BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a	)	
AmerenUE for Authority to File Tariffs Increasing	)	Case No. ER-2007-0002
Rates for Electric Service Provided to Customers	)	
In the Company's Missouri Service Area.	)	

POST-HEARING BRIEF OF THE MISSOURI ENERGY GROUP

On July 10, 2006, Union Electric Company, d/b/a AmerenUE ("AmerenUE" or "Company") submitted to the Missouri Public Service Commission ("Commission") certain proposed tariff sheets to implement a general rate increase for retail electric service to customers in its Missouri service area.

In its Order Adopting Procedural Schedule and Test Year issued September 12, 2006, the Commission established April 18, 2007 as the deadline for posthearing briefs. A subsequent Commission Order dated March 30 extended the post-hearing brief deadline to April 20, 2007. This brief only addresses issues raised by the Missouri Energy Group ("MEG") that were not settled with any of the Settlement Stipulations in this case, including the Nonunanimous Stipulation and Agreement Concerning Class Cost of Service and Certain Rate Design Issues filed March 22, 2007 to which the MEG was a signatory.

Return on Equity

What return on equity should be used in determining revenue requirement?

AmerenUE should receive a return on equity that takes into account its lower risk due to several risk-mitigating factors (see LaConte Direct, Ex. 551, pp.2-13). One example of

AmerenUE's lessened risk is the availability of the Fuel Adjustment Clause ("FAC") under 386.266.4(1) RSMo, which allows AmerenUE to apply to the Commission to request a FAC when it is necessary for AmerenUE to earn a fair return on equity. In addition, 97 percent of AmerenUE's generation comes from coal and nuclear generation, fuels that are far less volatile than natural gas and purchased power (Id., p. 10). AmerenUE is a monopoly that operates in a regulated environment and has no risk of competition (Id., p. 15).

This hearing had much discussion about the "zone of reasonableness" analysis used by this Commission in the recent KCPL case and related Exhibit 270 (Tr. 2815 et seq.). The MEG recommends that the Commission retain the same zone of reasonableness analysis for this case (Tr. at 2944). The MEG believes that the ROE proposed by MIEC Witness Gorman of 9.8 percent (Gorman Direct, Ex. 705 at 2, Tr. at 2936) allows the Company a fair and equitable return that will preserve its bond rating while at the same time recognizes the reduced risk faced by AmerenUE. Futhermore, a 9.8 percent ROE falls squarely within the Commission's zone of reasonableness."

<u>Off-System Sales</u>

Should any tracking or sharing of changes in off-system sales margins be implemented?

If the Commission *rejects* the Company's proposed FAC, then the Commission should use an Off-System Sales ("OSS") sharing mechanism that has a base set at $200 million as discussed by AmerenUE witnesses Baxter and Lyons (Tr. at 194, 450, 571) and is progressive to the utility (See LaConte Direct, Ex 551, p. 16).

If the Commission *accepts* the Company's proposed FAC, the Commission should use the sharing mechanism proposed by MIEC witness Brubaker (see Brubaker Surrebuttal, Ex. 704, p. 4). AmerenUE's proposed sharing mechanism (see Lyons Direct, Ex. 21, p. 22) should be rejected as it is inequitable. Under AmerenUE's plan, if AmerenUE reduces its fuel costs it shares in the savings, but if its fuel costs are higher than projected, all of the higher fuel costs are passed on to customers. (Tr. at 575)

Rate Design

Should AmerenUE have an Industrial Demand Response program? If so, what should be the parameters of the program

This Commission should approve AmerenUE's proposed IDR with the following changes:

(a) increase the demand credit to \$3.33/kW per month
(b) modify the start date to enable customers to sign up immediately upon Commission approval of the tariff
(c) extend the length of the pilot to at least 3 years
(d) require than any interruption less than an hour be counted as an hour
(e) notice period for the impending interruption should be no less than 60 minutes
(f) a full evaluation of the IDR pilot at the end of the pilot period

Increase the Demand Credit to \$3.33/kw per Month

AmerenUE should base its interruptible credit on avoided costs of purchasing peaking capacity (Hanser Surrebuttal, Ex. 24, p. 12, ll. 18-19, LaConte HC Direct, Ex. 553, p. 3, ll. 10-11 and p. 4, ll. 1-9). A credit in the mid-range of acceptable is \$3.33/kW per month. The calculation of the range of acceptable credits can be found in Schedule BSL-1 to LaConte HC Direct, Ex. 553.

Modify the Start Date

AmerenUE's initial IDR tariff filing reflected a start date of June 1, 2007 (Mill Direct, Ex. 27, Schedule RJM 3-3). In discussion on the record, AmerenUE Witness Mill agreed that the start date of the tariff was unworkable given a rate case that went to a Commission decision and agreed to move the start date to July 1 and the end date to June 30, 2009 to allow for a full two-year pilot (Tr. at 4160).

Extend the Length of the Pilot

A three-year pilot would be a better barometer of customer interest than one that only lasts two years. To participate in the IDR pilot, large-use customers will likely have to make alterations to their business practices. These customers are much more likely to be willing to make these alterations with a three-year commitment to the pilot from AmerenUE to ensure that they will receive credits adequate to offset any costs for such equipment (Laconte Surrebuttal, Ex. 554 at 11, ll. 8-14). There should be no costs associated with a properly structured IDR tariff—in fact, one would lower AmerenUE's costs by allowing it to avoid the costs of purchasing peaking capacity. As noted by AmerenUE witness Hanser to the extent that customers provide a reduction in fixed costs, that benefit gets passed on to other customers (Tr. at 3880-3881).

Require any Interruption Less than an Hour to be Counted as an Hour

On the record, Mr. Mill indicated that it would be unlikely that AmerenUE would curtail customers for something less than an hour (Tr. at 4074-4075, 4159). The ensure that customers do not have to endure multiple curtailments of minimum length, it would be more likely that customers would be willing to sign up for a pilot that counted any interruption less than an hour as a one-hour interruption.

Notice Period for Interruption Should be No Less than 60 Minutes

A longer notice period would be more desirable to large-use customers to enable them to properly prepare for the interruption.

A Full Evaluation of the IDR Pilot at the End of the Pilot

On the record, Mr. Mill indicated that AmerenUE would agree to a full analysis of the IRP pilot upon its completion, including surveying customers to indicate why they did not participate in the program (Tr. at 4158-4159).

While the MEG sees a value in including and analyzing demand-side management in the IRP workshop, the workshops are not a forum for setting rates (LaConte Surrebuttal, Ex 554 at 12. The analysis of the three-year pilot would be helpful to the IRP process by showing how many customers would be willing to sign up for an interruptible rate with reasonable credits and parameters As noted by Witness Hanser (Hanser Direct, Ex. 23, p. 16, ll. 13-14), IDR-type rates are very common throughout the U.S. and are encouraged by the regional transmission organizations.

Respectfully Submitted,

THE STOLAR PARTNERSHIP LLP

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CERTIFICATE OF SERVICE

Pursuant to 4 CSR 240-2.080 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day caused a copy of the foregoing to be served on all persons on the official service list in Docket No. ER-2007-0002 by electronic means or by U.S. mail, postage prepaid.

Dated at St. Louis, Missouri this 20th day of April, 2007

Langeneckert

Lisa C. Langeneckert