

171 FERC ¶ 61,140  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

May 21, 2020

In Reply Refer To:  
Midcontinent Independent System  
Operator, Inc.  
Union Electric Company  
Docket No. ER20-1080-000

Troutman Sanders LLP  
401 Ninth Street, NW  
Suite 1000  
Washington, DC 20004

Attention: Christopher R. Jones, Esq.  
Counsel for Union Electric Company

Dear Mr. Jones:

1. On February 26, 2020, pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Part 35 of the Commission's regulations,<sup>2</sup> Midcontinent Independent System Operator, Inc. (MISO) filed, on behalf of Union Electric Company (Union Electric), proposed revisions to Union Electric's formula rate template in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to address the recovery of costs associated with Materials and Supplies (M&S).<sup>3</sup> As discussed below, we accept Union Electric's proposed formula rate revisions, effective June 1, 2020.

2. Union Electric states that it is adjusting M&S inventory costs reported on Page 227 of its FERC Form No. 1 (Form 1) to reflect the clarification provided by the

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<sup>1</sup> 16 U.S.C. § 824d (2018).

<sup>2</sup> 18 C.F.R. pt. 35 (2019).

<sup>3</sup> MISO joins in the filing in its role as the administrator of the Tariff but takes no position on the substance of the filing. In this order, for ease of reference, we refer to the applicant as Union Electric.

Commission in *Duke Energy Progress, LLC*<sup>4</sup> regarding the proper reporting of M&S costs, beginning with the 2019 reporting year.<sup>5</sup> Union Electric states that, consistent with the approach that Duke Energy Progress, LLC and other utilities have taken, it seeks to revise its formula rate to appropriately continue recovery of all transmission-related M&S inventory costs. First, Union Electric proposes adding in its formula rate a reference to the estimated M&S amount assigned to construction in its Form 1 that effectively includes in rate base the transmission portion of the estimated M&S assigned to construction. Second, Union Electric proposes to add language to a footnote of its formula rate stating that it will report the transmission portion of M&S assigned to construction in a footnote in its Form 1.<sup>6</sup>

3. Union Electric explains that its proposed revisions will allow the transmission portion of M&S assigned to both construction and O&M to be reflected in the total amount of transmission-related M&S costs used to establish the M&S inventory balance in the transmission rate calculation. Union Electric states that its filing is “substantially identical” to other utilities’ revisions to formula transmission rate templates addressing the same issue that have been previously accepted.<sup>7</sup> Union Electric further states that the proposed changes to Attachment O-AMO are intended to correct potential under-recovery of the ATRR associated with the reporting change in its Form 1. Union Electric asserts that, accordingly, there is no rate impact associated with the proposed change to the formula rate, as Union Electric continues to seek full recovery of the ATRR associated with the average of the transmission-related M&S inventory balances that Union Electric had been recovering prior to the change in inputs of its Form 1.<sup>8</sup>

4. Union Electric requests that the proposed changes to the M&S inventory component of its formula rate be made effective on June 1, 2020. Union Electric states

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<sup>4</sup> 163 FERC ¶ 61,051 (2018).

<sup>5</sup> Transmittal at 1.

<sup>6</sup> *Id.* at 3-4.

<sup>7</sup> *Id.* at 2 & nn.7-8 (citing *Duke Energy Carolinas LLC, Duke Energy Progress, LLC, and Duke Energy Florida, LLC*, Docket Nos. ER18-2367-000 and ER18-2368-000, (Oct. 19, 2018) (delegated order); *PJM Interconnection, L.L.C. and Va. Elec. and Power Co.*, Docket No. ER19-1569-000 (May 7, 2019) (delegated order); *PJM Interconnection, L.L.C. and Commonwealth Edison Co.*, Docket No. ER20-379-000 (Jan. 8, 2020) (delegated order)).

<sup>8</sup> *Id.* at 3.

that this effective date will ensure that the revisions will be reflected in the annual true-up such that the projected 2019 ATRR is trued-up based on actual 2019 Form 1 data.<sup>9</sup>

5. Notice of Union Electric's filing was published in the *Federal Register*, 85 Fed. Reg. 12,780 (2020), with interventions and protests due on or before March 18, 2020. On February 26, 2020, the Missouri Public Service Commission (Missouri Commission) filed a notice of intervention. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), Missouri Commission's notice of intervention serves to make it a party to the proceeding.

6. We accept Union Electric's proposed formula rate revisions, effective June 1, 2020, as requested, as discussed below. We find that Union Electric's revisions are just and reasonable and consistent with Commission precedent that allows M&S assigned to construction to be included in rate base prior to being assigned to specific construction projects and transferred to accounts that are capitalized.<sup>10</sup> We note that Union Electric is required to provide all detailed workpapers, documentation and calculations in its annual formula rate true-up and informational filings for any accounting change or change to formula rate inputs, pursuant to Union Electric's Formula Rate Protocols in Attachment O-AMO of the Tariff.<sup>11</sup> This means that Union Electric is required to provide detailed information and workpapers in future true-up and informational filings to show how M&S assigned to construction is estimated and functionalized to transmission.

7. We note that Union Electric is only permitted to apply the formula rate revisions prospectively.<sup>12</sup> Thus, when Union Electric calculates its true-up of estimated 2019

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<sup>9</sup> *Id.* at 1, 4-5.

<sup>10</sup> See *Cleveland Elec. Illuminating Co.*, Opinion No. 242, 32 FERC ¶ 61,381, at 61,861 (1985); *Union Elec. Co.*, Initial Decision, 8 FERC ¶ 63,026, at 65,243 (1979) ("Union Electric argues, and their argument is accepted, that the [M&S] are not earmarked to either maintenance or construction while in that status. They only become earmarked when removed; hence, there is no prohibition against including the full [M&S] inventory amount in the rate base."), *summarily aff'd in relevant part*, Opinion No. 94, 12 FERC ¶ 61,239 (1980).

<sup>11</sup> See Tariff, Attachment O-AMO, Annual True-Up, Information Exchange, and Challenge Procedures at Section II (Annual True-Up and Projected Net Revenue Requirement), Section V (Changes to True-Up Adjustment or Projected Net Revenue Requirement), and Section VII (Calculation of True-Up Adjustment).

<sup>12</sup> *Midcontinent Indep. Sys. Operator, Inc. and Ameren Illinois Co.*, 171 FERC ¶ 61,090, at P 22 (2020) (*Ameren Illinois*) (accepting similar formula rate revisions by

charges to actual 2019 costs in June 2020, it must calculate its actual costs using the formula that was in effect for the applicable time period (i.e., the revisions accepted herein cannot be applied to its 2019 formula rate true-up).<sup>13</sup>

8. Finally, we note that an audit of Ameren Corporation was previously commenced by Commission audit staff in Docket No. FA20-6-000. Among the various areas being evaluated under audit are Union Electric's compliance with the Commission's accounting requirements under 18 C.F.R. Part 101, the Commission's reporting requirements in the Form 1 under 18 C.F.R. Part 141, and Union Electric's jurisdictional rates on file. We expect Commission audit staff to ensure, as part of the ongoing audit, that Union Electric's historical Form 1 reporting and transmission formula rate recoveries for prior years are in full compliance with the Commission's regulations and Union Electric's filed formula rate.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

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Ameren Illinois Company prospectively only); *Midcontinent Indep. Sys. Operator, Inc.*, 157 FERC ¶ 61,250, at P 27 (2016), *order on reh'g*, 161 FERC ¶ 61,020, at PP 6-8 (2017).

<sup>13</sup> *Wisconsin Elec. Power Co.*, 165 FERC ¶ 61,223, at P 25 & n.40 (2018), *order on reh'g*, 167 FERC ¶ 61,163, at PP 20-22 (2019). Similarly, when Union Electric calculates its true-up of estimated 2020 charges to actual 2020 costs in June 2021, it should only use the revised formula to calculate its true-up for that portion of 2020 that the revised formula rate was in effect (i.e., June 1, 2020 through December 31, 2020). See *Ameren Illinois*, 171 FERC ¶ 61,090 at P 22.