

169 FERC ¶ 61,147  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Richard Glick and Bernard L. McNamee.

Ameren Illinois Company

Docket No. ER18-1122-000

ORDER ON FORMAL CHALLENGE

(Issued November 22, 2019)

1. On March 15, 2018, Ameren Illinois Company (Ameren Illinois) submitted its annual informational formula rate update (2018 Annual Update), as required by the formula rate protocols set forth in Attachment O-AIC of Midcontinent Independent System Operator, Inc.'s (MISO) Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff).<sup>1</sup> On April 16, 2018, Southwestern Electric Cooperative, Inc. (Southwestern)<sup>2</sup> submitted a formal challenge pursuant to section IV of Attachment O-AIC to the MISO Tariff, challenging certain inputs to Ameren Illinois' formula rate (2018 Formal Challenge). As discussed below, we grant in part, and deny in part, the 2018 Formal Challenge and direct Ameren Illinois to submit a compliance filing within 30 days of the date of this order.

**I. Background**

2. Attachment O of MISO's Tariff sets forth the formula rate templates and protocols under which Ameren Illinois and other MISO transmission owners recover their respective annual transmission revenue requirements (ATRR), and through which they establish charges for transmission service for facilities they own that are under MISO's functional control. To calculate the ATRR, Ameren Illinois projects the values that will populate the Attachment O-AIC formula rate template for each calendar-year rate year

---

<sup>1</sup> Ameren Illinois Informational Filing of Annual Formula Rate Update, Transmittal Letter at 1.

<sup>2</sup> Southwestern is an electric distribution cooperative that serves rural consumers in Illinois and is a MISO transmission customer located within the Ameren Illinois rate zone. 2018 Formal Challenge at 2.

and calculates a true-up of the projected values after the actual data becomes available in the FERC Form No. 1 in April following the end of the rate year. Any difference between the projected ATRR and actual ATRR for that previous rate year will then be reflected in an appropriate true-up adjustment to the ATRR for the next calendar-year rate year following the calculation of the true-up. Thus, Ameren Illinois' 2018 Annual Update includes the Attachment O-AIC formula rate true-up for the 2016 calendar-year rate year (2016 True-Up), which details the 2016 annual formula rate true-up, actual net revenue requirement, and true-up adjustment. The 2018 Annual Update also includes the Attachment O-AIC formula rate projected ATRR for the 2018 calendar-year rate year (2018 Projection). Ameren Illinois charges its transmission customers in 2018 based on the rate developed in the 2018 Projection and the 2016 True-Up.

3. Ameren Illinois' protocols detail how its formula rate is to be updated annually and how it can be challenged. Section II of the protocols requires Ameren Illinois to submit its annual formula rate true-up, actual net revenue requirement, and true-up adjustment for the previous calendar-year rate year to MISO by June 1, and cause such information to be posted on the MISO website and open access same-time information system (OASIS). Section II of the protocols also requires Ameren Illinois to submit its projected net revenue requirement for the upcoming calendar-year rate year to MISO by September 1, and cause such information to be posted on the MISO website and OASIS. Section IV of the protocols states that interested parties shall have until the following January 31 to review the inputs, supporting explanations, allocations and calculations and to notify Ameren Illinois of any specific informal challenges to the formula rate annual true-up or projected net revenue requirement. After submitting an informal challenge, Section IV specifies that a party shall have until April 15 to submit a formal challenge with the Commission.

4. Informal and formal challenges are limited to seven avenues of inquiry listed in Section IV.D of the protocols: (1) the extent or effect of an accounting change; (2) whether the annual true-up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the annual true-up and projected net revenue requirement; (5) the prudence of actual costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula. Section IV.J of the protocols states that the annual true-up and projected revenue requirement shall not be subject to challenge for the purpose of modifying the formula rate, and that modifications to the formula rate will

require, as applicable, a filing under section 205 or section 206 of the Federal Power Act (FPA).<sup>3</sup>

5. On April 15, 2016, Southwestern and Southern Illinois Power Cooperative submitted a formal challenge to Ameren Illinois' 2016 annual informational formula rate update (2016 Formal Challenge). On September 22, 2016, the Commission denied the 2016 Formal Challenge.<sup>4</sup> On October 21, 2016, Southwestern submitted a request for rehearing and clarification of the 2016 Formal Challenge Order. On October 24, 2016, Ameren Services Company (Ameren Services), on behalf of Ameren Illinois, (collectively, Ameren) submitted a request for rehearing of the 2016 Formal Challenge Order. On January 18, 2018, the Commission denied both requests for rehearing of the 2016 Formal Challenge Order and provided clarification of the Commission's finding in the 2016 Formal Challenge Order related to Ameren Illinois' inclusion of contribution in aid of construction (CIAC)-related accumulated deferred income taxes (ADIT) in Attachment O-AIC.<sup>5</sup> On February 20, 2018, Ameren sought clarification or, in the alternative, rehearing of the 2016 Formal Challenge Order on Rehearing. On October 18, 2018, the Commission granted Ameren's requests for clarification, in part, and rehearing, in part.<sup>6</sup> On November 19, 2018, Southwestern filed a request for rehearing of the Order on Clarification and Rehearing, and on April 10, 2019, Southwestern withdrew the request for rehearing.

6. On April 17, 2017, Southwestern submitted a formal challenge to Ameren Illinois' 2017 annual informational formula rate update (2017 Formal Challenge). On June 20, 2019, the Commission issued an order granting in part and denying in part the 2017 Formal Challenge.<sup>7</sup> On July 22, 2019, Southwestern filed a request for rehearing of the 2017 Formal Challenge Order. On October 17, 2019, the Commission issued an order

---

<sup>3</sup> 16 U.S.C. §§ 824d, 824e (2018).

<sup>4</sup> *Ameren Illinois Co.*, 156 FERC ¶ 61,209 (2016) (2016 Formal Challenge Order).

<sup>5</sup> *Ameren Illinois Co.*, 162 FERC ¶ 61,025 (2018) (2016 Formal Challenge Order on Rehearing).

<sup>6</sup> *Ameren Illinois Co.*, 165 FERC ¶ 61,025 (2018) (Order on Clarification and Rehearing).

<sup>7</sup> *Ameren Illinois Co.*, 167 FERC ¶ 61,247 (2019) (2017 Formal Challenge Order).

denying rehearing of the 2017 Formal Challenge Order, providing additional explanation, and directing Ameren Illinois to submit a compliance filing.<sup>8</sup>

7. On June 1, 2017, Ameren Illinois posted its 2016 True-Up. On September 1, 2017, Ameren Illinois posted its 2018 Projection to its OASIS site for public view. On January 31, 2018, Southwestern sent Ameren Illinois an informal challenge to the 2016 True-Up and 2018 Projection (2018 Informal Challenge). On February 28, 2018, Ameren Illinois responded to the 2018 Informal Challenge. Although several issues were resolved, Ameren Illinois and Southwestern were unable to resolve all of the issues raised in Southwestern's 2018 Informal Challenge. On March 15, 2018, Ameren Illinois submitted its 2018 Annual Update. As part of the 2018 Annual Update, Ameren Illinois modified the 2018 Projection to reflect the lowering of the federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017 (TCJA).<sup>9</sup> On April 16, 2018, Southwestern submitted this 2018 Formal Challenge.

## **II. Notice and Responsive Pleadings**

8. Notice of the 2018 Formal Challenge was published in the *Federal Register*, 83 Fed. Reg. 19,754 (2018), with interventions or protests due on or before May 7, 2018.

9. On May 1, 2018, Ameren filed a motion for an extension of time and shortened comment period. On May 4, 2018, the Commission granted the motion for an extension of time, extending the deadline to and including June 1, 2018.

10. On June 1, 2018, Ameren filed a response to the 2018 Formal Challenge.

11. On July 13, 2018, Southwestern filed a motion for leave to answer and answer to Ameren's response.

## **III. Discussion**

### **A. Procedural Matters**

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2019), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answer filed by Southwestern, as it has provided information that assisted us in our decision-making process.

---

<sup>8</sup> *Ameren Illinois Co.*, 169 FERC ¶ 61,042 (2019) (2017 Formal Challenge Order on Rehearing).

<sup>9</sup> Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017) (TCJA).

**B. Substantive Matters****1. Sufficiency of 2018 Formal Challenge****a. 2018 Formal Challenge and Answers**

13. Southwestern states that Ameren Illinois' 2018 Annual Update produces a total ATRR of \$237.1 million.<sup>10</sup> Southwestern argues that both the 2018 Projection and the 2016 True-Up suffer from several faults that render this revenue requirement unjust and unreasonable.<sup>11</sup> Specifically, Southwestern raises challenges to Ameren Illinois' CIAC-related income tax amounts,<sup>12</sup> general and intangible plant expenses,<sup>13</sup> land held for future use expenses,<sup>14</sup> prepayment adjustments,<sup>15</sup> intercompany allocated expenses,<sup>16</sup> Account 923 (Outside Services Employed) expenses,<sup>17</sup> injuries and damages expenses in the 2016 True-Up,<sup>18</sup> regulatory expenses,<sup>19</sup> association dues,<sup>20</sup> general and intangible depreciation expenses,<sup>21</sup> and issues stemming from the reduction in federal corporate income tax rate due to the TCJA.<sup>22</sup> Southwestern states that, with the exception of the

---

<sup>10</sup> 2018 Formal Challenge at 4.

<sup>11</sup> Southwestern notes that Ameren Illinois agreed to some adjustments to its prepayments in the informal challenge process. *See id.* at 12.

<sup>12</sup> *Id.* at 7-8.

<sup>13</sup> *Id.* at 8-9.

<sup>14</sup> *Id.* at 10-12.

<sup>15</sup> *Id.* at 12.

<sup>16</sup> *Id.* at 13-22.

<sup>17</sup> *Id.* at 22-24.

<sup>18</sup> *Id.* at 24-25.

<sup>19</sup> *Id.* at 25-26.

<sup>20</sup> *Id.* at 26.

<sup>21</sup> *Id.* at 27.

<sup>22</sup> *Id.* at 27-31.

TCJA issues, none of the issues presented in the 2018 Formal Challenge is currently pending in an existing Commission proceeding.<sup>23</sup>

14. Ameren contends that the Commission must deny the 2018 Formal Challenge as it denied the 2016 Formal Challenge. Ameren argues that Southwestern fails to distinguish its prior claims, which the Commission largely rejected, from its current ones.<sup>24</sup> Ameren asserts that most of Southwestern's arguments are not focused on issues of fact but are issues of policy or law, and thus the Commission can and should address the 2018 Formal Challenge summarily. Ameren contends that Southwestern is not challenging the level or prudence of a rate base item or expense, but is challenging whether any amount in a particular category should be included in Attachment O-AIC. Ameren contends that Southwestern's arguments are not focused on the items enumerated in the protocols that are subject to challenge, but are in many instances inappropriate attempts to modify Attachment O-AIC or Ameren Illinois' accounting, and, thus, the arguments are collateral attacks on the Attachment O formula rate.<sup>25</sup> Ameren further argues that Southwestern's assertions concerning the TCJA are beyond the scope of this proceeding and are incorrect. Finally, Ameren asserts that no factual evidence produced at a hearing will aid the Commission's decision, and therefore the Commission should decide these legal or policy issues now.<sup>26</sup> However, Ameren states that there is one item that Southwestern challenges that Ameren will concede. Ameren notes that Southwestern argues that Lock Box Processing expenses should not be recorded in Account 921 (Office Supplies and Expenses) and thereby included in Ameren Illinois's ATRR, but instead should be recorded in Account 905 (Miscellaneous Customer Accounts Expenses), an account excluded from the formula rate, because "[n]o transmission service customers pay in cash to Ameren."<sup>27</sup> Ameren states that it agrees to exclude the \$6,565 recorded in Account 921.

15. Southwestern responds that, while in many cases it challenges Ameren Illinois' accounting practices, the protocols allow a transmission customer to challenge the appropriate and proper accounting treatment for costs that Ameren Illinois proposes to

---

<sup>23</sup> *Id.* at 7.

<sup>24</sup> Ameren Response at 6.

<sup>25</sup> *Id.* at 7.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 8 (citing 2018 Formal Challenge at 22).

recover under its formula rate.<sup>28</sup> Southwestern argues that transmission customers' rights would be restrained if the Commission did not permit them to investigate and challenge a transmission provider's accounting treatment of costs it proposes to recover.<sup>29</sup>

**b. Commission Determination**

16. While we agree with Ameren that there is enough record before the Commission to address Southwestern's 2018 Formal Challenge on the merits, and we do so below, we grant in part, and deny in part, the 2018 Formal Challenge.

17. We note Ameren's agreement to exclude certain expenses titled Lock Box Processing from Account 921 and to reflect this commitment in a future true-up, and find the 2018 Formal Challenge is resolved with respect to this issue.

**2. Adjustments to CIAC-related ADIT**

**a. 2018 Formal Challenge and Answers**

18. Southwestern argues that the Commission directed Ameren Illinois, in the 2016 Formal Challenge Order on Rehearing, to exclude all CIAC-related ADIT from Account 282 (Accumulated Deferred Income Taxes – Other Property) of its ATRR calculations. Thus, Southwestern contends that Ameren Illinois' failure to exclude CIAC-related ADIT at this time is an affront to the Commission and Ameren Illinois' transmission customers.<sup>30</sup>

19. Ameren responds that the removal of CIAC-related ADIT from Account 282 can only be required by the Commission after the Commission has found that inclusion of CIAC-related ADIT in Account 282 under the existing Attachment O-AIC formula rate is not just and reasonable, and would be prospective only.<sup>31</sup> Ameren adds that to do otherwise would violate its filed rate.<sup>32</sup>

---

<sup>28</sup> Southwestern Answer at 2-3.

<sup>29</sup> *Id.* at 4.

<sup>30</sup> 2018 Formal Challenge at 7-8 (citing 2016 Formal Challenge Order on Rehearing, 162 FERC ¶ 61,025 at P 38).

<sup>31</sup> Ameren Response at 9.

<sup>32</sup> *Id.*

20. Southwestern asserts that, in the 2016 Formal Challenge Order on Rehearing, the Commission made a determination that “neither the tax gross-up of CIAC nor the ADIT related to the tax gross-up of CIAC [is] allowed to be included,” and Ameren Illinois should comply with this directive.<sup>33</sup>

**b. Commission Determination**

21. We reject Southwestern’s argument as a collateral attack on Ameren Illinois’ Commission-approved formula rate. Southwestern is correct that, in the 2016 Formal Challenge Order on Rehearing, the Commission stated that “neither the tax gross-up of CIAC nor the ADIT related to the tax gross-up of CIAC [is] allowed to be included in the ATRR.”<sup>34</sup> However, in the Order on Clarification and Rehearing, the Commission granted rehearing with respect to this statement and clarified that it went further than the Commission had intended, as the ADIT related to the tax gross-up is included in Account 282, which is included in the ATRR per the formula rate template. The Commission stated that, since ADIT related to the tax gross-up is included in Account 282, the Commission’s statement in the rehearing order would result in a directive to change the formula rate template that the Commission did not intend.<sup>35</sup> Thus, the Commission did not prohibit the inclusion of CIAC-related ADIT recorded in Account 282 in the ATRR. The Commission reiterated this position in the 2017 Formal Challenge Order and also noted that the same finding applies to CIAC-related ADIT recorded in Account 283.<sup>36</sup> Accordingly, we deny the 2018 Formal Challenge as it relates to this issue.

**3. General and Intangible Plant**

**a. 2018 Formal Challenge and Answers**

22. Southwestern asserts that six General and Intangible Plant facilities listed by Ameren Illinois in the 2018 Projection are related to Ameren Illinois’ distribution function and should be recorded to distribution, and therefore should not be included in computing the ATRR.<sup>37</sup> Southwestern proposes specific account numbers to which these

---

<sup>33</sup> Southwestern Answer at 5.

<sup>34</sup> 2016 Formal Challenge Order on Rehearing, 162 FERC ¶ 61,025 at P 38.

<sup>35</sup> Order on Clarification and Rehearing, 165 FERC ¶ 61,025 at P 10.

<sup>36</sup> 2017 Formal Challenge Order, 167 FERC ¶ 61,247 at P 32.

<sup>37</sup> 2018 Formal Challenge at 8.



facilities should be recorded. Southwestern contends that, in response to the 2018 Informal Challenge, Ameren Illinois did not attempt to show that such facilities provided anything other than distribution service or disagree with Southwestern's recommended accounting treatment. Southwestern avers that the Commission should "investigate these facilities on a plant-by-plant and case-by-case basis"<sup>38</sup> to determine whether the accounting of these facilities as done by Ameren Illinois is correct or the accounting treatment proposed by Southwestern is correct.

23. Similarly, Southwestern claims that depreciation expenses associated with General and Intangible Plant should be excluded as well.<sup>39</sup>

24. Ameren responds that, in the 2016 Formal Challenge Order, the Commission rejected Southwestern's argument that several General and Intangible Plant facilities are related to distribution and should be recorded to distribution accounts. Ameren states that the Commission explained that "Ameren Illinois' Attachment O formula rate specifically requires that the total FERC Form No. 1 reported amounts related to General and Intangible Plant in Service are allocated to the transmission function using the Wages and Salaries allocator."<sup>40</sup> Ameren points out that the Commission concluded that Ameren Illinois had properly implemented its formula rate with respect to General and Intangible Plant.<sup>41</sup> Ameren argues that Southwestern has repackaged its prior argument, from the inclusion of any General and Intangible Plant facilities to the recording of specific facilities and the Commission should investigate the facilities on a plant-by-plant basis to determine whether the accounting is correct, and the Commission should again deny Southwestern's arguments pertaining to General and Intangible Plant.<sup>42</sup>

25. Ameren states that the items Southwestern challenges fit in three categories and are properly recorded in the relevant General and Intangible Plant accounts.<sup>43</sup> The first category, Ameren contends, includes software licenses and purchases which it recorded to Account 303 (Miscellaneous Intangible Plant). Ameren notes that the identified

---

<sup>38</sup> *Id.* at 9.

<sup>39</sup> *Id.* at 27.

<sup>40</sup> Ameren Response at 12 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 45).

<sup>41</sup> *Id.*

<sup>42</sup> *Id.* at 12-13.

<sup>43</sup> *Id.* at 13.

software items include: “Customer Experience Road Map;” “Enterprise System;” “Aggregate Net Metering;” “e Customer and Mobile;” and “Dist. Svs. Investment.” Ameren contends that, because the identified items are software, they are appropriately recorded to Account 303. Moreover, Ameren notes that the Commission has found that “software costs are considered intangible plant and properly includable in Account 303.”<sup>44</sup> Therefore, Ameren argues that Southwestern’s alternative accounting suggestion to record these software costs to Accounts 370 (Meters) or 361 (Structures and improvements) is incorrect.<sup>45</sup>

26. Ameren states that the second category includes office and operating center buildings and a blanket work order. Ameren notes that the buildings Southwestern challenges support all of Ameren Illinois’ functions, not just distribution operations. Similarly, Ameren explains that the blanket work order, titled “Dist.SVCS.GENERAL,” is for procurement of General Plant items such as computers, tools, and telecommunications equipment that supports all of Ameren Illinois’ functions, not just distribution operations.<sup>46</sup> Ameren asserts that Southwestern’s suggestion to record these general items under Accounts 360 (Land and land rights) and 361 is an attempt to move items out of General Plant, which is allocated in accordance with the filed formula rate, to accounts that are not included in the formula.<sup>47</sup>

27. Ameren contends that the third category, tools and communications equipment associated with advanced meter projects, are properly recorded in the relevant General Plant Accounts 394 (Tools, Shop and Garage Equipment) and 397 (Communication Equipment), not in Account 370, as Southwestern proposes.<sup>48</sup> Ameren contends that, although the labels for these items indicate they are associated with advanced metering, the description of Account 370 does not indicate that all equipment associated with metering should be recorded in Account 370.<sup>49</sup>

28. Ameren argues that while Southwestern has selected a few general plant items from information requests that it believes should be recorded in distribution accounts,

---

<sup>44</sup> *Id.* (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 44).

<sup>45</sup> *Id.* at 14.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.* at 13.

<sup>49</sup> *Id.* at 14-15.

Southwestern has remained silent on certain items that specifically reference communication equipment related to the transmission system. Therefore, Ameren alleges that Southwestern is again trying to functionalize distribution items out of the General and Intangible Plant accounts before allocation between transmission and distribution, which allocation is in accordance with the filed formula rate.<sup>50</sup>

29. Ameren asserts that the Commission should reject Southwestern's arguments relating to General and Intangible depreciation expenses for the same reasons that the Commission should reject Southwestern's proposed adjustments to General and Intangible Plant.<sup>51</sup>

30. Southwestern answers that, while a few of the issues Southwestern discusses in the 2018 Formal Challenge are similar to issues raised in the 2016 Formal Challenge, Southwestern's basis for challenging these issues is entirely different. Southwestern asserts that it has identified certain costs that Ameren Illinois erroneously recorded to General and Intangible Plant with specificity, provided the correct account numbers to which these amounts should properly be recorded, and included a discussion of each cost.<sup>52</sup> Southwestern adds that, while it is true that the Commission rejected similar arguments related to specific facilities at issue in the 2016 Formal Challenge, the Commission did not evaluate this argument in the context of the facilities at issue in the 2018 Annual Update.<sup>53</sup>

31. Southwestern argues that not all software expenses should be charged to Account 303, as Account 303 is to "include the cost of patent rights, licenses, privileges and other intangible property necessary or valuable in the conduct of utility operations and *not specifically chargeable to any other account.*"<sup>54</sup> Southwestern also argues that Ameren's response is misleading as it leaves out the word "some" from the beginning of the Commission's statement that "software costs are considered intangible plant and

---

<sup>50</sup> *Id.* at 15.

<sup>51</sup> *Id.* at 51.

<sup>52</sup> Southwestern Answer at 6-7.

<sup>53</sup> *Id.* at 7.

<sup>54</sup> *Id.* at 8 (citing 18 C.F.R. pt. 101, Account 303) (emphasis added by Southwestern).

properly includable in Account 303, Miscellaneous Intangible Plant.”<sup>55</sup> Additionally, Southwestern asserts that Ameren provides justification for, but did not provide a factual response to its accounting of facilities designated as Dist.SVCS.GENERAL.<sup>56</sup>

**b. Commission Determination**

32. We find Ameren Illinois’ recording of the challenged items to be appropriate. While we agree that not all software costs are required to be recorded to Account 303, we find Ameren Illinois’ recording of these items such as software licenses and purchases to Account 303 to be consistent with the Uniform System of Accounts, as they are not specifically chargeable to any other account. While Southwestern has proposed Accounts 370 and 361 for these intangible assets based on the account titles, we do not find Ameren’s description of these assets falling within the parameters of those accounts such that we would require Ameren Illinois to adjust its accounting for these items. Account 370 relates specifically to meter devices and other associated tangible assets and the installation costs associated with them. Account 361 relates to the cost in place of structures and improvements used in connection with distribution operations.

33. Likewise, we find Ameren’s description, and recording to General Plant, of office and operating center buildings and the blanket work order, as described above, to be consistent with the Uniform System of Accounts. Ameren explains that these items support all of Ameren Illinois’ functions, not just distribution; thus we find that the recording of these items to General Plant to be appropriate.

34. Further, with regard to the recording of tools and communications equipment associated with advanced metering projects, we agree with Ameren that the description of Account 370 does not indicate that all equipment associated with metering should be recorded in Account 370. For example, we find that Account 370 specifically provides for the inclusion of “only those meters used to record energy delivery to customers.”<sup>57</sup> We find that Southwestern has not demonstrated that the items challenged are strictly for these purposes. Therefore, we find that the recording of tools and communications equipment used on advanced meter projects may be recorded in Accounts 394 and 397, provided the items are not solely used for the installation of meters or devices contemplated in Account 370.

---

<sup>55</sup> *Id.* at 8-9 (noting that the Commission stated “*some* software costs are considered intangible plant . . . .”) (emphasis added by Southwestern).

<sup>56</sup> *Id.* at 8-9.

<sup>57</sup> 18 C.F.R. pt. 101, Account 370 (2019).

35. Based on the information provided in the record, we find no cause to direct Ameren Illinois to adjust its recording of the disputed costs related to General and Intangible Plant. Because we do not find that such adjustments are required, we also do not find that adjustments to the related depreciation expenses are required. Thus, we deny the 2018 Formal Challenge as it relates to these items.

36. We note that Southwestern contends that the Commission should investigate these facilities on a plant-by-plant and case-by-case basis to determine whether the accounting is correct. To the extent Southwestern is urging the Commission to engage in proceedings outside of this formal challenge, we find such a request to be outside the scope of this proceeding.

#### **4. Land Held for Future Use**

##### **a. 2018 Formal Challenge and Answers**

37. Southwestern argues that Ameren Illinois does not have any plan as to when it will use some of its land held for future use facilities as one site “is not being used” and many other sites are described as “timing unknown” or “TBD.”<sup>58</sup> Southwestern contends that Account 105 (Electric Plant Held for Future Use) of the Uniform System of Accounts requires that the costs of only “land and land rights held for future use in electric service under a plan for such use” be recovered from ratepayers.<sup>59</sup> Southwestern notes that, in Order No. 420,<sup>60</sup> while the Commission loosened the requirement for land held for future use from having a “definite plan,” it retained the requirement that the land held for future use be held “under a plan.”<sup>61</sup> Southwestern argues, however, that Ameren Illinois has no certainty at all as to if or when it may ever use some of its land. Therefore, Southwestern argues that the Commission should direct Ameren Illinois to record these items to Account 121 (Nonutility Property).

38. Southwestern contends that one site in particular is used for a 34.5 kV line that serves a distribution function, and asserts this is an example of Ameren Illinois shifting costs between transmission and distribution. Southwestern disputes Ameren Illinois’ addition of overhead charges to one facility recorded as land held for future use, and

---

<sup>58</sup> 2018 Formal Challenge at 10.

<sup>59</sup> *Id.*

<sup>60</sup> *Accounting Treatment for Land Held for Future Utility Use and For Profits or Loss Realized Through Sale of Those Lands*, Order No. 420, 45 FPC ¶ 106, 107 (1971).

<sup>61</sup> 2018 Formal Challenge at 10-11.

contends that there is no provision in Electric Plant Instruction 4 (Overhead Construction Costs) for including overhead charges, allocated or direct, as land held for future use.<sup>62</sup>

39. Ameren responds that, in Order No. 420, the Commission eliminated the requirement that a public utility hold lands under a “definite plan.”<sup>63</sup> Therefore, Ameren states that the Commission does not require specific plans for land held for future use and Southwestern’s arguments regarding parcels for which it claims Ameren Illinois “does not have any plan” are baseless and no adjustment to Ameren Illinois’ ATRR is warranted.

40. Regarding the 34.5 kV line, Ameren responds that the complete identifier for this site is “R-106 S. Canton-NE” and its description states that it is right-of-way for approximately 3.4 miles of 138 kV line and one mile of 34.5 kV line. Thus, Ameren claims that, although the smaller segment of 34.5 kV line may serve a distribution function, the complete description of the property demonstrates the plan is to use this property for transmission.<sup>64</sup> In response to the overhead charge issue, Ameren contends the overhead amount was added to the Dupo Area substation in 2016 to correct an internal timing error, i.e., to correct the fact that overhead charges were not allocated to the property before it was placed in land held for future use. Ameren maintains that Electric Plant Instruction 4 does not exclude land held for future use and there is no reason that overhead charges associated with a land acquisition would not be charged to the land being acquired simply because the land is land held for future use.<sup>65</sup>

41. In Southwestern’s answer, Southwestern notes that Ameren’s response still does not provide, reference, or allude to any plan for use of the land held for future use challenged by Southwestern. With regard to the 34.5 kV line, Southwestern states that Ameren did not disagree with Southwestern that the line serves a distribution function.<sup>66</sup> Finally, Southwestern contends that Ameren acknowledges that it records overhead

---

<sup>62</sup> *Id.* at 11-12.

<sup>63</sup> Ameren Response at 16 (citing Order No. 420, 45 FPC ¶ 106, 107). *See also* Opinion No. 147, 20 FERC ¶ 61,340 (1982).

<sup>64</sup> Ameren Response at 17-18.

<sup>65</sup> *Id.* at 18.

<sup>66</sup> Southwestern Answer at 10-11.

charges as land held for future use despite Account 105 containing no provision for adding any overheads.<sup>67</sup>

**b. Commission Determination**

42. We deny the 2018 Formal Challenge as it relates to land held for future use. The Commission found in the 2017 Formal Challenge Order, and affirmed in the 2017 Formal Challenge Order on Rehearing, that land held for future use that is for transmission is recoverable under Attachment O-AIC.<sup>68</sup> The Commission stated that it “does not require utilities to explain the precise need or to provide citations to transmission studies to support the inclusion of purchased property in the land held for future use account.”<sup>69</sup> Although Southwestern notes that certain of Ameren Illinois’ land held for future use facilities are labeled “is not being used,” “timing unknown,” or “TBD,” the fact that sites are not being used or subject to a deadline does not demonstrate that there is no plan for their use. Further, with respect to Southwestern’s argument that Ameren does not provide, reference, or allude to any plan for use of the land held for future use challenged by Southwestern, we disagree. We find that Ameren Illinois has provided “a quantum of evidence” that it has a plan for land held for future use.<sup>70</sup> For example, with respect to the R-106 S. Canton-NE site, we agree with Ameren’s explanation that it is appropriate to classify this property as used for transmission even if a smaller segment of the line may serve a distribution function. Electric Plant Instruction 14 (Transmission and Distribution Plant), part C states that, “[w]here poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights of way shall be classified as transmission system.”<sup>71</sup>

---

<sup>67</sup> *Id.* at 11.

<sup>68</sup> 2017 Formal Challenge Order, 167 FERC ¶ 61,247 at P 43. *See also* 2017 Formal Challenge Order on Rehearing, 169 FERC ¶ 61,042 at PP 35-36.

<sup>69</sup> 2017 Formal Challenge Order, 167 FERC ¶ 61,247 at P 43 (citing *Pac. Gas & Elec. Co.*, 16 FERC ¶ 63,004, at 65,020 (1981), *modified*, Opinion No. 147, 20 FERC ¶ 61,340 (1982); *Accounting Treatment For Land Held For Future Utility Use And For Profits of Losses Realized Through Sales of Those Lands*, Order No. 420, FERC Stats. & Regs. ¶ 30,644 (1971) (cross-referenced at 31 FERC ¶ 61,168)).

<sup>70</sup> *See* 2017 Formal Challenge Order on Rehearing, 169 FERC ¶ 61,042 at P 36; Ameren Response, Exhibit I at 5-6.

<sup>71</sup> 18 C.F.R. pt 101, Electric Plant Instruction 14, part C (2019).

43. As to Southwestern's challenge of overhead costs being allocated to land held for future use, to the extent that the overhead costs are acquisition and other costs includible in the land and land rights accounts as prescribed in the Uniform System of Accounts under Electric Plant Instruction 7 (Land and Land Rights) and referenced in the instructions of Account 105, we deny Southwestern's challenge.<sup>72</sup> Southwestern argues that Account 105 requires that only the original cost of land held for future use be recorded to Account 105. While we do not dispute Southwestern's statement, there is nothing in the record before us that indicates the land in Account 105 was not recorded at original cost. We accept Ameren's explanation that the additional overhead charges being allocated to land held for future use were to correct the fact that those charges were not allocated to the property before it was placed in land held for future use. We also find no substantiation to Southwestern's argument that Electric Plant Instruction 4 does not apply to land held for future use. Therefore, based on the information provided in the record, we find that Southwestern has not provided justification for the exclusion of any of the disputed items within Account 105.

#### 5. Intercompany Allocated Expenses

44. Southwestern asserts that Ameren Illinois has inappropriately recorded and allocated to transmission customers certain expenses that were billed by Ameren Illinois' affiliates in 2016.<sup>73</sup>

45. Ameren responds that Southwestern seeks to eliminate many of the same expenses it targeted in past formal challenge proceedings, but now seeks to do so by suggesting alternative accounts that it argues are more appropriate for these expenses.<sup>74</sup> Ameren asserts that Southwestern's suggested accounts are based almost entirely on the activity codes of the expenses used by Ameren Illinois. In addition, Ameren notes that, in the 2016 Formal Challenge Order, the Commission rejected Southwestern's attempts to rely solely on accounting titles.<sup>75</sup> Ameren states that Ameren Illinois' accounting has not

---

<sup>72</sup> See 18 C.F.R. pt 101, Account 105 (2019).

<sup>73</sup> 2018 Formal Challenge at 13. The specific expenses are discussed in further detail below.

<sup>74</sup> Ameren Response at 20.

<sup>75</sup> *Id.* at 20-21 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 71).



changed, and Southwestern is attempting to shift the burden of proof to Ameren for justifying that the accounting is correct.<sup>76</sup>

**a. Regulatory Expense**

**i. 2018 Formal Challenge and Answers**

46. Southwestern contends expenses that include “regulatory” or “reg” in the name that Ameren Illinois recorded to Accounts 560 (Operation Supervision and Engineering), 566 (Miscellaneous Transmission Expenses), 920 (Administrative and General Salaries), 921 (Office Supplies and Expenses), 923 (Outside Services Employed), and 930 (Miscellaneous General Expenses), should instead be recorded to Account 928 (Regulatory Commission Expenses), and excluded from the ATRR.<sup>77</sup> Southwestern further contends that Ameren Illinois’ inclusion of Regulatory Policy and Planning (REPP) expenses related to regulatory issues and the development and implementation of regulatory policy in Account 566 is incorrect. Southwestern reports that Ameren stated that some of these expenses are related to informal and formal challenges and true-ups.<sup>78</sup> Southwestern argues that the Uniform System of Accounts has no provision for recording any regulatory-related expenses to Account 566 or any other Transmission Expense account. Instead, Southwestern argues that the Uniform System of Accounts requires all regulatory expenses to be recorded to Account 928.<sup>79</sup>

47. Furthermore, Southwestern argues that Ameren Illinois’ recording is a collateral attack on the Attachment O formula rate, which prescribes a specific ratemaking treatment for regulatory expenses to ensure that only those regulatory expenses that are related to transmission service are borne by transmission customers.<sup>80</sup> Southwestern states that this mechanism is memorialized in Attachment O, Page 3, Line 5, where all Regulatory Service Expenses recorded to Account 928 are excluded, and Line 5a, where only those regulatory expenses that are related to transmission service are included, to ensure that only transmission service-related regulatory expenses are allocated to transmission. Southwestern states that, in the 2018 Annual Update, Ameren Illinois included on Line 5a an amount of \$285,746 as regulatory service expenses, which is

---

<sup>76</sup> *Id.* at 21.

<sup>77</sup> 2018 Formal Challenge at 14.

<sup>78</sup> *Id.* at 15.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.* at 16.

supposed to represent Ameren Illinois' regulatory expenses specifically related to transmission service. Southwestern argues, however, that Ameren Illinois has bypassed this provision of Attachment O by recording a large number of regulatory expenses to accounts other than Account 928, which, according to Southwestern, enables Ameren Illinois to recover additional regulatory expenses from its transmission customers.<sup>81</sup>

48. In addition, Southwestern claims regulatory expenses recorded to Account 923 should not be recoverable because Attachment O specifically computes the regulatory expenses that should be recovered through transmission rates. These regulatory expenses recorded to Account 923 include: LFRG-legal federal regulatory services; LSTR-legal state regulatory services; LTRS-legal transactional services; and REPP-regulatory policy and planning.<sup>82</sup> Southwestern asserts that all regulatory expenses should be recorded to Account 928. Further, Southwestern asserts that Ameren acknowledges that these expenses were incurred by employees of Ameren Illinois and its affiliates; therefore, Southwestern argues that these expenses cannot be booked to Account 923 because Account 923 is not intended for in-house employees. Southwestern also contends that any merger and acquisition expenses included in legal transactional services are generally not allowed by the Commission except through an FPA section 205 filing, and that the credit and collection expenses are related to retail business. Finally, Southwestern asserts that the real estate related expense should be capitalized as Plant in Service.<sup>83</sup>

49. In response, Ameren contends that Southwestern's claims are directly contradicted by the 2016 Formal Challenge Order, in which the Commission approved Ameren Illinois' accounting for regulatory expenses and rejected Southwestern's contention that all regulatory expenses should be recorded in Account 928.<sup>84</sup> Ameren also argues that Account 928 is not the appropriate account for all regulatory expenses, because it is intended only for regulatory costs incurred in connection with formal cases before regulatory commissions or other regulatory bodies.<sup>85</sup>

50. Additionally, Ameren argues that the expenses related to REPP recorded to transmission Operations and Maintenance are related to numerous rate and regulatory

---

<sup>81</sup> *Id.*

<sup>82</sup> *Id.* at 23-24.

<sup>83</sup> *Id.* at 24.

<sup>84</sup> Ameren Response at 25 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 72).

<sup>85</sup> *Id.*

activities performed for Ameren Illinois' transmission business. Ameren claims that several of Ameren Illinois' transmission employees use the activity code REPP for a variety of tasks related to the Commission-jurisdictional transmission rate process, including calculating the transmission revenue requirement, managing the stakeholder process, and participating in MISO meetings and proceedings involving cost-recovery and Tariff issues. Additionally, Ameren explains that employees also coordinate the reporting and review of transmission revenues with Ameren Services' Controller's group, coordinate transmission business projections with Ameren Services' Corporate Model team, and review financial disclosure documents and materials for the transmission business segment.<sup>86</sup>

51. Ameren notes that other significant expenses associated with descriptions containing the word "regulation" are related to internal federal or state legal activities, which are not necessarily incurred in relation to formal docketed cases. For example, Ameren explains that its legal department is, and has been, involved in real estate transactions and rights-of-way acquisition for transmission lines and spends time on federal regulatory matters that may not be related to a specific case or docket. Ameren contends that, since these expenses are not related to particular cases or dockets, they should not be recorded to Account 928. Therefore, Ameren states that the Commission should make the same finding here that it did in the 2016 Formal Challenge Order.<sup>87</sup>

52. With respect to certain regulatory expenses that Ameren Illinois recorded to Account 923 (LFRG – legal federal regulatory services, LSTR – legal state regulatory services, LTRS – legal transactional services, and REPP – regulatory policy and planning), Ameren states that the approximately \$5,000 of expenses represented by REPP has already been removed in the work papers for the 2016 True-Up, and thus no further adjustment to Account 923 is necessary.<sup>88</sup> Further, Ameren explains that these regulatory expenses are for activities performed for the legal department to provide services in nearly every type of business transactions for all of the Ameren Companies, including Ameren Illinois and its transmission business. Ameren asserts that Account 928 is to be used for expenses related to formal cases before regulatory bodies, not for every expense related to regulatory activity.<sup>89</sup> Ameren clarifies that, while it did state that REPP expenses recorded to Accounts 556 (System Control and Load Dispatching) or 920 were incurred by Ameren Illinois employees, it never made such a statement regarding REPP

---

<sup>86</sup> *Id.* at 26.

<sup>87</sup> *Id.* at 27.

<sup>88</sup> *Id.* at 43.

<sup>89</sup> *Id.* at 43-44.

expenses recorded to Account 923. Ameren also states that Ameren Illinois recorded no expenses associated with mergers and acquisitions activity recorded to Account 923 for 2016.<sup>90</sup>

53. Southwestern answers that Ameren did not provide support that these activities did not fully relate to, or support, retail loads and business. Southwestern asserts that assigning 100 percent of such costs to transmission without proper support is inappropriate. Southwestern asserts that expenses related to real estate transactions and rights-of-way, if related to transmission, should be capitalized and not expensed. Southwestern notes that Ameren Illinois' transmission customers are also MISO members that attend MISO meetings and pay associated expenses, and should not be required to pay for the participation of Ameren Illinois at these meetings.<sup>91</sup>

**ii. Commission Determination**

54. We grant in part, and deny in part, Southwestern's formal challenge as to items that Ameren Illinois captures under REPP and records to Account 566. Despite Southwestern's allegations that certain expenses are actually regulatory expenses that should be recorded in Account 928, these costs are instead RTO-Related. Account 566, among other things, includes "other transmission expenses not provided for elsewhere."<sup>92</sup> With regard to Southwestern's argument that Ameren Illinois' transmission customers are also MISO members that attend MISO meetings and pay associated expenses, and therefore should not be required to pay for the participation of Ameren Illinois at MISO meetings, we find that Ameren's description of the challenged expenses indicates that the expenses are associated with Ameren Illinois' role as a transmission owning member of MISO, not Ameren Illinois' role as a MISO customer or market participant.<sup>93</sup> However, expenses associated with responding to and defense against formal challenges and expenses incurred in connection with other formal cases before a regulatory body would fall within the instructions of Account 928, and those expenses should therefore be recorded to Account 928. Therefore, consistent with the 2017 Formal Challenge Order on Rehearing, we grant the 2018 Formal Challenge, in part, and direct Ameren Illinois to submit a compliance filing, within 30 days of the date of this order, to provide a summary of any changes in accounting to record expenses associated with formal challenges and

---

<sup>90</sup> *Id.* at 44.

<sup>91</sup> Southwestern Answer at 12-13.

<sup>92</sup> *See* 18 C.F.R. pt. 101, Account 566 (2019).

<sup>93</sup> *See Accounting and Financial Reporting for Public Utilities Including RTOs*, Order No. 668, 113 FERC ¶ 61,276 (2005).

other formal cases before a regulatory body in Account 928. Ameren Illinois must also reflect any necessary changes in accounting in the annual true-up in accordance with formula rate protocols.<sup>94</sup>

55. With regard to the regulatory category of costs (i.e., LFRG – legal federal regulatory services, LSTR – legal state regulatory services, LTRS – legal transactional services, and REPP – regulatory policy and planning) recorded in Account 923, we are persuaded by Ameren’s response on this issue. We also accept Ameren’s statement that there are no expenses associated with mergers and acquisitions activity recorded to Account 923 for 2016. In addition, we acknowledge Ameren’s clarification that Ameren never stated that it booked expenses related to the second category of costs incurred by in-house employees to Account 923. Furthermore, Southwestern has not provided any evidence that there are real estate related expenses recorded under Account 923 that should otherwise be capitalized to a Plant in Service account. We therefore deny the 2018 Formal Challenge as it relates to the exclusion of the above costs from Account 923.

56. For the other challenged expenses, Southwestern has not explained how the recording of the items is improper beyond stating that the items include “regulatory” or “reg” in their names, and then arguing that all regulatory expenses are to be recorded to Account 928. We find that Southwestern has not sufficiently explained how this “violates the filed rate formula or protocols” as required by the formal challenge procedures under the protocols,<sup>95</sup> and thus we deny the 2018 Formal Challenge as it relates to these expenses.

57. We are also not persuaded by Southwestern’s argument that all regulatory expenses are to be recorded in Account 928. The instructions to Account 928 specifically point to expenses “in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party . . . .”<sup>96</sup> Southwestern has not demonstrated that the expenses it identified in this proceeding are connected to formal cases before regulatory commissions or other regulatory bodies.

---

<sup>94</sup> 2017 Formal Challenge Order on Rehearing, 169 FERC ¶ 61,042 at P 30.

<sup>95</sup> MISO Tariff, Attachment O-AIC § IV.

<sup>96</sup> See 18 C.F.R. pt. 101, Account 928 (2019).

b. **Risk Management, Business Development, and Education Programs**

i. **2018 Formal Challenge and Answers**

58. Southwestern asserts that certain expenses it identifies that include the words “risk,” “business,” or “corporate,” in their names, as well as expenses titled “education programs,” are related to sales activities and should be recorded to Account 916 (Miscellaneous Sales Expenses) because, according to Southwestern, they are related to retail sales functions.<sup>97</sup> Southwestern argues that Ameren Illinois does not provide any description as to what risks are associated with its transmission business and what type of transmission requires business development. Southwestern claims that transmission facilities are generally planned on a regional basis and that Southwestern “is not aware of any ‘business development’ activities or ‘risk’ related to installing transmission facilities.”<sup>98</sup> With regard to education programs, Southwestern states that Ameren Illinois does not provide any education to its transmission customers or to the community members who live in the service territories of its transmission customers. In addition, Southwestern notes that Ameren Illinois’ transmission customers have similar expenditures on such activities in their own communities and should not be burdened with additional expenses incurred by Ameren Illinois with respect to members of the community serviced by its retail business.<sup>99</sup>

59. Ameren argues that, contrary to Southwestern’s assertions, Ameren Illinois’ expenses relating to “risk management,” “business development,” and “education programs” are not related to retail sales and, therefore, should not be booked to Account 916.<sup>100</sup> Further, Ameren disputes Southwestern’s contention that Ameren Illinois has no risks, business development, or educational activities associated with transmission and argues that Southwestern’s claims are without support and have reached the point of abuse of the Commission’s process.<sup>101</sup> Ameren asserts the risk management expenses are related to its risk and performance management department that performs specific risk

---

<sup>97</sup> 2018 Formal Challenge at 14. Southwestern contends this rationale applies to expenses containing the words “industrial relations” in their names, but declines to pursue their exclusion from the ATRR in the 2018 Formal Challenge. *Id.* at 18.

<sup>98</sup> *Id.* at 17.

<sup>99</sup> *Id.* at 18.

<sup>100</sup> Ameren Response at 27-28.

<sup>101</sup> *Id.* at 28.

activities for transmission, such as: (1) maintaining transmission risk management data; (2) managing a transmission performance “dashboard” of all transmission functions; (3) supporting policy and/or procedure documentation and verifying compliance; (4) participating on the Project Management Strategy Committee; and (5) supporting North American Electric Reliability Corporation reliability compliance.<sup>102</sup> Ameren explains that expenses identified as business development expenses are related to corporate planning, strategy, and innovation, and involve all aspects of Ameren Illinois’ business functions.<sup>103</sup> Finally, Ameren notes that the majority of the education programs amounts was for internal education, (i.e. for outside services to provide Ameren Illinois executive training), not for external or customer education.<sup>104</sup>

60. In its answer, Southwestern argues that Ameren does not provide any additional clarity or justification on which the Commission could determine that this category of costs are properly recorded. Southwestern asserts that the transmission business is nearly “risk-free,” with 100 percent assured cost recovery, and Ameren has not pointed to a single risk that it needs to analyze.<sup>105</sup> Southwestern also argues that Ameren provided no specific examples with respect to business development and education programs.<sup>106</sup>

## ii. Commission Determination

61. We accept Ameren’s explanation of expenses related to risk management, business development, and education programs, and find that Southwestern’s proposal to record these expenses in Account 916 is unsupported. The instructions for Account 916 states that “[t]his account shall include the cost of labor, materials used and expenses incurred in connection with sales activities.”<sup>107</sup> Based on the information in the record, we find that, as Ameren explains, the disputed expenses are not related to sales functions. Therefore, Account 916 is not a proper account to record these activities and we reject the 2018 Formal Challenge on this issue.

---

<sup>102</sup> *Id.* at 28-29.

<sup>103</sup> *Id.* at 29-30.

<sup>104</sup> *Id.* at 30.

<sup>105</sup> Southwestern Answer at 13.

<sup>106</sup> *Id.*

<sup>107</sup> 18 C.F.R. pt. 101, Account 916.

c. **ARES Billing**

i. **2018 Formal Challenge and Answers**

62. Southwestern argues that expenses related to alternative retail electric suppliers (ARES) billing should be recorded to Account 910 (Miscellaneous Customer Service and Informational Expenses) as it argues they are related to retail customer billing and other services provided to retail customers.<sup>108</sup> Southwestern states that Ameren acknowledged that ARES billing provides retail services and yet Ameren Illinois allocated 100 percent of such billing expenses to transmission service.<sup>109</sup> Southwestern contends that these expenses should be allocated to both distribution and transmission functions using the Net Plant Ratio computed by Ameren Illinois in Attachment O.<sup>110</sup>

63. Ameren asserts that, while ARES do provide electricity to retail customers, ARES also take transmission service under the MISO Tariff and are billed Commission-jurisdictional transmission charges. Additionally, Ameren notes that the “ABIL-ARES” description is used to track the time of three Ameren Services employees that perform transmission billing for Ameren Illinois, because Ameren Services performs the network integration transmission service billing for the Ameren Illinois pricing zone as an agent of MISO. Ameren argues that the billing for transmission service is all transmission-related and no portion of it should be allocated to the distribution function, as the distribution billing for retail customers and suppliers is a separate process from transmission billing.<sup>111</sup> Ameren states that ARES billing expenses include amounts for customer enrollment, tracking, and registration, which are all activities needed to calculate and bill MISO charges. Ameren notes that, in the 2016 Formal Challenge Order, the Commission found that Ameren Illinois properly recorded these expenses and therefore they are properly included in Attachment O.<sup>112</sup> Ameren avers that

---

<sup>108</sup> 2018 Formal Challenge at 14.

<sup>109</sup> *Id.* at 18.

<sup>110</sup> *Id.* at 18-19.

<sup>111</sup> Ameren Response at 31.

<sup>112</sup> *Id.* at 32 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at PP 68, 71).



Southwestern's attempt to remove these expenses here, therefore, is an impermissible collateral attack on the Commission's prior order.<sup>113</sup>

64. Southwestern argues that Ameren's response acknowledges that ARES activities relate to the provision of retail electric service. Further, Southwestern contends that Ameren does not explain why other transmission customers, such as Southwestern, should pay the costs of ARES transmission expenses in addition to paying their own transmission charges.<sup>114</sup>

**ii. Commission Determination**

65. We are persuaded by Ameren's explanation that ARES billing includes not only retail but also transmission-related activities. Therefore, consistent with the Commission's finding in the 2016 Formal Challenge Order, we find that ARES billing is properly included in Ameren Illinois' rates consistent with its formula.<sup>115</sup> Accordingly, we deny the 2018 Formal Challenge as it relates to this issue.

**d. Community Relations, Public Relations, Social Media and Governmental Advocacy**

**i. 2018 Formal Challenge and Answers**

66. Southwestern argues that expenses entitled "community relations," "public relations," "social media," and "governmental advocacy" should be recorded to Account 426.4 (Expenditures for Certain Civic, Political and Related Activities), as it argues these expenses are related to civic, political, and related activities.<sup>116</sup> Specifically, Southwestern asserts that community relations, public relations, and social media expenses are incurred to foster better relations with members of the local communities and retail customers and should not be borne by transmission customers. Similarly, Southwestern states that government advocacy activities are designed to effect a change in laws and should not be borne by transmission customers.<sup>117</sup> In addition, Southwestern contends that Ameren Illinois' transmission customers should not be charged with the

---

<sup>113</sup> *Id.*

<sup>114</sup> Southwestern Answer at 13.

<sup>115</sup> 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 71.

<sup>116</sup> 2018 Formal Challenge at 19.

<sup>117</sup> *Id.*

costs of constructing, maintaining, or staffing an Ameren Illinois visitor's center.<sup>118</sup> Southwestern notes that, even if Account 426.4 is not the appropriate accounting treatment for all of these goodwill and promotional expenses, they should be recorded as advertising expenses that are not recovered from transmission customers and thus excluded from recovery in the ATRR.<sup>119</sup>

67. Ameren asserts that Southwestern's recommended accounting treatment for community relations, public relations, social media, and governmental advocacy is unfounded and inappropriate.<sup>120</sup> Ameren states that it defines community relations as the actions associated with involving Ameren Illinois in the community, for the betterment of the community and the economic well-being of Ameren Illinois, including its visitor center and public communications. Ameren defines public relations as all actions associated with Ameren Illinois working with the media. Ameren defines social media as meetings and projects involving Ameren Illinois communication using social media (e.g., Facebook, YouTube, Twitter, etc.). Ameren defines governmental advocacy as resource costs associated with monitoring and reviewing federal, state, and local environmental, safety, and health law, and regulations affecting operations. Ameren argues these definitions demonstrate that none of the expenses pertains to "civic, political, and related activities" and thus should not be recorded to Account 426.4 as Southwestern suggests.<sup>121</sup> Ameren notes that Southwestern made similar arguments regarding public relations expenses as part of the 2016 Formal Challenge proceeding and the Commission dismissed such arguments; thus, according to Ameren, Southwestern's arguments here are collateral attacks on the 2016 Formal Challenge Order.<sup>122</sup>

68. In its answer, Southwestern claims that an objective review of Ameren's explanation reveals that such expenses are related to its attempts to influence the general public or to solicit favor with retail customers. Southwestern argues that the expenses should be recorded in Account 426.4 and Ameren Illinois' retail regulators should decide if such expenses can be recovered from retail customers.<sup>123</sup>

---

<sup>118</sup> *Id.* at 19-20.

<sup>119</sup> *Id.* at 20.

<sup>120</sup> Ameren Response at 32.

<sup>121</sup> *Id.* at 32-33.

<sup>122</sup> *Id.* at 33-34.

<sup>123</sup> Southwestern Answer at 13-14.

**ii. Commission Determination**

69. We find that Ameren has provided sufficient justification regarding Ameren Illinois' allocation of expenses entitled community relations, public relations, social media, and governmental advocacy. The description of Account 426.4 includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances; or for the purpose of influencing the decisions of public officials.<sup>124</sup> Ameren Illinois' expenses relating to its visitor center, working with the media, and monitoring and reviewing federal, state, and local environmental, safety, and health law and regulations affecting operations are not of the kind that should be recorded in Account 426.4. Therefore, we deny the 2018 Formal Challenge with respect to the allocation of the above expenses to Account 426.4 or under an advertising expense account, as Southwestern alternatively proposes.

**e. Fuel Accounting**

**i. 2018 Formal Challenge and Answers**

70. Southwestern asserts that expenses entitled "fuel accounting" are related to production and Ameren Illinois' sales activities and should be recorded to Account 501 (Fuel), rather than Account 923 (Outside Services Employed). Southwestern argues that Ameren Illinois does not provide any details of the transmission business handled by the Fuels Accounting Group, and that this group is not solely related to accounting for fuel. Southwestern asserts that, without additional information, it is unable to conclude that this expense is properly recorded.<sup>125</sup>

71. Ameren explains that the term Fuel Accounting refers to the Wholesale Power and Fuels Accounting group, which is comprised of Ameren Services employees that perform accounting for all Ameren affiliates, including an affiliate that owns power plants and buys fuel that must be accounted for.<sup>126</sup> Ameren further explains that the Wholesale Power and Fuels Accounting group "records Ameren Illinois' transmission revenue in the general ledger and prepares transmission data and analysis for internal and external reporting."<sup>127</sup> In addition, Ameren states that this group's activities include margin analysis and transmission budget segment reporting, as well as preparing certain pages

---

<sup>124</sup> 18 C.F.R. pt. 101, Account 426.4 (2019).

<sup>125</sup> 2018 Formal Challenge at 14, 20-21.

<sup>126</sup> Ameren Response at 34.

<sup>127</sup> *Id.* at 35.

concerning transmission for the Ameren Illinois FERC Form No. 1.<sup>128</sup> Ameren argues that it would be inappropriate to record Ameren Illinois' expenses associated with the Wholesale Power and Fuels Accounting group to Account 501 because Account 501 is for "the cost of fuel used in the production of steam for the generation of electricity."<sup>129</sup> Ameren further submits that Account 501 does not refer to accounting costs, so such costs should not be recorded in Account 501 even if such accounting is specifically related to the purchase of fuel. Ameren concludes that accounting activities related to Ameren Illinois' transmission business should not be recorded as fuel expenses in Account 501 and thus Southwestern's proposed adjustments should be rejected.<sup>130</sup>

72. In its answer, Southwestern argues that Ameren's response related to fuel accounting is vague and general and does not provide any specific information that would justify recording these expenses to the accounts that Ameren Illinois has proposed.<sup>131</sup>

## ii. Commission Determination

73. We find Southwestern's assertion that Ameren Illinois' expenses from the Wholesale Power and Fuels Accounting group should be reported to Account 501 to be incorrect. Account 501 includes "the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof."<sup>132</sup> However, Ameren's explanation demonstrates that the expenses under the Wholesale Power and Fuels Accounting group include different types of expenses than what Account 501 includes, such as recording Ameren Illinois' transmission revenue in the general ledger and preparing transmission data and analysis for internal and external reporting. Therefore, we find that these expenses should not be recorded to Account 501 and deny the 2018 Formal Challenge with respect to these expenses. We do note, however, that the expenses associated with Wholesale Power and Fuels Accounting group appear to be billed by Ameren Services and remind Ameren Illinois that such expenses should be recorded in the same accounts that Ameren Illinois would use if the costs were directly incurred by Ameren Illinois, not in Account 923, as Account 923 is dedicated to outside services.<sup>133</sup> Further, to the extent that these expenses

---

<sup>128</sup> *Id.*

<sup>129</sup> *Id.* at 36 (citing 18 C.F.R. pt. 101, Account 501).

<sup>130</sup> *Id.*

<sup>131</sup> Southwestern Answer at 14.

<sup>132</sup> 18 C.F.R. pt. 101, Account 501.

<sup>133</sup> *Id.*, General Instruction 14 (2019).

are functionally distinct, Ameren Illinois should record these expenses using the appropriate functional accounts in lieu of Administrative and General accounts.

**f. Commodity Settlements**

**i. 2018 Formal Challenge and Answers**

74. Southwestern claims that expenses entitled “commodity settlements” are related to retail and should be recorded to Account 557 (Other Expenses). Southwestern notes that Ameren Illinois must procure transmission service from MISO, on behalf of its retail customers, and that these costs are incurred on behalf of its retail customers. Southwestern argues that, because Ameren Illinois has turned over operational control of its facilities to MISO, Ameren Illinois’ wholesale transmission customers pay these same settlement costs to MISO and should not be forced to share Ameren Illinois’ costs of procuring transmission for its own retail customers. Southwestern submits, therefore, the Commission should direct Ameren Illinois to record the expenses to Account 557.<sup>134</sup>

75. Ameren states that whether some commodity settlements expenses relate to procurement of transmission service on behalf of Ameren Illinois’ retail customers is irrelevant. Ameren argues that the commodity settlements expenses group is responsible for all payments to and from MISO for both commodity settlements and transmission settlements, in addition to financial reporting for such settlement activity, meaning the group’s back office activities include transmission revenues settlements. Thus, Ameren argues that these costs are properly recorded as Administrative and General Expenses and allocated to the ATRR, as required by the Attachment O-AIC formula rate. Ameren claims that Southwestern’s arguments are therefore an impermissible collateral attack on the filed formula rate.<sup>135</sup>

76. In its answer, Southwestern argues that Ameren’s response related to commodity settlements is vague and general and does not provide any specific information that would justify recording the expenses to the accounts that Ameren Illinois has proposed.<sup>136</sup>

**ii. Commission Determination**

77. We find that Ameren has provided sufficient explanation that its commodity settlement expenses, which include all payments to and from MISO for both commodity

---

<sup>134</sup> 2018 Formal Challenge at 14, 21.

<sup>135</sup> Ameren Response at 37.

<sup>136</sup> Southwestern Answer at 14.

and transmission settlements, are appropriately recorded as Administrative and General Expenses and allocated to the ATRR as required by the Tariff. Therefore, we deny the 2018 Formal Challenge with respect to the accounting of these expenses.

**g. Contribution and Membership**

**i. 2018 Formal Challenge and Answers**

78. Southwestern argues that contribution and membership expenses, which are recorded and allocated to transmission under Account 566 should be recorded either to Account 910 (Miscellaneous Customer Service and Informational Expenses) or Account 426.5 (Other Deductions).<sup>137</sup> Southwestern states that, in the 2018 Informal Challenge response, Ameren Illinois described these expenses as being “associated with planning and administration of the Company’s contributions program, including donations for charitable, civic, or community welfare purposes.”<sup>138</sup> Southwestern asserts that these expenses would be properly recorded in Account 426.5.<sup>139</sup>

79. Ameren asserts that the description for contribution and membership provides that this activity is for the labor and other resource costs associated with planning and administration of Ameren Illinois’ contribution program, including donations for charitable, civic, or community welfare purposes, and membership administration.<sup>140</sup> Ameren notes that the Commission previously rejected Southwestern’s argument to exclude contribution and membership expenses from Ameren Illinois’ ATRR, based on allegations that the expenses are related to public relations and retail businesses and Southwestern’s argument here is another impermissible collateral attack on the 2016 Formal Challenge Order.<sup>141</sup>

80. Southwestern argues that Ameren’s response related to contributions and membership is vague and general and does not provide any specific information that

---

<sup>137</sup> 2018 Formal Challenge at 13, Attachment 9.

<sup>138</sup> *Id.* at 21 (citing February 28 Response).

<sup>139</sup> *Id.*

<sup>140</sup> Ameren Response at 37-38. Ameren adds that Ameren Illinois properly records contribution and membership expenses in Account 930.2. The Commission interprets this to mean that Ameren Illinois is only recording “membership administration” expenses to Account 930.2.

<sup>141</sup> *Id.* at 38 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 71).

would justify recording these expenses to the accounts that Ameren Illinois has proposed.<sup>142</sup>

**ii. Commission Determination**

81. We disagree with Ameren that Southwestern's argument here is an impermissible collateral attack on the 2016 Formal Challenge Order. In the 2016 proceeding, Ameren supported the included charges associated with Contributions and Membership Administration as employee memberships for transmission engineers, MISO transmission owner membership, and payments to landowners for tree replacement, all of which are transmission-related expenses.<sup>143</sup> In this proceeding, Ameren uses a more general description of costs being associated with planning and administration of Ameren Illinois' contribution program, including donations for charitable, civic, or community welfare purposes, and membership administration, making the concern appropriate in this proceeding.<sup>144</sup> We find that expenses related to donations for charitable, social or community welfare programs should not be included in Account 566, but included in Account 426.1 (Donations), which is not included as an input into the Attachment O-AIC formula rate.<sup>145</sup> Based on the record before us, we are unable to discern whether Ameren Illinois appropriately recorded only transmission-related expenses to Account 566, and not donations for charitable, social, or community welfare purposes. Accordingly, we grant the 2018 Formal Challenge, in part, and direct Ameren Illinois to provide in the compliance filing directed herein an explanation of the types of expenses recorded in Account 566 and charged under its ATRR. To the extent Ameren Illinois is including donations for charitable, social, or community welfare purposes as part of its contribution and membership expenses, we require Ameren Illinois to report the specific items and amounts as part of the compliance filing and also remove them and account for this removal in its next true-up.

**h. Strategic Planning**

**i. 2018 Formal Challenge and Answers**

82. Southwestern contends that strategic planning expenses should be recorded to Account 916 (Miscellaneous Sales Expenses). Southwestern states that, in the 2018

---

<sup>142</sup> Southwestern Answer at 14.

<sup>143</sup> 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 68.

<sup>144</sup> Ameren Response at 37-38.

<sup>145</sup> 18 C.F.R. pt. 101, Account 426.1 (2019).

Informal Challenge response, Ameren Illinois described strategic planning as planning to align corporate strategy with business line goals and objectives. However, Southwestern argues that Ameren Illinois did not identify global resource requirements to meet its goal and objectives related to transmission service. Southwestern asserts that MISO performs strategic planning related to the transmission grid, and therefore Ameren Illinois' strategic planning expenses are incurred in relation to its retail service.<sup>146</sup>

83. Ameren asserts that strategic planning includes joint corporate strategic planning among all of the Ameren Services subsidiaries (including Ameren Illinois) to align the overall corporate strategy, including transmission, with specific business line goals and objectives, as well as identifying global resource requirements to meet these goals and objectives. Ameren argues that it is therefore appropriate for a portion of the total strategic planning expenses to be allocated to Ameren Illinois as Administrative and General Expenses.<sup>147</sup> Ameren points out that MISO's planning does not replace or substitute for Ameren Illinois' planning and business development responsibilities for the transmission facilities it owns. Additionally, Ameren notes that a review of Ameren Illinois' FERC Form No. 1 shows that Ameren Illinois does not record any costs to Account 916, either for transmission or distribution, because it does not make energy sales.<sup>148</sup>

84. Southwestern answers that Ameren's response related to strategic planning is vague and general and does not provide any specific information that would justify recording strategic planning expenses to the accounts that Ameren Illinois has proposed.<sup>149</sup>

## ii. Commission Determination

85. We reject Southwestern's argument with regard to expenses entitled strategic planning. We reiterate that a formal challenge should clearly identify and explain how the action or inaction allegedly violates the filed rate or protocols.<sup>150</sup> Southwestern does not provide any support for its claim that Ameren Illinois did not record strategic

---

<sup>146</sup> 2018 Formal Challenge at 22.

<sup>147</sup> Ameren Response at 38-39.

<sup>148</sup> *Id.*

<sup>149</sup> Southwestern Answer at 14.

<sup>150</sup> *See* MISO, FERC Electric Tariff, Attachment O, Rate Formulae, 40, AIC Annual Rate Calculation and True-Up Procedures § IV.C(1) (32.0.0).



planning expenses to the correct account. Further, it is unclear how Southwestern's statement that Ameren "does not identify global resource requirements to meet its goals and objectives related to transmission service" is relevant to Southwestern's argument that strategic planning expenses are incorrectly recorded.<sup>151</sup> Moreover, we find that Ameren's description for strategic planning expenses (i.e., corporate strategic planning to align the overall corporate strategy with specific business line goals and objectives) explains that the expense benefits all aspects of Ameren Illinois' business, including transmission, and is therefore appropriately included as an Administrative and General Expense and allocated to its ATRR as required by the Attachment O-AIC formula rate.

**i. Miscellaneous Expenses**

**i. 2018 Formal Challenge and Answers**

86. Southwestern provides a list of expenses and the accounts that it believes those expenses should be recorded to, which include: (1) inquiries and research to Account 908 (Customer Assistance Expenses); (2) site remediation to Account 426.4; and (3) "safety svcs for stn sprt-gen" to Account 557.<sup>152</sup>

87. Ameren responds that expenses related to inquiries and research, site remediation, and "safety svcs for stn sprt-gen" have a total ATRR impact of \$28. Ameren contends that, while there is no *de minimis* threshold amount for proper calculation of the ATRR, Ameren believes that it is important to put the costs about which Southwestern complains in perspective. Ameren contends that, when added to the fact that Southwestern's concerns with these miniscule amounts are based on misconceptions and mistakes, Southwestern is making poor use of the informal challenge process, resulting in unnecessary formal challenges that occupy a great deal of Commission and Ameren resources for very little to no benefit to Southwestern or other customers. Ameren asks the Commission to admonish Southwestern for its failure to genuinely use the informal challenge process as a means to become educated and informed, which then causes Southwestern to present to the Commission frivolous and uninformed allegations.<sup>153</sup>

**ii. Commission Determination**

88. With respect to the items listed under this section, we deny Southwestern's challenge on the basis that Southwestern does not provide enough detail to meet the

---

<sup>151</sup> 2018 Formal Challenge at 22.

<sup>152</sup> *Id.* at 14-15.

<sup>153</sup> Ameren Response at 23-24.

requirements of a formal challenge under the Attachment O-AIC challenge procedures. Specifically, Southwestern has not demonstrated how these costs are inappropriately recorded.<sup>154</sup>

**6. Account 923 Adjustment**

**a. 2018 Formal Challenge and Answers**

89. Southwestern argues that a category of Account 923 expenses should be excluded from Ameren Illinois' ATRR. The category of expenses Southwestern disputes relates to public relations and retail business and include: CCCR-community relations; CCEP-education programs; and CCPR-public relations. Southwestern asserts that these items should not be recorded to Account 923 because that account includes amounts charged to Ameren Illinois by affiliates and non-Ameren entities, such as consulting or engineering firms. Instead, Southwestern contends that these items should be recorded to Accounts 426.4 or 905. Southwestern asserts that the 2016 True-Up also includes Account 923 expenses that should not be included in the ATRR.<sup>155</sup>

90. In response, Ameren asserts that Ameren Illinois properly recorded these expenses in Account 923, noting that the Commission's regulations state that Account 923 "shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts . . . ."<sup>156</sup> Ameren submits that expenses associated with outside consultants providing general services for the benefit of the entire company are precisely the types of expenses that should be recorded in Account 923.<sup>157</sup> Ameren contends that expenses recorded in Account 923 means that Ameren Services has incurred expenses for outside services that it allocates to Ameren Illinois without changing the accounting designation.<sup>158</sup>

---

<sup>154</sup> See MISO Tariff, Attachment O-AIC § IV.

<sup>155</sup> 2018 Formal Challenge at 22-24.

<sup>156</sup> Ameren Response at 40 (citing 18 C.F.R. pt. 101, Account 923 (2019)).

<sup>157</sup> *Id.*

<sup>158</sup> *Id.* at 41.

91. In its answer, Southwestern asserts that Ameren's response either suggests that Southwestern's proposed accounting treatment is correct or does not provide sufficient support to disturb Southwestern's conclusion that the costs are incorrectly recorded.<sup>159</sup>

**b. Commission Determination**

92. We find that Ameren has provided sufficient justification for recording these expenses to Account 923. While Southwestern asserts that Ameren Illinois improperly recorded affiliated costs to Account 923, we accept Ameren's explanation that Ameren Services incurred costs from outside services that were allocated to Ameren Illinois and Ameren Illinois properly recorded these outside services to Account 923 as such.<sup>160</sup> We therefore deny the 2018 Formal Challenge as it relates to the exclusion of the above costs from Account 923.

**7. Adjustments to Injuries and Damages Expenses in the 2016 True-Up**

**a. 2018 Formal Challenge and Answers**

93. Southwestern asserts that the \$2.7 million recorded to Account 925 (Injuries and Damages), relates to asbestos claims that are not connected to transmission facilities and are more closely related to generation plant. Southwestern notes that Ameren indicated that at least a portion of these claims is related to "formerly owned power plants," but argues that Ameren provides no other details about the location of the facilities or the cause of the claims, which Southwestern argues could dictate the proper accounting.<sup>161</sup> Southwestern contends that this amount should be recorded to Account 557 (Other Expenses), or, if the asbestos mitigation and damages expenses were caused by imprudent operations, then they should be recorded to Account 426. Southwestern argues that, in either case, this amount should not be allocated to transmission or recorded to any account that is recoverable in the Attachment O formula rate.<sup>162</sup>

94. Ameren argues that the Commission's regulations provide that Account 925 "shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by

---

<sup>159</sup> Southwestern Answer at 14.

<sup>160</sup> 18 C.F.R. pt. 101, General Instruction 14 (2019).

<sup>161</sup> 2018 Formal Challenge at 24-25.

<sup>162</sup> *Id.* at 25.

insurance, and expense incurred in settlement of injuries and damages claims.”<sup>163</sup> Therefore, Ameren states that the amounts related to asbestos claims are appropriately recorded to Account 925. In addition, Ameren asserts that its Attachment O-AIC formula rate does not require functionalization of Account 925 and thus there is no reason to remove costs related to asbestos claims from Account 925. Ameren points out that the Commission agreed with Ameren and rejected Southwestern’s functionalization arguments in the 2016 Formal Challenge Order, stating that, “[r]egarding the contention that expenses should be excluded because they are ‘unrelated to transmission,’ we again note that a challenge on these grounds is outside of the scope of the challenge procedures.” Thus, Ameren argues that Southwestern’s argument for functionalizing certain injuries and damages expenses is another impermissible collateral attack on the 2016 Formal Challenge Order.<sup>164</sup>

95. In its answer, Southwestern submits that Ameren does not respond to Southwestern’s assertion that injuries and damages expenses are related to its non-transmission business. Southwestern argues that Ameren instead relies entirely on the notion that all such expenses are to be recorded in Account 925, regardless of the function that they service. Southwestern clarifies that it does not seek to functionalize the costs recorded to Account 925, but instead proposes that those costs be recorded to Accounts 557 or 426 instead.<sup>165</sup>

**b. Commission Determination**

96. With respect to Southwestern’s claim that asbestos claims are improperly accounted under Account 925, we find that Account 925 provides for claims for items like asbestos. Therefore, Ameren Illinois’ recording of injuries and damages expenses related to asbestos to Account 925 is appropriate. Furthermore, we reiterate the Commission’s finding in the 2016 Formal Challenge Order, in which the Commission found that, regarding the contention that expenses should be excluded because they are “unrelated to transmission,” a challenge on these grounds is outside the scope of the challenge procedures.<sup>166</sup> Therefore, we dismiss the 2018 Formal Challenge as it relates to adjusting injuries and damages expenses relating to asbestos claims in the 2016 True-Up.

---

<sup>163</sup> Ameren Response at 44-45 (citing 18 C.F.R. pt. 101, Account 925 (2019)).

<sup>164</sup> *Id.* at 45 (citing 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at P 37).

<sup>165</sup> Southwestern Answer at 15.

<sup>166</sup> *See* 2016 Formal Challenge Order, 156 FERC ¶ 61,209 at PP 33, 37.

## 8. Interconnection Regulatory Expenses

### a. 2018 Formal Challenge and Answers

97. Southwestern asserts that the 2016 True-Up shows that Ameren Illinois allocated a number of regulatory expenses to transmission that are related to disputes involving generator interconnections and have nothing to do with transmission service. Southwestern argues that Attachment O requires Ameren Illinois to first exclude all regulatory expenses recorded to Account 928 and then include expenses that are related to providing transmission service. Southwestern notes that there is no provision in Attachment O for allocating other regulatory expenses, including costs of generation interconnection agreements, to transmission.<sup>167</sup>

98. Ameren disagrees with Southwestern's assessment of the "generator interconnection" regulatory expenses and argues that the Commission considers interconnection to be a transmission service that is regulated by the Commission.<sup>168</sup> In addition, Ameren asserts that the MISO Transmission Expansion Plan addresses many transmission issues, including transmission issues associated with generator interconnection projects and the generation queue. Further, Ameren argues that many generator interconnections require network upgrades to the transmission system that result in changes in the underlying costs of the transmission system. Ameren claims that the interconnection agreements related to such interconnections are agreements that are filed at the Commission and, thus, generate regulatory expenses which are properly recorded in Account 928 and allocated to transmission according to the Attachment O-AIC formula rate.<sup>169</sup>

---

<sup>167</sup> 2018 Formal Challenge at 25-26.

<sup>168</sup> Ameren Response at 45-46 (citing *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 104 FERC ¶ 61,103, at P 12 (2003) (stating that "[i]nterconnection is a critical component of open access transmission service"), *order on reh'g*, Order No. 2003-A, 106 FERC ¶ 61,220, *order on reh'g*, Order No. 2003-B, 109 FERC ¶ 61,287 (2004), *order on reh'g*, Order No. 2003-C, 111 FERC ¶ 61,401 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007)).

<sup>169</sup> *Id.* at 47.

99. Ameren argues that among the items Southwestern proposes to exclude are amounts related to analysis of “IL RTO Legislation.”<sup>170</sup> Ameren submits that the IL RTO Legislation referenced was potential Illinois legislation addressing RTO membership of Illinois utilities, which, according to Ameren, is a transmission issue that affects transmission customers.<sup>171</sup>

100. In its answer, Southwestern reiterates that Ameren Illinois has excluded interconnection plant costs, and it naturally follows that interconnection expenses should also be excluded. Southwestern contends that Ameren’s response does not provide any details and the reasons for incurring the IL RTO Legislation expense in 2016 or 2018, as Ameren Illinois has been a MISO member for a long time and much earlier than 2016. Southwestern argues that, unless Ameren Illinois can provide specific information, this expense should not be allowed.<sup>172</sup>

**b. Commission Determination**

101. We find that Ameren has adequately justified Ameren Illinois’ accounting of regulatory expense recorded in Account 928 in the 2016 True-Up. Consistent with the Commission’s 2017 Formal Challenge Order on Rehearing, we find that, as a transmission owner in MISO, Ameren Illinois may incur costs associated with disputes it may have with generators involving, for example, payments for network upgrades. These costs relate to transmission and are properly included in the Ameren Illinois’ transmission rates.<sup>173</sup> Furthermore, Southwestern has not provided any evidence that the regulatory expenses do not have any connection to transmission facilities or should relate to generation. Therefore, we dismiss the 2018 Formal Challenge as it relates to adjusting regulatory expenses for the 2016 True-Up.

**9. Association Dues**

**a. 2018 Formal Challenge and Answers**

102. Southwestern asserts that Ameren Illinois’ list of industry association dues includes a number of dues that are made to law and consulting firms and advocacy groups that should not be recorded as industry association dues to Account 930.2

---

<sup>170</sup> *Id.* (citing 2018 Formal Challenge at Attachment 13).

<sup>171</sup> *Id.*

<sup>172</sup> Southwestern Answer at 15-16.

<sup>173</sup> 2017 Formal Challenge Order on Rehearing, 169 FERC ¶ 61,042 at P 32.

(Miscellaneous General Expenses). Instead, Southwestern argues that these dues should be recorded to Accounts 426.4 or 426.5 and should be excluded from Ameren Illinois' ATRR.<sup>174</sup>

103. Ameren responds that Southwestern's proposed accounting treatment of industry association dues is inappropriate. Ameren asserts that the Commission's regulations provide that Account 930.2 expenses may include "industry association dues for company memberships"<sup>175</sup> and that Account 930.2 is properly included in the Attachment O formula rate. Ameren argues that the Commission's regulations do not state that certain types of memberships must be excluded from, or not included in, Account 930.2, other than the requirement to exclude Electric Power Research Institution membership dues. Ameren concludes, therefore, that there is no basis for Southwestern's claim that such expenses should be excluded from the ATRR, as a portion of these expenses are properly allocated to transmission as required by the Attachment O-AIC formula rate.<sup>176</sup> Ameren claims that the accounts suggested by Southwestern, Accounts 426.4 and 426.5, are for expenditures pertaining to certain civic political, and related activities, and other deductions. Ameren argues that the expenses Southwestern identifies do not fall into the categories contained in Accounts 426.4 and 426.5 and Southwestern's proposed adjustments must be rejected.<sup>177</sup> For example, Ameren states that, among the items Southwestern argues should not be recorded as industry association dues are dues related to the Edison Electric Institute, a trade association for investor-owned electric utilities, and state or national trade or industry associations. Ameren notes that the other items that Southwestern lists have titles that may be misleading, such as law and consulting firms, but argues they are appropriately recorded as industry association dues because they are membership fees or costs for industry groups.<sup>178</sup>

---

<sup>174</sup> 2018 Formal Challenge at 26.

<sup>175</sup> Ameren Response at 50 (citing 18 C.F.R. pt. 101, Account 930.2, Item 2 (2019)).

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> *Id.* at 48. Ameren's response provides a list of titles, expenses, and explanation of such industry association dues. *See id.* at 48-50.

104. In its answer, Southwestern contends that Ameren's response to the recording of association dues confirms Southwestern's assertion that the expenses paid to law and consulting firms and to advocacy groups are inappropriately recorded.<sup>179z</sup>

**b. Commission Determination**

105. We agree with Ameren that the Commission's regulations do not state that certain types of memberships must be excluded from, or not included in, Account 930.2, nor is there anything in the formula rate that directs exclusion of trade or industry association expenses from the ATRR, other than the requirement to exclude Electric Power Research Institution membership dues. We also find Ameren has provided adequate justification for the organizations that Ameren Illinois has recorded as industry association dues to Account 930.2. However, consistent with longstanding practice, while association membership organizations can conduct lobbying on behalf of their members, the portion of the membership fees associated with the costs of such lobbying activities should be recorded in Account 426.4.<sup>180</sup> Therefore, we grant the 2018 Formal Challenge, in part, and direct Ameren Illinois in the compliance filing directed herein to provide a summary of any changes in accounting to record portions of the membership dues associated with lobbying in Account 426.4. Ameren Illinois must also reflect any necessary changes in accounting in the annual true-up in accordance with formula rate protocols.

**10. TCJA-Related Issues**

**a. 2018 Formal Challenge and Answers**

106. Southwestern raises several issues related to the passage of TCJA. Southwestern contends that, while Ameren Illinois has revised its 2018 Annual Update to reduce the ATRR to reflect the federal corporate income tax rate reduction to 21 percent, Ameren Illinois has not acknowledged the full impact of the TCJA on its rates. Southwestern contends that, while it is correct that, in 2020, Ameren Illinois will submit to the Commission an Annual Update that will include the 2018 True-Up that will reflect the effects of the TCJA, Ameren Illinois should instead revise its 2018 Annual Update to

---

<sup>179</sup> Southwestern Answer at 16.

<sup>180</sup> *ISO New England Inc.*, 117 FERC ¶ 61,070, at P 45 (2006) (“[T]he portion of industry association fees where that association undertakes lobbying activities should also be recorded in Account 426.4.”). *See also id.* at n. 63 (“In these cases, the Commission permitted the utility to obtain the necessary information from the industry association to make a proper allocation of the dues payment to the appropriate operating and non-operating expense accounts.”).



reflect the full impact of the TCJA on its rates.<sup>181</sup> Specifically, Southwestern argues that Ameren Illinois should begin flowing back the TCJA-related excess protected and unprotected ADIT to customers immediately. Southwestern argues that if all the TCJA provisions are not reflected now, customers will have to wait until 2020 to realize the effect of the new tax rate that became effective on January 1, 2018.<sup>182</sup>

107. In addition, Southwestern notes that the Account 190 (ADIT) balance, which is added to rate base, would be reduced in correspondence with the federal corporate income tax rate reduction. Southwestern states that the TCJA has also repealed the provisions of tax credit carryover and Net Operating Loss (NOL) carryover, which should result in reducing Account 190 balance and therefore rate base.<sup>183</sup>

108. Southwestern also contends that the TCJA will result in the elimination of or limitations on certain income tax deductions. Southwestern argues that, if the rates recover amounts in excess of such limitations and exclusions, not only would Ameren Illinois recover amounts not permitted by the Internal Revenue Service, it may record the tax effect of the excess amount to Account 190 and recover a return on this tax effect related to non-allowable expenses. Southwestern submits that, if Ameren Illinois has included any such non-allowable amounts in the 2018 Projections, then these non-allowable amounts should be excluded.<sup>184</sup> Southwestern notes that, while Ameren Illinois correctly pointed out in the 2018 Informal Challenge response that the treatment of excess ADIT is being investigated in another proceeding, it has listed all other relevant TCJA provisions which should be included now.<sup>185</sup>

109. Ameren argues that the Commission should reject Southwestern's arguments regarding the TCJA as beyond the scope of the proceeding. Ameren notes that Ameren Illinois has already taken a number of steps to reflect the effects of the TCJA in its rates. Ameren explains that Ameren Illinois was a member of the group of MISO Transmission Owners that sought, and were granted, a waiver of the applicable provisions of their

---

<sup>181</sup> 2018 Formal Challenge at 27-28.

<sup>182</sup> *Id.* at 28-29.

<sup>183</sup> *Id.* at 29.

<sup>184</sup> *Id.* at 30.

<sup>185</sup> *Id.* at 30-31 (citing February 28 response).

formula rate protocols, which enabled Ameren Illinois to revise its inputs to its 2018 projected net revenue requirement to reflect the reduction in the income tax rate.<sup>186</sup> Ameren further explains that, because Ameren Illinois' formula rate template in Attachment O lacked a mechanism to allow Ameren Illinois to flow-back excess ADIT balances to customers, Ameren Illinois made an FPA section 205 filing in August 2017 proposing revisions to its formula rate template to include such a mechanism, which the Commission accepted.<sup>187</sup> Ameren states that Ameren Illinois was not required to make either of these filings but did so proactively to reflect changes in the Illinois state tax rate, the potential for passage of the TCJA, and then the decrease in the corporate income tax rate in its rates as much and as quickly as possible.<sup>188</sup>

110. In response to Southwestern's specific arguments concerning ensuring that the effects of the TCJA are fully captured, Ameren contends that any changes in ADIT resulting from the TCJA will be fully captured in the 2018 True-Up calculation, which will be posted by June 1, 2019. Ameren argues that the 2018 True-Up calculation is the remedy that its Commission-approved formula rate prescribes for these types of situations.<sup>189</sup>

111. Ameren contends that Southwestern has provided no basis for its claims with regard to the tax credit and NOL carryovers. Ameren concedes that the TCJA did make changes to the utilization of NOLs for corporate taxpayers and introduces a limitation on the amount of NOLs a corporation may deduct in a single tax year to 80 percent of taxable income, but Ameren contends that it is unaware of any changes to the tax credit carryforward rules as a result of the TCJA, as Southwestern alleges.<sup>190</sup>

---

<sup>186</sup> Ameren Response at 51 (citing *MISO Transmission Owners*, 162 FERC ¶ 61,217, at PP 13-17 (2018)).

<sup>187</sup> *Id.* at 52 (citing *Midcontinent Indep. Sys. Operator, Inc.*, 163 FERC ¶ 61,163 (2018)).

<sup>188</sup> *Id.*

<sup>189</sup> *Id.*

<sup>190</sup> *Id.* at 55-56

112. With regard to Southwestern's arguments concerning the elimination or limitation of deductions, Ameren argues that Southwestern's list contains several deductions that do not pertain to Ameren Illinois, such as the Orphan Drug credit, and the inclusion of these items demonstrates Southwestern's lack of understanding of the tax law changes.<sup>191</sup>

113. With regard to Southwestern's claim that Ameren Illinois may record the tax effects of such deductions to Account 190, Ameren argues that it appears that Southwestern is confusing permanent book-tax differences, which is what Southwestern listed in the 2018 Formal Challenge, with temporary book-tax differences. According to Ameren, for permanent book-tax differences that are expensed for financial statement purposes but are never deductible for tax purposes, no tax benefit is recorded. Ameren concludes that these items are not recorded to Account 190 and do not impact rate base.<sup>192</sup>

114. Southwestern answers that Ameren's response discusses TCJA issues but does not respond to any of Southwestern's proposed adjustments.<sup>193</sup>

**b. Commission Determination**

115. We dismiss the 2018 Formal Challenge with respect to issues related to the impact the TCJA on Ameren Illinois' rates. As an initial matter, we reject Southwestern's attacks on Ameren Illinois' Commission-approved formula rate as beyond the scope of a Formal Challenge. With regard to the TCJA's elimination or reduction of certain expense deductions for income taxes, we find that Southwestern has not demonstrated that Ameren Illinois included such deductions in its 2018 Projections.

The Commission orders:

(A) The 2018 Formal Challenge is hereby granted in part and denied in part, as discussed in the body of this order.

---

<sup>191</sup> *Id.* at 56-57.

<sup>192</sup> *Id.* at 57. Ameren notes that Ameren Illinois's formula rate now contains a mechanism in the Attachment O-AIC formula to reflect these permanent book-tax differences.

<sup>193</sup> Southwestern Answer at 16.

(B) Ameren Illinois is hereby directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.