



ATTORNEY GENERAL OF MISSOURI

JEFFERSON CITY

65102

JEREMIAH W. (JAY) NIXON  
ATTORNEY GENERAL

P.O. Box 899  
(573) 751-3321

July 3, 2002

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Public Service Commission  
Governor's Office Building  
Madison & E. Capitol  
Jefferson City, MO 65101

RE: Staff of the Public Service Commission v. Union Electric Company, d/b/a AmerenUE,  
Case No. EC-2002-1

Dear Judge Roberts:

Enclosed for filing in the above-referenced case are the original and 8 copies of the *State of Missouri's Statement of Positions*. Thank you for your attention to this matter.

Sincerely,

JEREMIAH W. (JAY) NIXON  
Attorney General

Ronald Molteni  
Assistant Attorney General

Enclosures

cc: All Parties on the Service List

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

Staff of the Missouri Public Service Commission,	)	
	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. EC-2002-1
	)	
Union Electric Company d/b/a	)	
AmerenUE,	)	
	)	
Respondent.	)	

**STATE OF MISSOURI'S  
STATEMENT OF POSITIONS**

The State of Missouri (the "State"), through the Attorney General, an intervenor in this case, sets forth its statement of positions through this filing. Because of course, additional evidence will be adduced at hearing through cross examination, the State reserves the right to change its position on any or all of the specific issues presented to the Commission for adjudication.

**LIST OF ISSUES  
AND POSITIONS THEREON**

1. Rate of Return: What rate of return should be used in determining the revenue requirement?

The State does not oppose the rate of return advocated by the Public Service Commission Staff, however, the State acknowledges that a slightly higher rate of return would not be unreasonable, dependent upon other factors such as the existence of profit sharing incentive bands, the amount of sharing credits, and the depth of rate reduction ordered by the Commission.

2. Depreciation:

A. Average Service Lives: What plant average service lives should be used in

determining depreciation rates?

The state of Missouri does not oppose the Staff's position on this sub-issue.

- B. Net Salvage: Should the net salvage for plant upon retirement be expensed or included in the calculation of depreciation rates? If treated as an expense, what amount should be included in cost of service for net cost of removal?

The state of Missouri does not oppose the Staff's position on this sub-issue.

- C. Depreciation Reserve Imbalance: Is it appropriate to amortize in rates any depreciation reserve imbalance? If so, should the imbalance be amortized over twenty years or forty years?

The state of Missouri does not oppose the Staff's position on this sub-issue.

- D. 4 CSR 240-10.020: Does 4 CSR 240-10.020 require any adjustment in this case for return on depreciation reserve? If so, what adjustment does 4 CSR 240-10.020 require?

The state of Missouri supports Staff's position on this sub-issue.

3. Weather Normalization Adjustments: What adjustments for weather should be made to normalize the impacts of weather on customer usage and revenues during the test year?

The state of Missouri supports Staff's position on this issue.

4. Non-Weather Normalization Adjustments: What adjustments for non-weather items should be made to normalize the impacts of these items on customer usage and/or revenues during the test year?

The state of Missouri supports Staff's position on this issue.

5. Customer Growth: What usage allowance for customer growth, if any, should be reflected in the determination of revenue requirement in this case?

The state of Missouri supports Staff's position on this issue.

6. Sulfur Dioxide (SO<sub>2</sub>) Allowance Revenues: What amount for revenues received from sulfur dioxide (SO<sub>2</sub>) allowance transactions should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

7. SO<sub>2</sub> Allowance Authority: Should the authority that Commission granted to UE in Case No. EO-98-401 to manage, within certain limits, its SO<sub>2</sub> emission allowances inventory

be modified as recommended by Public Counsel?

The state of Missouri supports the position of the Office of Public Counsel (OPC) on this issue.

8. Income Taxes: What amount for income taxes should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

8. (A). Deferred Income Taxes: Should certain accumulated deferred income taxes ("ADIT") be deducted in the determination of rate base?

The state of Missouri supports OPC's position on this sub-issue.

9. Energy Losses: What factor for energy losses should be used to account for energy losses that occur between the generation sources and customers' meters in UE's system, how should these losses be used and should different loss factors be used for different customer classes and jurisdictions supplied at different voltages levels?

The state of Missouri supports Staff's position on this issue.

10. Fuel and Purchased Power. What amount for fuel and purchased power costs for UE's native load should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

11. Test Year Production Expense. Should the starting point for determining test year production expense be the amounts reflected on UE's books for the twelve months ending June 30, 2001 or the twelve months ending September 30, 2001?

The state of Missouri supports Staff's position on this issue.

12. Test Year Revenues: Should the starting point for determining test year revenues be the amounts reflected on UE's books for the twelve months ending June 30, 2001 or the twelve months ending September 30, 2001?

The state of Missouri supports Staff's position on this issue.

13. Venice Power Plant Fire Normalization: What amount for costs related to the August 2000 Venice power plant fire should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

14. Capacity Purchases for Firm Retail and Wholesale Load ("native load"):

- A. Should the profits from UE's and Ameren Energy Generating Company (AEG)/Ameren Energy Marketing Company (AEM)'s off-system sales be allocated between UE and AEG/AEM according to the Joint Dispatch Agreement (JDA) on the basis of UE's and AEG/AEM's monthly load requirements, as proposed by UE, or on the basis of the contribution of UE's and AEG/AEM's share of monthly energy from resources jointly used to meet load requirements plus off-system sales, as proposed by Staff?

The state of Missouri supports Staff's position on this sub-issue.

- B. Should UE's reserve requirements for meeting its summer 2001 peak be treated as having been met by the contract between UE and AEG/AEM, as proposed by UE, or by the cost as if UE had built, operated and maintained combustion turbines identical to those brought on line by AEG at Columbia, Missouri and Pinkneyville, Illinois?

The state of Missouri supports Staff's position on this sub-issue.

- C. What amount for power capacity purchases for UE's native load, if any, should be included in cost of service?

The state of Missouri supports Staff's position on this sub-issue.

15. Allocations of Fuel and Purchased Power Costs: Should fuel and purchased power costs incurred on a joint dispatch basis be allocated pursuant to the current JDA or should they be allocated or assigned based upon proportional savings achieved by UE and AEG derived from considering savings each entity achieves relative to stand-alone dispatch costs?

The state of Missouri supports OPC's position on this issue.

16. Jurisdictional Allocations: Should UE's production/transmission plant and expenses be allocated among its Missouri retail operations, Missouri wholesale operations and Illinois operations on the basis of a 12 CP (coincidental peak) methodology, as proposed by the Staff, or a 4 CP methodology, as proposed by UE?

The state of Missouri supports Staff's position on this issue.

17. Interchange Sales Profit ("margin"): What amount for interchange sales profit (margin) should be used in the determination of revenue requirement?

The state of Missouri supports Staff's position on this issue.

18. Callaway Refueling: Should a normalization adjustment be made with respect to the refueling at the Callaway nuclear power plant? If so, what adjustment should be made?

The state of Missouri supports Staff's position on this issue.

19. Nuclear Supervision & Engineering Expense: What amount for nuclear supervision and engineering expenses should be included in cost of service?

The state of Missouri supports OPC's position on this issue.

20. Administrative & General Salaries: What amount for administrative and general salaries should be included in cost of service?

The state of Missouri supports OPC's position on this issue.

21. Payroll: What method should be used to calculate the amount for payroll expense to be included in cost of service?

The state of Missouri supports Staff's position on this issue.

22. Pension and OPEBs Expense: What amount should be included in cost of service for pension and other post-retirement employment benefit expenses?

The state of Missouri supports Staff's position on this issue.

22. (A). Should a rate base reduction be recognized for unfunded FAS 106 liability?

The state of Missouri supports Staff's position on this sub-issue.

23. Incentive Compensation: Should incentive compensation be included in cost of service? If so, what amount should be included?

The state of Missouri supports Staff's position on this issue.

24. Outside Services: What adjustments to outside services expense should be made, if any, in this case?

The state of Missouri supports OPC's position on this issue.

24. (A). Legal Fees: What amount for legal fees expense should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

25. Rate Case Expense: What amount for rate case expense should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

26. Post test-year security costs. Should amounts for security costs incurred after September 30, 2001 be included in this case? If yes, then what amount should be included in the cost of service

The state of Missouri supports Staff's position on this issue.

27. Cash Working Capital: What amount for cash working capital should be included in rate base?

The state of Missouri supports Staff's position on this issue.

28. Low-Income Customer Weatherization and Assistance Programs: Should an amount for low-income customer weatherization and assistance programs be included in cost of service? If so, what amount should be included?

The Department of Natural Resources' position is that \$1.2 million, with an additional \$ 1 million annually, for low-income weatherization and assistance programs should be included in the cost of service for the Company. Weatherization is a cost-effective way to help low-income families pay their energy bills year after year, reduces state and federal assistance needed to pay higher utility bills, reduces arrearages and helps reduce environmental pollution.

29. Energy Efficiency Services To Residential and Commercial Customers: Should an amount for energy efficiency services to residential and commercial customers be included in cost of service? If so, what amount should be included?

The Department of Natural Resources' position is that \$ 1.2 million, with an additional \$ 1 million, annually, for energy efficiency programs should be provided to residential and commercial customers and be included in the Company's cost of service. Cost-effective energy efficiency programs help mitigate the impact of fuel price volatility, reduce environmental pollution, reduce stress on the transmission and distribution systems, and keeps more money in the local economy rather than spending it on energy purchases.

30. Injuries and Damages: What amount for injuries and damages should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

31. Automated Meter Reading Expenses: What amount for expenses related to automated meter reading should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

32. Advertising: What amount for advertising expenses should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

33. Territorial Agreements: What adjustment to cost of service, if any, should be made to reflect the impacts of territorial agreements?

The state of Missouri supports Staff's position on this issue.

34. Midwest Independent System Operator: Should the exit fee Union Electric Company paid for withdrawing its membership in the Midwest System Operator be recovered from Missouri consumers? If so, what amount should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

35. Tree Trimming Expense: What amount for trimming trees should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

36. Dues & Donations: What amount for dues and donations should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

37. Uncollectibles: What allowance for uncollectible debt should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

38. Environmental Expense: What amount for environmental expense should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

39. Coal Inventory: Should the coal inventory allowed at the UE generation plants be determined by the generation needed to meet the Joint Dispatch Agreement or UE's load and what amount for coal inventory costs should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

40. Lobbying Expense: Should lobbying expense be included in cost of service? If so, how much?

The state of Missouri supports Staff's position on this issue.

41. Missouri Public Service Commission Assessment: What amount for the Missouri Public



Service Commission's annual assessment should be included in cost of service?

The state of Missouri supports Staff's position on this issue.

42. What applicability do Generally Accepted Accounting Principles (GAAP) have to (1) the use of cash v. accrual accounting, (2) the application of cost averaging and normalization practices, and (3) the exclusion of non-recurring items?

The state of Missouri supports Staff's position on this issue.

43. Class Cost of Service: How should UE's cost of service be assigned to the customer classes?

The state of Missouri does not oppose the Staff's position on this issue.

44. Rate Design: How should the Commission implement any revenue change it orders in this case and address proposed revisions to existing tariff riders?

The state of Missouri does not oppose Staff's position on this issue.

45. How could this complaint adversely affect the Company's union employees?

The state of Missouri does not take a position on this issue.

46. Time of Use Program: Should the Commission establish a collaborative committee to design and evaluate an experimental residential Time of Use ("TOU") program?

The state of Missouri supports OPC's position on this issue.

47. UE VERSION: Policy: In addition to "cost of service," what policy considerations should guide the Commission in deciding this case?

- A. Benefits of rate stability and reasonableness of UE's current rates compared to other utilities.
- B. Financial impact on UE of Staff's rate proposal.
- C. Implications of UE's infrastructure investment requirements.
- D. The adequacy of the traditional regulatory model in light of changing industry and economic conditions, and its ability to provide the flexibility and incentives to facilitate increases in operational efficiency.
- E. The reasonableness of Staff's rate of return and depreciation proposal compared to that which regulators have allowed in other jurisdictions.

The state of Missouri asserts that the Commission should be cognizant of policy considerations in deciding this case, and notes such policy considerations are built into many of the Staff's positions, either expressly or implicitly. The State also

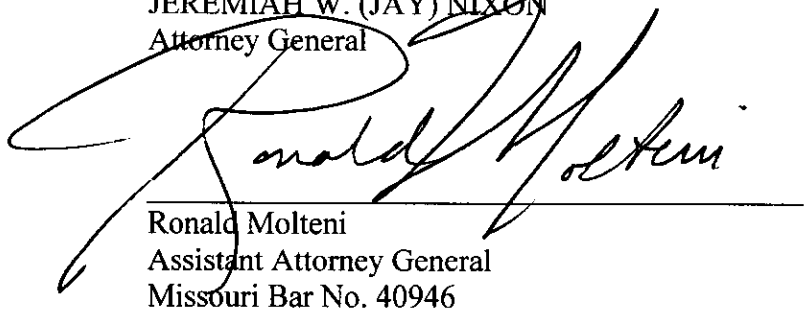
asserts that the Commission has a reasonable, but not limitless, degree of flexibility within its enabling statute that allows it to factor policy considerations into rating making, as it has historically done.

47. STAFF'S VERSION: UE's Alternative Regulation Plan: Should the Commission adopt UE's alternative regulation plan in lieu of establishing rates by traditional ratemaking principles and regulating UE on a traditional cost-of-service basis, as proposed by the Staff and Public Counsel?

The state of Missouri opposes the Commission's adoption of the proposed alternative regulation plan sponsored by UE in its testimony. The State does not categorically oppose incentive based regulation that is designed to address the rights and needs of utility consumers regarding rates and service and designed to fit within the Commission's statutory authority.

Respectfully submitted,

JEREMIAH W. (JAY) NIXON  
Attorney General



Ronald Molteni  
Assistant Attorney General  
Missouri Bar No. 40946

Shelley Woods  
Assistant Attorney General  
Missouri Bar No. 33525

Supreme Court Building  
221 West High Street  
P.O. Box 899  
Jefferson City, MO 65102  
Telephone: 573-751-3321  
Telefax: 573-751-0774  
e-mail: ronald.molteni@mail.ago.state.mo.us  
shelley.woods@mail.ago.state.mo.us

Attorneys for State of Missouri

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, by United States mail, on this 3rd day of July, 2002 to:

Steve Dottheim  
Dennis Frey  
General Counsel's Office  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

John Coffman  
Public Counsel  
Governor Office Building, Suite 650  
Jefferson City, MO 65101

James Cook  
Steven Sullivan  
Union Electric Company  
1901 Chouteau Avenue  
P.O. Box 66149 (MC 1310)  
St. Louis, MO 63166-6149

Robert Cynkar  
Victor J. Wolski  
Cooper & Kirk  
1500 K Street, N.W., Suite 200  
Washington, D.C. 20005

Robin E. Fulton  
Scott Reid  
Schnapp, Fulton, Fall Silver & Reid  
P.O. Box 151  
135 E. Main St.  
Fredericktown, MO 63645

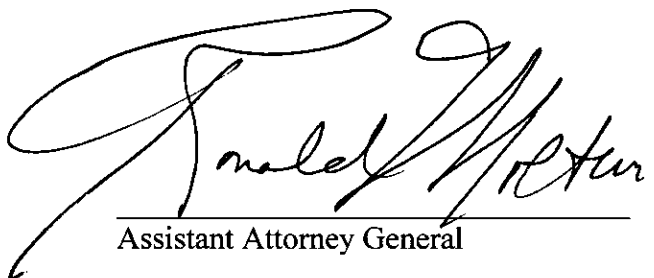
Diana M. Schmidt-Vuylsteke  
Bryan Cave LLP  
211 N. Broadway, Suite 3600  
St. Louis, MO 63102-2750

Robert C. Johnson  
Lisa Langeneckert  
720 Olive St., 24<sup>th</sup> Floor  
St. Louis, MO 63101

James M. Fischer  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City, MO 65101

Samuel E. Overfelt  
Law Offices of Samuel E. Overfelt  
618 East Capitol Ave.  
P.O. Box 1336  
Jefferson City, MO 65102

Michael Pendergast  
General Counsel  
Laclede Gas Company  
720 Olive Street  
St. Louis, MO 63101



Assistant Attorney General