end of the Sharing Period. The final earnings report will provide the actual results of the Sharing Period to be examined.
- v. UE's earnings will be adjusted to normalize the effects of any sharing credits from the Sharing Period which are reflected in the earnings for that period. Earnings will not be adjusted for the rate reduction described in "Section 6. Rate Reduction" of this Stipulation And Agreement.

vi. If Staff, OPC or other signatories find evidence that operating results have been manipulated to reduce amounts to be shared with customers or to misrepresent actual earnings or expenses, Staff, OPC or other signatories may file a complaint with the Commission requesting that a full investigation and hearing be conducted regarding said complaint. UE shall have the right to respond to such request and present facts and argument as to why an investigation is unwarranted.

vii. UE, Staff, OPC and other signatories reserve the right to bring issues which cannot be resolved by them, and which are related to the operation or implementation of the New Plan, to the Commission for resolution. Examples include disagreements as to the mechanics of calculating the monitoring report, alleged violations of the Stipulation And Agreement, alleged manipulations of earnings results, or requests for information not previously maintained by UE. An allegation of manipulation could include significant variations in the level of expenses associated with any category of cost, where no reasonable explanation has been provided. The Commission will determine in the first instance whether a question of manipulation exists and whether that question should be heard by it.

viii. Staff, [*44] OPC and other signatories have the right to present to the Commission concerns over any category of cost that has been included in UE's monitoring results and has not been included previously in any ratemaking proceeding.

ix. Differences among UE, Staff, OPC and other signatories will be brought to the Commission's attention for guidance as early in the process as possible.

x. A final report will be filed within 105 days after the Sharing Period (or the first business day thereafter). Signatory parties to this Stipulation And Agreement will have thirty (30) days after a final report is filed to provide notice that there may be areas of disagreement not previously brought to the attention of the Commission that need to be resolved.

g. In the final year of the New Plan, UE, Staff, OPC and other signatories to this Stipulation And Agreement shall meet to review the monitoring reports and additional information required to be provided. By February 1, 2001, UE, Staff and OPC will file, and other signatories may file their recommendations with the Commission as to whether the New Plan should be continued as is, continued with changes (including new rates, if recommended) or discontinued. [*45] Copies of the recommendations shall be served on all parties to UE's New Plan Docket. As previously noted herein, the rates resulting from this Stipulation And Agreement will continue in effect after the three year New Plan period until UE's rates are changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action.

h. After July 1, 1998, any party may file with the Commission a request for consideration of changes in rate design and/or other tariff provisions which it would be appropriate for the Commission to consider outside the context of a customer class cost of service and comprehensive rate design docket or a rate case; provided, however, that no change will result in any shift of revenues among classes before July 1, 2001; and provided further that if a request for consideration of changes in rate design and/or other tariff provisions is filed, any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

A change in rate design and/or other tariff provisions is not considered by the signatories to this Stipulation And Agreement as constituting a shift of revenues among customer classes if it will result in a customer or customers being charged lower rates but will not result in either (1) a major decrease in

revenues to UE (respecting which UE is precluded by this section from recovering from other customers at any time while the New Plan is in effect) or (2) a significant reduction in the credits that would otherwise be available for distribution. It may be argued by a signatory to this Stipulation And Agreement that the cumulative effect of multiple changes in rate design and/or other tariff provisions which results in either (1) a major decrease in revenues to UE (respecting which UE is precluded from recovering from other customers at any time while the New Plan is in effect), or (2) a significant reduction in credits that would otherwise be available for distribution, constitutes a shift of revenues among customer classes and, therefore, the proposed change(s) is precluded.

How revenues foregone by UE as a result of a change in rate design and/or other tariff provisions will be treated for purposes of the New Plan Reconciliation Procedure (Attachment C), which impacts the calculation of where UE falls on the Sharing Grid, will be determined on a case-by-case basis by agreement of the signatories to this Stipulation And Agreement, or by the Commission if agreement cannot be reached. Furthermore, such foregone revenues shall not be excluded from any calculation of UE's return on common equity for purposes of determining whether UE may file an electric rate increase under the terms of this Stipulation And Agreement or increase its Missouri retail electric service rates to reflect a Commission Order authorizing an increase in UE's annual nuclear decommissioning expense/funding from its then current level.

This section is not intended to preclude presentation to the Commission and Commission resolution of disputes respecting the proper application of UE's tariffs; nor is this section intended to preclude presentation to the Commission and Commission resolution of a proposed major decrease in revenues to UE, and/or significant reduction in credits that would otherwise be available for distribution, requested as a result of a situation which will have a significant adverse impact on one or more of UE's customers and which, as a consequence, will also have a significant adverse impact on UE and its customers; provided that any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

i. UE will file its cost of nuclear decommissioning study with the Commission as required by September 1, 1999. If the Commission Order in that proceeding results in a decrease in annual nuclear decommissioning expense/funding from its then current level, UE's Missouri retail electric service rates will not be changed to reflect the decrease in expense/funding. Instead, nuclear decommissioning expense/funding will be decreased (effective as of the date provided in the nuclear decommissioning cost Order) with the total difference, i.e., 100% of the pro-rated difference, between the lower expense/funding level and the then current level, being treated as a credit to each Sharing Period of the New Plan as provided for in Attachment C hereto. If no sharing occurs for a Sharing Period for which there is a decrease in the nuclear decommissioning expense/funding level, then the decrease in the nuclear decommissioning expense/funding [*49] for that Sharing Period will be carried over to the subsequent Sharing Period. Since the difference between the prospective lower expense/funding level and the then current level will be treated as a credit in each Sharing Period and the difference will be carried over to the subsequent Sharing Period if no sharing occurs for the current Sharing Period, no decrease in the then current expense level will be reflected in the calculation of UE's ROE in determining sharing under the New Plan, pursuant to Attachment C.

If the Commission Order in the nuclear decommissioning proceeding results in an increase in expense/funding above its then current level, for purposes of determining the implementation of a rate increase only, the increased expense will be annualized in calculating UE's return on equity for the earliest possible Sharing Period for which a preliminary earnings/ proposed sharing report has not yet been filed at the time of the issuance of the Commission Order in the nuclear decommissioning docket. If UE's return on common equity (ROE) on this basis is less than 10.00% (calculated as indicated in Attachment C appended hereto), then the increased expense will result in an increase [*50] in UE's Missouri retail electric service rates as allowed by Section 393.292 RSMo. 1994. If UE's ROE on the above basis exceeds 10.00%, then the increased expense will not result in any increase in UE's Missouri retail electric service rates; however, the actual amount of increased expense (unannualized) will be reflected in the calculation of UE's ROE in determining sharing under the New Plan.

In any case, the Commission shall include language in its 1999 Callaway decommissioning case Report And Order substantially similar to that used in Case No. EO-94-81, specifically finding that the Callaway decommissioning costs are included in UE's then current cost of service and are reflected in its then current electric service rates for ratemaking purposes.

All signatories will be notified of UE's filing of its 1999 nuclear decommissioning cost case.

8. State Jurisdictional Issues

a. Access to Books, Records and Personnel. UE and its prospective holding company, Ameren, agree to make available to the Commission, at reasonable times and places, all books and records and employees and officers of Ameren, UE and any affiliate or subsidiary of Ameren as provided under applicable [*51] law and Commission rules; provided, that Ameren, UE and any affiliate or subsidiary of Ameren shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel are not subject to Commission jurisdiction by operation of the Public Utility Holding Company Act of 1935 ("PUHCA"). In the event that rules imposing any affiliate guidelines regarding access to books, records and personnel applicable to similarly situated electric utilities in Missouri are adopted, then UE, Ameren and each affiliate or subsidiary thereof shall become subject to the same rules as such other similarly situated electric utilities in lieu of this paragraph.

b. Voluntary and Cooperative Discovery Practices. UE, Ameren and any affiliate or subsidiary thereof agree to continue voluntary and cooperative discovery practices.

c. Accounting Controls. UE, Ameren and each of its affiliates and subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of non-UE Ameren businesses by UE's retail customers. In the event that rules imposing any affiliate guidelines regarding accounting controls applicable to similarly situated electric utilities in Missouri are adopted, then UE, Ameren and each affiliate or subsidiary thereof shall become subject to the same rules as such other similarly situated electric utilities in lieu of this paragraph.

d. Contracts required to be Filed with the SEC. All contracts, agreements or arrangements, including any amendments thereto, of any kind between UE and any affiliate, associate, holding, mutual service,

or subsidiary company within the same holding company system, as these terms are defined in 15 U.S.C. § 79b, as subsequently amended, required to be filed with and/or approved by the Securities and Exchange Commission ("SEC") pursuant to PUHCA, as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a contract, agreement, arrangement or transaction with any affiliate, associate, holding, mutual service or subsidiary company on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the SEC or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the SEC.

e. Electric Contracts Required to be Filed with the FERC. All wholesale electric energy or transmission service contracts, tariffs, agreements or arrangements, including any amendments thereto, of any kind, including the Joint Dispatch Agreement, between UE and any Ameren subsidiary or affiliate required to be filed with and/or approved by the Federal Energy Regulatory Commission ("FERC"), pursuant to the Federal Power Act ("FPA"), as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a wholesale electric energy or transmission service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the FERC, or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the FERC.

f. Gas Contracts Required to be Filed with the FERC. All gas supply, storage and/or transportation service contracts, tariffs, agreements or arrangements, including any amendments thereto, of any kind between UE and any Ameren subsidiary or affiliate required to be filed with and/or approved by the FERC, pursuant to the Natural Gas Act ("NGA"), as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal [*55] or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a gas supply, storage and/or transportation service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the FERC or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the FERC.

g. No Pre-Approval of Affiliated Transactions. No pre-approval of affiliated transactions will be required, but all filings with the SEC or FERC for affiliated transactions will be provided to the Commission and the OPC. The Commission may make its determination regarding the ratemaking

treatment to be accorded these transactions in a later ratemaking proceeding or a proceeding respecting any alternative regulation plan.

h. Contingent Jurisdictional Stipulation -- FERC. In the exclusive event that any court with jurisdiction over UE, Ameren or any of its affiliates or subsidiaries issues an opinion or order which invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE on the basis that such expense, charge, cost, or allocation has itself been filed with or approved by the FERC, then the Contingent Jurisdictional Stipulation, attached hereto as Attachment D, shall apply to FERC filings according to its terms, at the option of the Commission.

i. Contingent Jurisdictional Stipulation -- SEC. In the exclusive event that any court with jurisdiction over UE, Ameren or any of its affiliates or subsidiaries issues an opinion or order which invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE on the basis that such expense, charge, cost, or allocation has itself been filed with or approved by the SEC, then the Contingent Jurisdictional Stipulation, attached hereto as Attachment D, shall apply to SEC filings according to its terms, at the option of the Commission.

Commitments covered by the provisions of [*57] this Section 8 should not be construed as concurrence or acquiescence by UtiliCorp United Inc., The Empire District Electric Company, Missouri Gas Energy, Kansas City Power & Light Company or Trigen - St. Louis Energy Corp. in any of these provisions.

9. Staff Conditions To Which UE Has Agreed

a. UE agrees to abide by the Stipulation And Agreement in Case No. GR-93-106, including, but not limited to, the following:

i. UE agrees it will meet with the Staff, at the Staff's request, prior to the commencement of the Staff's audit of each future UE Actual Cost Adjustment ("ACA") filing, to discuss the activities of UE during the applicable ACA period.

ii. UE agrees to prepare a written study or analysis of: (i) each material natural gas-related contract decision; and (ii) each major FERC decision materially affecting UE in proceedings of pipelines providing service to UE and final FERC regulations which materially affect UE. Subject to applicable legal privileges, UE agrees to provide such document to the Staff upon its request during the applicable ACA audit.

iii. UE agrees to continually monitor its participation before the FERC as a member of the Panhandle Customer Group and not join in Group activities in instances when, in UE's judgment, its interests are not adequately protected.

iv. The Staff may make evaluations of and propose adjustments to post-FERC Order 636 restructured services and related costs during the applicable ACA audit.

b. UE shall continue to provide to the Staff monthly surveillance reports in the same format which is currently being utilized in submittals to the Staff (or in some other mutually agreeable format), so that the Staff can continue to monitor UE's Missouri jurisdictional electric and natural gas earnings levels.

- c. On a quarterly basis, Ameren and UE shall provide the Commission with a report detailing UE's proportionate share of Ameren: (i) total consolidated assets; (ii) total consolidated operating revenues; (iii) total operating and maintenance expense; and (iv) total consolidated number of employees.
- d. The data associated with the hour-by-hour After-The-Fact Resource Allocation which will be performed pursuant to the Joint Dispatch Agreement will be archived in an electronic format and submitted to the Staff annually.
- e. The Commission shall have access to all financial information on all affiliates, subsidiaries or divisions, regulated or non-regulated, and any future utility or non-utility affiliate, subsidiary or division of Ameren or an Ameren affiliate, subsidiary or division, necessary to calculate an estimate of the stockholders' required return on equity (ROE) for Ameren on a consolidated basis and then a differentiated ROE for each affiliate, subsidiary or division, including UE, on a stand-alone basis.
- f. UE will provide the historical hourly generation data required by Commission rule 4 CSR 240-20.080 in electronic format accessible by a spreadsheet program. UE will provide the historical purchase power data and interchange sales data required by Commission rule 4 CSR 240-20.080 in hard copy until it is available in electronic format accessible by a spreadsheet program. UE expects by July 1, 1997 this purchase power data and interchange sales data to be available in electronic format accessible by a spreadsheet program when the centralized control center completes modifications to the energy management computer system to accommodate joint dispatch.
- g. UE agrees that respecting the General Services Agreement ("GSA"), the Staff and other proper parties, in the context of UE's general rate filings and/or alternative regulation plans, retain the right to bring concerns to the Commission and propose adjustments, if necessary, regarding the GSA's rate impact on Missouri customers, and the Commission retains jurisdiction to consider and adopt such adjustments. (See also Sections 8.d. and 8.g. above concerning state jurisdictional issues.)

10. System Support Agreement

The signatories other than the Missouri Industrial Energy Consumers ("MIEC") agree that the 10-year System Support Agreement ("SSA"), as described in Ms. Maureen A. Borkowski's Supplemental Direct Testimony, pages 1 to 3, should be approved by the Commission pursuant to the following conditions.

First, the approval of the 10-year SSA shall not be construed as approval by the Commission or the signatories for the capacity and energy addressed in the 10-year SSA to be allocated to Missouri jurisdictional ratepayers.

Second, regarding the appropriateness of the future utilization of the capacity and energy addressed in the SSA for serving UE's Missouri customers:

- a. UE will undertake an integrated resource planning process at the appropriate time in [*61] the future to determine if the capacity and energy used to serve its then former Illinois customers should, in UE's judgment, serve the Missouri jurisdiction.
- b. In UE's ongoing consideration of purchase power opportunities for native system load that periodically become available, it will evaluate, on an equivalent basis, the costs and risks of: (i) purchase

power opportunities; (ii) energy and capacity that is no longer needed or will no longer be needed to serve UE's then former Illinois customers; and (iii) newly-constructed capacity.

c. UE will provide the results of and workpapers supporting the analysis performed pursuant to Subsections a. and b. above to the Staff, OPC and MIEC.

d. The Commission has the authority in any future ratemaking proceedings to allocate the capacity and energy addressed in the SSA.

11. Commission Rights

Nothing in this Stipulation And Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

12. Staff Rights

If requested by the Commission, the Staff shall have the right to submit to the Commission [*62] a memorandum explaining its rationale for entering into this Stipulation And Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation And Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation And Agreement, whether or not the Commission approves and adopts this Stipulation And Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation And Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

13. No Acquiescence

None of the signatories to this Stipulation And Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation And Agreement, or for which provision is made in this Stipulation And Agreement.

14. Negotiated Settlement

This Stipulation And Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation And Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation And Agreement: (a) in any future proceeding, (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation And Agreement in the instant proceeding, or in any way condition its approval of same, or should the merger with CIPSCO not be consummated.

15. Provisions Are Interdependent

The provisions of this Stipulation And Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation And Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

16. Prepared Testimony

The prepared testimonies and schedules of the following witnesses shall be received into evidence without the necessity of these witnesses taking the witness stand:

Union Electric Company:

Charles W. Mueller (Direct Testimony)

Donald E. Brandt [*65] (Direct and Surrebuttal Testimonies)

Thomas J. Flaherty (Direct and Surrebuttal Testimonies)

Warner L. Baxter (Direct, Supplemental Direct, Second Supplemental Direct, Surrebuttal and Supplemental Surrebuttal Testimonies)

Douglas W. Kimmelman (Direct Testimony)

Maureen A. Borkowski (Direct, Supplemental Direct and Surrebuttal Testimonies)

Jerre E. Birdsong (Direct and Surrebuttal Testimonies)

Gary L. Rainwater (Direct and Surrebuttal Testimonies)

Craig D. Nelson (Surrebuttal Testimony)

James A. Reid (Surrebuttal Testimony)

Commission Staff:

Daniel I. Beck (Rebuttal and Supplemental Rebuttal Testimonies)

David W. Elliott (Rebuttal Testimony)

Cary G. Featherstone (Rebuttal Testimony)

Charles R. Hyneman (Rebuttal Testimony)

Thomas M. Imhoff (Rebuttal Testimony)

Tom Y. Lin (Rebuttal Testimony)

Jay W. Moore (Rebuttal Testimony)

Mark L. Oligschlaeger (Rebuttal Testimony)

James D. Schwieterman (Rebuttal and Supplemental Rebuttal Testimonies)

Michael J. Wallis (Rebuttal Testimony)

Office of Public Counsel:

Russell W. Trippensee (Rebuttal Testimony)

Mark Burdette (Rebuttal Testimony)

Ryan Kind (Rebuttal and Cross-Surrebuttal Testimonies)

Missouri Industrial Energy Consumers:

Maurice Brubaker (Direct Testimony)

17. Waive Rights to Cross Examination, etc.

In the event the Commission accepts the specific terms of this Stipulation And Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994. This waiver applies only to a Commission Report And Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation And Agreement.

18. Operative Dates

The following sections of this Stipulation And Agreement shall become operative upon approval of this agreement by the Commission: Sections 1-5 and 8-17.

The following sections shall become operative at the expiration of the ARP on June 30, 1998: Sections 6-7.

July 12, 1996

Mr. David L. Rauch, Executive Secretary [*67]

Missouri Public Service Commission

P.O. Box 360

Jefferson City, MO 65102

RE: Case No. EM-96-149

Dear Mr. Rauch:

Intervenors IBEW, Locals 702, 1455, 309 and 2 do not concur or acquiesce in the Stipulation and Agreement in the above mentioned case, but they are not in opposition to it either. Furthermore, they are not requesting a hearing.

I am enclosing 14 copies of this letter for distribution. If you have any questions, please contact me.

Sincerely,

Marilyn S. Teitelbaum

Attachment A

PROCEDURES TO DETERMINE RATE REDUCTION

1. For each month, the Hourly Electric Load Model (HELM) will be used to estimate actual and weather normalized sales by calendar months for the following rate sub-classes (Missouri retail only):

- . residential;
- . commercial small general service;
- . industrial small general service;
- . commercial large general service;
- . commercial small primary service; and
- . commercial large primary service.

2. UE's Corporate Planning Department will utilize the following load research data in the HELM model for the specified "Sharing Periods":

Sharing Period	Load Research Data
July 1, 1995 - June 30, 1996	24 months ending: September 30, 1995
July 1, 1996 - June 30, 1997	24 months ending: September 30, 1995
July 1, 1997 - June 30, 1998	24 months ending: September 30, 1996

[*68]

3. For the 12 months ended June 30, 1996 Sharing Period, UE's Corporate Planning Department will use its current version of the HELM model. To the extent that this version is modified during the "Sharing Periods" ending June 30, 1997 and June 30, 1998, all signatories to the Stipulation And Agreement in Case No. EM-96-149 will be provided in writing the following information within 30 days of the effective date of the change to the model as determined by UE's Corporate Planning Department:

- . description of the changes made;
- . reasons for the changes; and

. effective date of the changes to the HELM model for purposes of calculating the Annual Weather-Normalized Credit.

For purposes of calculating the Annual Weather-Normalized Credit, all changes to the HELM model, as well as other changes to the data and assumptions utilized in the HELM model, will be incorporated prospectively from the effective date of the change.

4. Monthly, the difference between normal weather energy sales and actual energy sales by rate sub-class, as determined in Step 1 above, will be calculated (Missouri only). These amounts represent the impact of weather on sales during that period.

5. In order to determine the impact that deviations from normal weather had on revenues, the amounts calculated in Step 4 will be multiplied by the rate components specified below of the Missouri electric rates for that rate class in effect for service on the first day of the month. The summer rate will be applied in June through September.

The winter rate will be applied in October through May. The sum of the rate sub-class revenue adjustments will be the total weather adjustment to revenues for that month. The following rate components will be used for each rate class:

Rate Class	Rate Component
. Residential	Summer 1(M) Energy Charge - All kWh Winter 1(M) Energy Charge - Initial Block (first 750 kWh)
. Small General Service	Summer 2(M) Energy Charge - All kWh Winter 2(M) Energy Charge - Base Use
. Large General Service	Summer 3(M) Energy Charge - Over 350 kWh per kW Winter 3(M) Energy Charge - Over 350 kWh per kW
. Small Primary Service	Summer 4(M) Energy Charge - Over 350 kWh per kW

Rate Class	Rate Component
. Large Primary Service	Winter 4(M) Energy Charge - Over 350 kWh per kW
	Summer 11(M) Energy Charge - All kWh
	Winter 11(M) Energy Charge - All kWh

Exhibit I hereto reflects the specific rates expected to be utilized to perform this calculation.

6. In order to determine the impact that weather had on fuel costs, the amount calculated in Step 4 will first be factored up for line losses and then will be multiplied by the average cost of fuel per kWh. The average cost of fuel will be calculated utilizing information from UE's Monthly Financial and Statistical Report (F&S). Total fossil fuel cost (from F&S Schedule C6-1 - Total Electric Fuel Burned Less Nuclear and Handling Costs) plus the cost of purchased power (F&S Schedule C4-1) will represent total fuel costs. Total generation (from F&S Schedule C5-2 - Total Steam Generation Plus Total Combustion Turbine and Diesel Generation) plus the purchased power (F&S Schedule C4-2, including Regulating Energy) will represent total output (expressed in kWhs). The total fuel cost divided by total output will equate to the average fuel cost per kWh. To the extent that the referenced schedules change in format or content, comparable reports will be developed, maintained and supplied to the appropriate signatories.

7. Steps 1, 4, 5 and 6 will be performed monthly during the Sharing Period. The sum of the twelve months will represent the "adjustment to revenues and fuel costs."

8. The "adjustment to revenues and fuel costs" calculated in Step 7 will be added to or deducted from revenues and fuel costs used in determining the "actual" credit under the Stipulation And Agreement in Case No. ER-95-411 for the particular Sharing Period. These adjusted revenues and fuel costs will be used to calculate the Annual Weather-Normalized Credit for the sharing period using the procedures used to calculate the "actual" credit.

9. If the "actual" credit calculated under the Stipulation And Agreement in Case No. ER-95-411 for any Sharing Period is zero, the Annual Weather-Normalized Credit will be zero for that Sharing Period.

10. The Annual Weather-Normalized Credit cannot be a "negative" amount for any Sharing Period. Under this circumstance, the Annual Weather-Normalized Credit for that Sharing Period will be zero.

11. The Rate Reduction will be calculated as the average of the Annual Weather-Normalized Credits for each of the three sharing periods. (The divisor will always be three, even if one or more of the Annual Weather-Normalized Credits is zero).

Exhibit I

MISSOURI ELECTRIC RATES

EFFECTIVE AUGUST 1, 1995

Rate Class	Rate per kWh
. Residential - Summer	8.271 [cents]
. Residential - Winter	5.998 [cents]
. Small General Service - Summer	8.22 [cents]
. Small General Service - Winter	6.13 [cents]
. Large General Service - Summer	4.09 [cents]
. Large General Service - Winter	2.96 [cents]
. Small Primary Service - Summer	3.76 [cents]
. Small Primary Service - Winter	2.73 [cents]
. Large Primary Service - Summer	2.69 [cents]
. Large Primary Service - Winter	2.38 [cents]

[*72]

MISSOURI ELECTRIC RATES

(TO BE USED FOR JULY 1995 ONLY)

Rate Class	Rate per kWh
. Residential - Summer	8.439 [cents]
. Small General Service - Summer	8.38 [cents]
. Large General Service - Summer	4.17 [cents]
. Small Primary Service - Summer	3.83 [cents]
. Large Primary Service - Summer	2.74 [cents]

Attachment B

PROCEDURES FOR SHARING CREDITS FROM THE NEW THREE-YEAR EXPERIMENTAL ALTERNATIVE REGULATION PLAN

A. Eligibility Requirements for Sharing Credits

Any Missouri retail electric customer whose account is active as of the date of billing during the "credit application period," as defined below in B., shall be eligible for a credit. Customer accounts which are inactive as of the date of billing during the "credit application period" are ineligible for any credit.

B. Determination of the Credit Application and Calculation Periods

The "credit application period" shall be the UE monthly billing period during which the credit will be applied to an eligible customer's bill for electric service. The "credit calculation period" will be the twelve UE billing months prior to the month before the credits first appear on customers' bills. For example, if the credit first appears on customers' bills in the October 1999 billing period, then the credit calculation period would be the twelve UE billing months of September 1998 - August 1999.

C. Determination of Applicable Credit Period Kilowatt-hours

The applicable credit calculation period kilowatt-hours for all eligible customers shall be the total sales billed by UE to each eligible customer's current premises during the entire 12-month credit calculation period, as defined above in B., without regard to each customer's occupancy date of such premises.

D. Determination of Per Kilowatt-hour Credit

The credit per kilowatt-hour will be calculated by dividing the total dollar amount to be credited by the total applicable credit calculation period kilowatt-hours, as defined in C. above, for all eligible Missouri retail accounts.

E. Determination of Individual Customer Credit

Each individual active customer's credit will be calculated by multiplying the per kilowatt-hour credit, as defined in D. above, by the eligible customer's applicable credit calculation period kilowatt-hours as defined in C. above.

F. Treatment of Any Difference Between the Actual Amount Credited to Customers and the Sharing Credits Amount

1. If the difference between the actual amount credited to eligible customers and the sharing credits amount is less than \$ 1 million, this credit amount will be carried over and be an adjustment to eligible customers' share of earnings in the subsequent sharing period.
2. If the difference between the actual amount credited to eligible customers and the sharing credits amount is \$ 1 million or greater, an additional credit will be made as soon as reasonably possible for an under-credit. If an over-credit of \$ 1 million or more is made, the over-credit will be treated as in the paragraph immediately above.

G. Treatment of Sharing Credits

1. If the calculation of UE's return on common equity indicates that sharing credits are to be granted and the amount for the sharing period is \$ 1 million or greater, or the amount for the sharing period plus any amount carried over from a prior sharing period is \$ 1 million or greater, then credits will be made to eligible customers for that sharing period.

2. If the calculation of UE's return on common equity indicates that sharing credits are to be granted, but the amount is less than \$ 1 million or the amount for the sharing period plus any amount carried over from a prior sharing period is less than \$ 1 million, said amount will be carried over and be an adjustment to eligible customers' share of earnings in the subsequent sharing period.
3. The signatories to this Stipulation And Agreement will determine the disposition of any accumulated balance of credits that is less than \$ 1 million at the end of the third year of the New Plan.
4. Any accumulated balance of credits that is \$ 1 million or greater at the end of the third year of the New Plan will result in credits to customers' bills.

Attachment C

RECONCILIATION PROCEDURE

1. The period used in determining sharing will be a year ending June 30. An earnings report will be filed with the Commission and submitted to all parties to this agreement by one hundred and five (105) days after the end of each year of the New Experimental Alternative Regulation Plan ("the New Plan"). The earnings report will be in accordance with this Attachment C and Schedule 1 hereto.

2. The earnings report will reflect the following:

a. UE's Missouri electric net operating income and common equity return (ROE) will be based upon year ending June 30 operating revenues, expenses and average rate base.

The Missouri electric allocation factors shown in Schedule 1 hereto will be calculated and applied consistent with past UE rate proceedings and will be updated for each Sharing Period of the New Plan. Any sale of emission allowances shall be reflected above-the-line in the ROE calculation.

b. The annual depreciation expense will be based upon the depreciation rates in effect at December 31, 1994.

c. The Company will make the following income statement adjustments which have been traditionally made in UE rate proceedings:

- . Normalize the expense of refueling the Callaway nuclear plant to provide an annual expense level.
- . Synchronize gross receipts tax expense with amounts included in revenues.
- . Eliminate \$ 250,000 of goodwill advertising.
- . Include interest on customer deposits and the residential insulation programs.
- . Exclude the cost, net of refunds, for nuclear replacement power insurance.
- . Eliminate differences between the provision for and the actual bad debt charges.
- . Exclude lobbying expenses. (Edison Electric Institute dues.)
- . Allocate system revenues, including revenues from interruptible sales, consistent with the treatment in Case No. EC-87-114.

d. Net operating income will be normalized for the effect of any prior year "sharing" credits.

e. Net operating income will reflect changes in the recovery of nuclear decommissioning costs ordered by the Commission as provided in Section 7.i. of this Stipulation And Agreement.

f. The earnings report will utilize:

- . The direct assignment, as ordered in Case No. EC-87-114, of the Callaway plant costs disallowed in Case No. ER-85-160.

- . Staff's rate base offsets for income tax and interest expense, as calculated in past UE rate proceedings.

- . Coal inventory equal to a 75-day supply and a 13-month average for all other non-nuclear fuel, materials and supplies, and prepayments.

- . Nuclear fuel inventory reflecting an 18-month average of the unspent fuel in the reactor core.

- . Staff's traditional calculation of the interest deduction for income taxes.

- . A cash working capital rate base offset of \$ 24 million.

- . Average the beginning and ending period capital structures and embedded costs for determining the average weighted costs of debt and preferred stock. (See also attached Schedule 1, page 1.)

- . Staff's traditional calculation of income tax (refer to the income tax calculation in Case No. EC-87-114).

- . Staff's position regarding the calculation of Pension and OPEB expense as exemplified in the St. Louis County Water Company rate case, Case No. WR-95-145.

- . The amortization of transaction and transition costs as set forth in Section 4 of the Stipulation and Agreement in Case No. EM-96-149.

g. The earnings level upon which sharing is based are those described in items 2.a. through 2.f. above. UE/Staff/ OPC reserve the right to petition the Commission for resolution of disputed issues relating to the operation or implementation of this Plan.

CORRECTED PAGE

Schedule 1

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost
Common Stock Equity *			N/A	N/A
Preferred Stock				col. (ii)
Long-Term Debt				times
Short-Term Debt (if applicable)				col. (iii)
Total Capitalization				
Return Portion Related to Debt and Preferred				Sum col. (iv)
END OF SHARING PERIOD	(v)	(vi)	(vii)	(viii)
	Capital	Emb edde d	Wgtd Avg	
	Structure			
	(Dollars)	%	Cost	Cost
Common Stock Equity *			N/A	N/A
Preferred Stock				col. (vi)
Long-Term Debt				times
Short-Term Debt (if applicable)				col. (vii)
Total Capitalization				

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb	Wgtd	
		edde	Avg	
		d		
	Structur			
	e			
	(Dollars)	%	Cost	Cost
Return Portion Related to Debt and Preferred				Sum col. (viii)
Return Portion Related to Debt and Preferred				[]
Average Beginning and End of Sharing Period				[]
Average Common Stock Equity *				
Beginning and End of Sharing Period (%)				

* Since common dividends payable at the end of a quarter and preferred dividends payable during the subsequent quarter are removed from common equity in their entirety during the first month of every quarter, the balance for common stock equity for the end of the first or second month in each quarter (if used as the beginning or end of the sharing period) should be adjusted from

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost

actual book value. The balance for the end of the first month in the quarter should be adjusted by adding back two-thirds of the quarterly preferred and common dividend. The balance for the end of the second month in the quarter should be adjusted by adding back one-third of the quarterly preferred and common dividend.

UNION ELECTRIC COMPANY

12 MONTHS ENDED XX / XX / XX

		MISSOU RI
	TOTAL	JURISDI
	ELECT RIC	CTIONA L
Plant in Service	\$-----	\$-----
Reserve for Depreciation	-----	-----
 Net Plant		

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost
Add:				
Fuel and Materials & Supplies				
Cash Working Capital				
Prepayments				
Less:				
Income Tax Offset (Staff Method)				
Interest Expense Offset (Staff Method)				
Customer Advances				
Customer Deposits				
Accumulated Deferred Income Taxes:				
Account 190				
Account 282			-----	-----
(A) Total Rate Base			\$	\$
(B) Net Operating Income			\$	\$
(C) Return on Rate Base ((B)/(A))			%	%
(D) Return Portion Related to Debt & Preferred			%	%

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost
(E) Return Portion Related to Common Equity ((C)-(D))			%	%
(F) Equity Percentage of Capital Structure			%	%
(G) Achieved Cost of Common Equity ((E)/(F))			%	%

UNION ELECTRIC COMPANY

12 MONTHS ENDED XX / XX / XX

	TOTAL	MISSOU RI JURISDI CTIONA L
Operating Revenues	\$	\$
Operating & Maintenance Expenses:		
Production:		
Fixed Allocation		
Variable Allocation		

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost
Directly Assigned			-----	-----
Total Production Expenses				
Transmission Expenses (Fixed)				
Distribution Expenses (Distr. Plant)				
Customer Accounting Expenses (Direct)				
Customer Serv. & Info. Expenses (Direct)				
Sales Expenses (Direct)				
Administrative & General Expenses:				
Directly Assigned				
Labor Allocation			-----	-----
Total Administrative & General Expenses			-----	-----
Total Operating & Maintenance Expenses			-----	-----
Depreciation & Amortization Expense:				
Fixed Allocation				

UNION ELECTRIC COMPANY

CAPITAL STRUCTURE AND

EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD	(i)	(ii)	(iii)	(iv)
	Capital	Emb edde d	Wgtd Avg	
	Structur e			
	(Dollars)	%	Cost	Cost
Labor Allocation				
Directly Assigned			-----	-----
Total Depreciation & Amortization Expense			-----	-----
Taxes Other than Income Taxes:				
Fixed Allocation				
Variable Allocation				
Labor Allocation				
Directly Assigned			-----	-----
Total Taxes Other than Income Taxes			-----	-----
Income Taxes:				
Federal Income Taxes				
Environmental Tax (Net Plant)				
Missouri State Income Tax				
Other States' Income Taxes			-----	-----
Total Income Taxes			-----	-----
Net Operating Income			\$	\$

[*80]

**CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY**

**Customer
r
Sharing
Credits**

Earned Return on Common Stock Equity Scenarios

A. If Earned Return on Common Stock Equity
is 10.000%, then:

no sharing occurs and Union Electric
Company has the option
to file a rate increase case before
the Missouri Public Service
Commission.

B. If Earned Return on Common Stock Equity

is = to or > 10.00%

and is < or = to 12.61%, then:

\$ XX

no sharing occurs.

C. If Earned Return on Common Stock Equity

is > 12.61% and is

< or = to 14.00%, then:

\$ XX

that portion of Earned Return on Common
Stock Equity between
12.61% and 14.00% is shared with 50%
being retained by Union
Electric Company and 50% being credited

**CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY**

**Customer
Sharing
Credits**

Earned Return on Common Stock Equity Scenarios

to Union Electric

Company's Missouri retail electric
customers.

If [G] > 12.61% and

< or = to 14.00%, then: $[(G) - 12.61\%]$

* 50% * ([A] * [F])

If [G] >> 14.00%, then: $[(14.00\% - 12.61\%)]$

* 50% * ([A] * [F])

D. If Earned Return on Common Stock Equity

is > 14.00% and is < or

= to 16.00%, then:

\$ XX

that portion of Earned Return on Common

Stock Equity between

14.00% and 16.00%, along with the 50%

portion addressed above,

is shared with 10% being retained by Union

Electric Company

and 90% being credited to Union Electric

Company's Missouri

retail electric customers.

**CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY**

Earned Return on Common Stock Equity Scenarios	Customer Sharing Credits
<p>If [G] > 14.00% and < or = to 16.00%, then: $[(G) - 14.00\%]$ * 90% * ([A] * [F])</p> <p>If [G] > 16.00%, then: $[(16.00\% - 14.00\%)]$ * 90% * ([A] * [F])</p> <p>E. If Earned Return on Common Stock Equity is > 16.00%, then:</p> <p>that portion of Earned Return on Common Stock Equity above 16.00%, along with the 50% and 90% portions addressed above, is credited to Union Electric Company's Missouri retail electric customers.</p> <p>If [G] > 16.00%, then: $[(G) - 16.00\%]$ * 100% * ([A] * [F])</p>	<p style="text-align: right;">\$ XX</p>
<p>CUSTOMER SHARING CREDITS</p>	<p style="text-align: right;">\$ XX</p>
<p>Associated Income Tax Expense Reduction [Customer Sharing Credits * $(1 / (1 -$</p>	<p style="text-align: right;">\$ XX</p>

**CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY**

	Customer
	r
	Sharing
	Credits
Earned Return on Common Stock Equity Scenarios	
Effective Tax Rate)) - 1]]	
Effective tax rate was 38.3886% as	
of 6/30/94.	
TOTAL CUSTOMER SHARING CREDITS	\$ XX

[*81]

**UNION ELECTRIC COMPANY
12 MONTHS ENDED XX / XX / XX**

ALLOCATION FACTORS

	TOTAL	MISSOURI
	ELECT	JURISDICTIONAL
	RIC	NAL
Fixed	100.00%	%
Variable	100.00%	%
Nuclear	100.00%	%
Distribution	100.00%	%
Mo. Distribution Plant	100.00%	%
Labor	100.00%	%
Net Plant	100.00%	%
Operating Revenues	100.00%	%
Operating Expenses	100.00%	%

Attachment D

CONTINGENT JURISDICTIONAL STIPULATION

1.0 APPLICABILITY

1.1 Principles stated in this Contingent Jurisdictional Stipulation ("Jurisdictional Stipulation") shall govern the situations described in Sections 8.h. and 8.i. of the Stipulation And Agreement.

1.2 Changes to this Jurisdictional Stipulation may be proposed from time-to-time by Union Electric Company ("UE" or "Company"), the Commission Staff or the OPC, subject to the approval of the Commission; provided, however, that UE, the Staff and the OPC shall meet and discuss any such proposed changes prior to the submission of such changes to the Commission by UE, the Commission Staff or the OPC.

2.0 DEFINITIONS

When used in this Jurisdictional Stipulation, the following terms shall have the respective meanings set forth below:

2.1 "Affiliate" [*82] means an Entity that is UE's Holding Company, a Subsidiary of UE, a Subsidiary of UE's Holding Company (other than UE), or other subsidiary within the Holding Company organization.

2.2 "Affiliate Contract" means an Affiliate Operating Contract, an Affiliate Sales Contract, an Affiliate Surety Contract, a Section 205 Contract, a Service Agreement or an amendment to any such contract.

2.3 "Affiliate Operating Contract" means a contract, other than a Section 205 Contract, between UE and one or more of its Affiliates providing for the operation of any part of UE's generating, transmission and/or distribution facilities by such Affiliate (s).

2.4 "Affiliate Sales Contract" means a contract, other than an Affiliate Operating Contract or a Section 205 Contract, between UE and one or more of its Affiliates involving the purchase of Assets, Goods or Services.

2.5 "Affiliate Surety Contract" means a contract between UE and one or more of its Affiliates involving the assumption by UE of any liability as a guarantor, endorser, surety, or otherwise in respect of any security or contract of an Affiliate.

2.6 "Assets" means any land, plant, equipment, franchises, licenses, or other [*83] right to use assets.

2.7 "Commission" means the Missouri Public Service Commission or any successor governmental agency.

2.8 "Commission Staff" or "Staff" means the staff of the Missouri Public Service Commission.

2.9 "Entity" means a corporation or a natural person.

2.10 "FERC" means the Federal Energy Regulatory Commission, or any successor governmental commission.

2.11 "Goods" means any goods, inventory, materials, supplies, appliances, or similar property (except electric energy and capacity).

2.12 "Non-Utility Affiliate" means an Affiliate which is neither a public utility nor a Utility Service Company.

2.13 "OPC" means the Office of the Public Counsel.

2.14 "Review Period" means a period of ninety (90) consecutive calendar days commencing on the first day immediately following the date that UE, Ameren Corporation or Ameren Services Company submits an Affiliate Contract to the Commission for the Commission Staff's review. Any part of the Review Period for a particular Affiliate Contract may be waived by agreement of UE, the Commission Staff and the OPC.

2.15 "SEC" means the United States Securities and Exchange Commission, or any successor governmental agency.

2.16 "Section 205 Contract" means an interconnection, interchange, pooling, operating, transmission, power sale or ancillary power services contract or similar contract entered into between UE and an Affiliate and subject to regulation by the FERC pursuant to § 205 of the Federal Power Act, 15 U.S.C. § 824d, or any successor statute.

2.17 "Service Agreement" means the agreement entered into between UE, CIPSCO and Ameren Services Company under which Services are provided by Ameren Services Company to UE and CIPSCO.

2.18 "Services" means the performance of activities having value to one party, such as managerial, financial, accounting, legal, engineering, construction, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, and other similar services.

2.19 "Subsidiary" means any corporation 10 percent or more of whose voting capital stock is controlled by another Entity; Subsidiaries of UE are those corporations in which UE owns directly or indirectly (or in combination with UE's other Affiliates) 10 percent or more of such corporation's voting capital stock.

2.20 "UE's Holding Company" means Ameren Corporation or its successor in interest.

2.21 "Utility Affiliate" means an Affiliate of UE which is also a public utility.

2.22 "Utility Service Company" means an Affiliate whose primary business purpose is to provide administrative and general or operating services to UE and Utility Affiliate (s).

3.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE SEC

The following will apply to Affiliate Contracts that are required to be filed with the SEC.

3.1 Prior to filing any such Affiliate Contract with the SEC or the Commission, UE will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the SEC and the Commission.

3.1.1 If the Commission Staff clears the contract for filing, or does not object to it, and no objections from affected parties are submitted to UE (with a copy to the Commission Staff) during the Review Period for such contract, UE may file such contract with the SEC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.

3.1.2 If during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if an objection(s) is submitted to UE (with a copy to the Commission Staff) by an affected party (or parties), UE may file the contract with the Commission, but shall not file the contract with the SEC until at least (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, UE shall not file the contract with the SEC unless and until UE receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended [*87] or superseded, subject to the receipt of all necessary authorizations.

3.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law reject or disapprove the contract, and upon such rejection or disapproval:

3.2.1 If such contract has not yet been accepted or approved by the SEC, UE will, as soon as possible, file to seek to withdraw its filing requesting SEC acceptance or approval of such contract; or

3.2.2 If such contract has been accepted or approved by the SEC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, UE will:

a. terminate such contract according to its terms; or

b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; UE will refile such amended contract with both the Commission and the SEC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will remain in effect until such authorizations [*88] are received; if the SEC does not finally accept or approve such amendment within 1 year from the date of UE's filing of such amendment with the SEC, UE will, upon request of the Commission, terminate the contract according to its terms.

3.2.3 If such contract has been accepted or approved by the SEC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, UE will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. UE will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, UE shall file such amended contract with the Commission and the SEC under the procedure set forth in this Section 3. If no agreement can be reached satisfactory to each contracting party and to each affected state

commission, after good faith negotiations, UE has no further obligations under this Jurisdictional Stipulation. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

4.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE FERC

The following will apply to Affiliate Contracts that are required to be filed with the FERC.

4.1 Prior to filing any Affiliate Contract with the FERC or the Commission, UE will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the FERC and the Commission.

4.1.1 If the Commission Staff clears the contract for filing, or does not object thereto, and no objections from affected parties are submitted to UE (with a copy to the Commission Staff) during the Review Period for such contract, UE may file such contract with the FERC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.

4.1.2 If during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if any objection(s) is submitted to UE (with a copy to the Commission Staff) by an affected party (or parties), UE may file the contract with the Commission, but shall not file the contract with the FERC until at least thirty (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, UE shall not file the contract with the FERC unless and until UE receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.

4.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law reject or disapprove the contract, and upon such rejection or disapproval:

4.2.1 If such contract has not yet been accepted or approved by the FERC, UE will, as soon as possible, file to seek to withdraw its filing requesting FERC acceptance or approval of such contract; or

4.2.2 If such contract has been accepted or approved by the FERC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, UE will:

a. terminate such contract according to its terms; or

b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; UE will refile such amended contract with the Commission and the FERC; such amendment will become effective only

upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will continue in effect until such authorizations are received; [*92] if the FERC does not finally accept or approve such amendment within one year from the date of UE's filing of such amendment with the FERC, UE will, upon request of the Commission, terminate the contract according to its terms.

4.2.3 If such contract has been accepted or approved by the FERC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, UE will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. UE will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, UE shall file such amended contract with the Commission and the FERC under the procedure set forth in this Section 4. If no agreement can be reached satisfactory to each contracting party and each affected state commission, after good faith negotiations, UE has no further obligations under this Jurisdictional Stipulation. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

End of Document

Ameren Missouri's
Response to OPC Data Request
GR-2019-0077

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its
Revenues for Natural Gas Service

Data Request No.: OPC 1016

Is it Ameren Missouri's guideline that UEC and Ameren Illinois Company (AIC) employees are limited to those employees in positions that charge 90% or more of their time to these Ameren entities? Is it correct that all other employees who charge less than 90% of their time to Ameren Missouri or AIC are AMS employees? If yes, please provide all copies of documentation related to this decision, including any analysis performed on other alternative guidelines (e.g. why not 50%, 80%, etc.) for an UEC employee. If yes, please provide all copies of all documents related to this analysis including but not limited to the resulting conclusions, and ultimate approvals. Are there exceptions to this guideline? If so, what are these exceptions?

RESPONSE

Prepared By: Laura Moore
Title: Controller, Ameren Missouri
Date: May 2, 2019

[1] No. An examination of individuals that were employed by AMS but that had historically spent a significant portion of their time providing services to Ameren Missouri or Ameren Illinois was undertaken back in 2014. At that time Ameren Missouri (and Ameren Illinois followed suit) decided to employ approximately 32 individuals who had been employed by AMS. All these individuals had historically spent 90% or more of their time providing services to Ameren Missouri (or AIC). However, a guideline (at 90% or any other percentage) was not adopted or employed on a going forward basis.

[2] No. See the response to subpart 1.

[3] N/a.

[4] N/a

[5] See the response to subpart 1.

Ameren Missouri's
Response to OPC Data Request
ER-2019-0335

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its
Revenues for Electric Service.

Data Request No.: OPC 1048

From 2003 through December 31, 2019, has Ameren Missouri conducted any examination of the Ameren Services positions that charge a majority of their time to Ameren Missouri to evaluate whether these activities should be performed by Ameren Missouri employees other than the 2014 examination cited in Ameren Missouri's response to OPC Data Request 1016 in case GR-2019-0077? If yes, please provide all copies of documentation related to these examinations including but not limited to the resulting conclusions, and ultimate approvals.

RESPONSE

Prepared By: Laura Moore
Title: Controller, Ameren Missouri
Date: 11/25/19

No.

	Total	Delta Change	Total State Regulated	% of Total AMS Costs	UEC	% Change	% of the Total AMS COSTS	AIC	Total of Operating Companies	% of Total AMS Costs	AMC	
2019 NA												
2018	\$476,878,060	105.58%	\$444,776,854	107.16%	93.27%	\$218,191,417	105.89%	45.75%	\$226,585,437	\$32,101,206	6.73%	\$11,670,217
2017	\$451,687,348	116.94%	\$415,069,011	119.16%	91.89%	\$206,052,568	119.25%	45.62%	\$209,016,443	\$36,618,337	8.11%	\$13,210,655
2016	\$386,249,491	106.01%	\$348,318,493	105.69%	90.18%	\$172,785,832	103.51%	44.73%	\$175,532,661	\$37,930,998	9.82%	\$16,010,156
2015	\$364,368,932	103.01%	\$329,575,732	102.66%	90.45%	\$166,931,106	101.85%	45.81%	\$162,644,626	\$34,793,200	9.55%	\$14,318,830
2014	\$353,723,757	103.54%	\$321,035,851	115.75%	90.76%	\$163,891,078	110.45%	46.33%	\$157,144,773	\$32,687,906	9.24%	\$19,544,011
2013	\$341,645,301	108.24%	\$277,358,427	112.61%	81.18%	\$148,379,297	110.44%	43.43%	\$128,979,128	\$64,286,876	18.82%	\$29,235,013
2012	\$315,640,394	99.13%	\$246,292,602	95.65%	78.03%	\$134,352,290	89.42%	42.56%	\$111,940,311	\$69,347,793	21.97%	\$15,898,690
2011	\$318,418,696	89.66%	\$257,495,562	91.99%	80.87%	\$150,255,144	94.98%	47.19%	\$107,240,417	\$60,923,135	19.13%	\$11,007,864
2010	\$355,159,085	95.56%	\$279,928,665	99.55%	78.82%	\$158,196,064	97.28%	44.54%	\$121,732,600	\$75,230,421	21.18%	\$13,398,523
2009	\$371,675,632	76.50%	\$281,191,664	70.88%	75.66%	\$162,619,953	93.42%	43.75%	\$118,571,711	\$90,483,968	24.34%	\$11,855,436
2008	\$485,882,142	101.04%	\$396,705,224	99.02%	81.65%	\$174,076,540	93.55%	35.83%	\$222,628,683	\$89,176,919	18.35%	\$14,188,612
2007	\$480,889,025	101.55%	\$400,627,250	100.61%	83.31%	\$186,081,532	100.89%	38.70%	\$214,545,717	\$80,261,776	16.69%	\$12,575,673
2006	\$473,551,549	106.52%	\$398,179,017	106.79%	84.08%	\$184,437,362	94.72%	38.95%	\$213,741,654	\$74,711,895	15.78%	\$14,704,173
2005	\$444,579,000		\$372,869,000	83.87%	\$194,716,000			\$178,153,000	\$71,710,000	16.13%	\$21,042,000	
2004												
2003												
2002												
2001												

ADC	ATXI	Medina Cogen	Ameren Trans. Co. LLC	ATX SW LLC	ATE East, LLC	Energy Marketing Co.	Ameren Genco	Ameren Resources	Ameren Resources, LLC	Ameren Resources Gen	Ameren Fuels & Services	CILCORP INC	Ameren IP
\$1,665,807	\$18,396,114	\$251,071	\$8,959	\$34,654	\$74,384								
\$1,649,553	\$21,270,821	\$254,494		\$49,639	\$183,175								
\$314,416	\$21,132,415	\$145,771		\$184,550	\$143,690								
\$424,181	\$19,101,790	\$96,103		\$755,957	\$96,339								
\$345,242	\$12,276,007	\$522,646											
\$199,883	\$5,123,045	\$154,496				\$6,513,590	\$12,605,732	\$6,041,467		\$4,413,650			
\$287,265	\$2,092,510	\$28,831				\$11,357,176	\$27,062,667	\$1,932,898		\$10,687,756			
\$437,160	\$50,388	\$284,999				\$10,905,428	\$26,377,566	\$1,431,725		\$10,428,005			
\$616,869	\$60,658	\$326,637				\$12,007,337	\$32,972,340	\$996,097		\$12,446,454	\$2,223,816	\$181,690	
\$783,687	\$39,469	\$311,253				\$12,341,949	\$38,760,464	\$1,259,701		\$20,266,247	\$2,717,444	\$2,148,318	\$57,651,396
\$542,821	\$15,444	\$376,361				\$9,549,275	\$35,456,785	\$307,193	\$2,830,360	\$21,037,051	\$2,434,515	\$2,438,502	\$105,886,241
\$193,383	\$911,044	\$374,346				\$8,252,682	\$30,266,722	\$1,845,381	\$237,983	\$17,739,482	\$2,601,626	\$1,870,373	\$101,898,923
\$39,837		\$348,933				\$7,111,090	\$28,436,651	\$1,832,492	\$355,649	\$12,115,763	\$2,571,031	\$2,564,897	\$100,546,490
\$31,000		\$338,000				\$7,577,000	\$23,381,000	\$1,567,000	\$437,000	\$7,569,000	\$2,889,000	\$1,981,000	\$80,423,000

Ameren CIPS	Ameren CILCO	Ameren Communications	CIPSCO Invest. Co.	UE Develop. Co.	Ameren Energy Inc.	Illinois Materials Supply	Ameren Energy Develop	CILCORP Infraservic es Inc.	QST Enterprises, INC	CILCORP Ventures, Inc.	CILCORP ENERGY SVCS	CILCORP Inv. Mgmt
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\$35,803,998	\$25,116,317											
\$69,057,293	\$47,685,149											
\$65,293,911	\$47,352,883	\$207,355	\$204,316	\$39,643	\$2,941,767							
\$65,247,137	\$47,948,027	\$215,422	\$434,717	\$85,113	\$3,896,127	\$16,674	\$599,572	\$5,737	\$36,360	\$2,295		
\$55,313,000	\$42,417,000	\$372,000	\$717,000	\$64,000	\$3,155,000	\$26,000	\$383,000	\$62,000	\$8,000	\$2,000	\$20,000	\$89,000

Ameren Missouri's
Response to OPC Data Request
ER-2019-0335

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its
Revenues for Electric Service.

Data Request No.: OPC 1017

What is the organization structure of the functions (c.g. executive, treasury, accounting, legal,
etc.) performed by AMS?

RESPONSE

Prepared By: Ben Hasse
Title: Cost Allocation Manual Manager
Date: 11/7/18

1. See attached for the AMS Products and Services Listing by function.
2. All employees of AMS have the ability to charge UEC.

AMS Products and Services by Function

Row Labels

P&S - CONTROLLERS - Controllers Products and Svc

ASSET_MAINT - Plant Asset Maintenance
CLOSE - Close the Books
COMMOD_SPT - Commod Transact Spt
CONTR MGMT_AUDT REVW - Contract Mgmt and Audit Review
CORP_BUD - Corp Budget Support
INT_COMP - Internal Compliance Controls
INV_REL - Investor Relations
MARGIN - Commodity Margin Reporting Analysis
REGULATORY - Regulatory
UNITIZATION - Unitization
WORKORDER - Work Order Review

P&S - CONTROLLERS CORP - Controllers Corporate

CONTROLLERS_CORP - Controllers Corporate Svc

P&S - FIN SVCS - Financial Services Prod and Svc

MNG_CORP_MODEL - Manage Corp Model
RPT_INT - Reporting Internal

P&S - INTERNAL AUDIT - Internal Audit Prod and Svc

INT_AUD - Internal Audit Services

P&S - STRAT_INNOVATION - Strategy, Innovation and Econ Dev

CORP_STRAT - Corp Strategic Planning
DSRPTV_TECH - Technology Transfer
EC_DEV - Economic Develop Services
P&S - ELECTRIFICATION - Electrification Rollup
RES_DEV - Research and Development

P&S - TAX - Tax Products and Services

TAXS_SERVICES - Tax Services

P&S - TRANSMISSION - Transmission Prod and Svc

TRX_ENG_MTCE - TRX Engineering and Maintenance
TRX_OPS_TECH - TRX Operations and Technical Support
TRX_POLICY_STKREL_BUSDEV - TRX Policy, Stakeholder Relations and Business Dev
TRX_PROJ_MGMT_CON_SRV - TRX Project Management and Construction Services

P&S - TREASURER - Treasurer Products and Svcs

CAP_AVAIL_MGMT - Capital Availability Mgmt
CASH_MGMT - Cash Management
CR_RISK_MGMT - Credit Risk Management
INV_SRV - Investor Services
IS_MAN_SEC - Issue and Manage Securities
RM_INSUR - Risk Management Insurance
TR_INVEST_MGMT - Trust and Investment Mgmt

P&S ASC - Ameren Service Ctr Prod and Svcs

AP_DISBURSEMENTS - Account Payable and Credit Card Disb
BANKING - Banking and Rec Svc
CASHIER - Cashiers Wrk Fund

DOT - Drug Alcohol DOT Compliance
FMLA_UNEMP - FMLA and Unemp Adm
LOCKBOX - Lockbox Processing
MAIL_SRV - Mailing Services
PAYROLL - Payroll Svcs
PDS - Personal Data Support
REC_MGMT - Records Management
REMITTANCE - Elec Remit and eBill
REPROD_PRINT - Reproduction and Printing
STAFFING - Staffing Support
STENO - Steno Pool
TAXC_COMPLIANCE - Tax Compliance

P&S CA - Customer Afford Prod and Svcs

BUS_TRANSFORMATION - Business Transformation

P&S CORPORATE COMM - Corp Communications Prod and Svcs

CORP_COMM_SVC - Corp Communications Svcs Misc

CORP_CONTR - Corporate Contributions

EMP_COM - Employee Communication

HR_DIVERSITY - Diversity Services, Training, Council

SR_MGMT_SR - Sr Management Requested Svc

P&S CSR - Corp Social Resp Prod and Svcs

CUST_SVC - ES Customer Services

ENV_ASSESS - Env and Prop Assessment

GOV_ADV - Env Advocacy Svcs

LOAD_REV_FRCST - Load and Rev Forecast and Analysis

ONSITE - ES Onsite Support

P&S - SUSTAINABILITY - Sustainability Rollup

PERMIT - ES Permitting Services

REG - Regulatory Rpt Svcs

REMEDiate - Remediation Svcs

RES_PLN - Resource Planning

RTO - Regional Transmission Org Support

SPC_SVCS - ES Special Svcs Compliance

P&S CSSO - Corp Safety, Sec & Oversight Prod and Svcs

CORP_OPS_OVERSIGHT - Corporate Ops Oversight

CRISIS_MGMT - Crisis Management

SAFETY - Safety Performance and Culture

SECURITY - Security Svcs

P&S DIGITAL - Digital Prod and Svcs

APP_DEV - Application Develop and Enhance

APPLMGT_MTCE - Appl Mgt Maintenance

COMP_HDWRE - Computer Hardware

DATA_ANALYTICS - Data Analytics

DB_MGMT_AD_SER - Database Mgmt and Admin Svcs

DC_SERV_OPS - Data Center Svcs and Ops

EUS - End User Services

IS_DESGN_ADM - Information Secur Design Admin

IT_PLAN_SERV - IT Planning Services and Compliance
IT_STOR_SERV - IT Storage Services
NETWK_SER_OPS - Core Network Svcs and Ops
PROJ_MGMT_SERV - Project Management Svcs
RAD_SY_SERV_SPPT - Radio System Svc and Support
SCADA_SERV_SPPT - SCADA and Smartgrid Svcs
TECH_REV_RES - Technology Review and Research
TELCOM_SERV - Telecom and Voice Services
TELE_VOICE_SERV - Telephone and Voice Svcs
TELECOM_LOADINGS - Telecom Loadings

P&S GENERAL COUNSEL - Legal, Fed Reg and Compliance Prod and Svcs

BRDSVCS - Board of Director Services
BUS_CONT - Business Continuity
CLMS_MGT - Claims Management
FEDPOLICY - Regulatory Policy - Federal
GOVREL - Government Relations
INVESTIGATE - Investigative Svcs
LGL_CMP - Corporate Compliance
LGL_OPS - Legal Operations
LGL_SRV - Legal Services
REG_REL - Regulatory Services - General
SHRLDMTGS - Shareholder Meetings
WRK_COMP_MGT - Workers Comp Mgt

P&S HUMAN RESOURCES - Human Resources Prod and Svc

BEN_PLAN_ADMIN - Benefits Plan Administration
COMPENS_ADMIN - Compensation Administration
EMP_BEN - Employee Benefits
PG_MR_COM_TR - Pol Gov Med Review Compliance
TALENT_MGMT - Talent Management

P&S SCRPM - Supply Chain, Risk & Prop Mgmt Prod and Svcs

BC_RISK_MGMT - Bus and Corp Risk Mgmt
COMM_TRANS - Comm Trans Congest
ENER_EFF - Energy Eff Demand Resp
INVMGT - Purchasing and Inventory Mgmt
JANITORIAL - Janitorial Services
MAINT_REPAIR - Routine O and M Repair Svcs of Facilities
MATERIAL - Delivery of Material and Equipment
MKT_RM - Market Risk Management
OPERATIONS - Storeroom Operations
PORTER_SVCS - Porter Services
PORTFOLIO_TRADING - Portfolio, Trading, Volatility Analysis
PRD_CST_SIM - Production Cost Simulation
RE_ACQUIRE - Acquire Real Estate
RE_MANAGE - Manage Real Estate
RE_SELL - Sell Real Estate
SALVAGE - Salvage and Reclaim Operations
SPACE_PLANNING - Maintenance and Space Projects

STRTSOURCING - Strategic Sourcing
SUPPLY_DIVERSITY - Supplier Diversity
SUPPLY_PROCESS - Supply Chn Process and Perf
TOOLMGT - Tool and Equip Mgt