BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filings of Union	)	
Electric Company, d/b/a Ameren Missouri, to	)	Case No. ER-2011-0028
Increase Its Revenues for Retail Electric Service.	)	

AMEREN MISSOURI'S POSITION STATEMENTS

The following are Ameren Missouri's Position Statements on the contested issues which will come before the Commission for resolution:

1. Overview and Policy:

A. What "cost of service" and/or regulatory policy considerations, if any, should guide the Commission's decision of the issues in this case?

The Commission should set just and reasonable rates for Ameren Missouri that will allow the Company to recover its prudently incurred expenses and permit it a reasonable opportunity to earn a fair return on its investment. In making these determinations, the Commission should provide mainstream ratemaking treatment with regard to the Company's fuel adjustment clause, return on equity, and other cost of service items. The Commission should consider the impact that its ratemaking decisions have on the Company's access to capital, and its ability to invest in its facilities to provide the level of reliability that customers demand. Finally, the Commission should take steps where possible to mitigate the impact of excessive regulatory lag.

B. Can the Commission consider and rely on the testimony of ratepayers at local public hearings in determining just and reasonable rates? If so, how should the Commission take this testimony into account, if at all?[1]

The Commission can and should consider the testimony of witnesses at the local public hearings, particularly with respect to billing and service-related issues that reflect on the quality

[1] The Company agrees the Commission can consider ratepayer testimony from local public hearings. The Company does not believe this is an "issue" that requires any resolution by the Commission in this case or that properly belongs on the "list of issues."

of service the Company provides. However, general testimony about the difficulty individual customers have paying their electric bills should not be a consideration in establishing cost of service rates. This testimony is relevant to customer assistance programs provided by the Company, as well as government agencies, to protect the most vulnerable customers.

2. Storm Costs/Vegetation-Infrastructure Trackers

A. Vegetation-Infrastructure:

(1) Should the Commission authorize Ameren Missouri to continue the current tracking mechanism for vegetation management and infrastructure inspections?

These costs are incurred because of the Commission's rules on vegetation management and infrastructure inspections. Because the Company has not yet completed its first cycle of vegetation management or infrastructure inspections under the new rules and because these costs are expected to increase, it is premature to end the trackers. This is a question which should be revisited by the Commission after one complete cycle has been completed.

B. Storm Costs:

(1) How should the Commission calculate Ameren Missouri's normalized, non-labor storm costs to be included in the revenue requirement for ratemaking purposes?

The Commission should set an average amount in rates. This average should be calculated without excluding any of the costs associated with major storms which Ameren Missouri is recovering through an AAO. Looking at the last forty-seven months of storm expense (April 2007 through February 2011), the annual average is $7,096,592.

(2) Should the difference between the amount of non-labor storm costs that Ameren Missouri incurred during the true-up period and the normalized level of non-labor storm costs included in the revenue requirement for ratemaking purposes be amortized over five (5) years or should that difference be included in the normalized costs used for ratemaking purposes?

The difference between the actual storm costs for the twelve months ended February 28, 2011 of $8,133,738 and the forty-seven month average storm costs of $7,096,592, or $1,037,146, should be amortized over five years, consistent with the Commission's treatment of storm costs in Ameren Missouri's last two rate cases.

3. Sioux Scrubbers: Should the Commission allow in rate base $31 million in cost increases ($18 million in construction costs and $13 million in AFUDC) that were incurred as a result of Ameren Missouri's decision to temporarily suspend construction of the Sioux Plant Wet Flue Gas Desulfurization Project due to the Company's concerns about conditions in the financial markets during the period commencing in late 2008 and continuing into early 2009?

Yes. The financial crisis of late 2008 and early 2009 was real. While Staff admits that Ameren Corporation (Ameren) and Ameren Missouri were limited in their access to the commercial paper market in the fall of 2008 due to both a Moody's downgrade of their short-term credit ratings in August 2008 and the credit crisis in the fall of 2008, Staff fails to appreciate the true extent and severity of the financial crisis. In addition, Staff fails to understand the impact of this crisis on Ameren's and Ameren Missouri's liquidity in light of valid concerns about their inability to access both short-term credit facilities and long-term capital markets. Finally, Staff illogically relies upon the ability of Ameren and Ameren Missouri to issue long-term capital in 2009 to suggest that the concerns of Ameren and Ameren Missouri in the fall of 2008 were not justified.

Ameren Missouri, as a regulated utility providing service to retail customers, has an obligation to provide that service at all times. As is common for utilities, which by nature require large sums of capital for operations, when the financial crisis arose, Ameren Missouri was operating in a negative free cash flow situation, meaning that Ameren Missouri relied upon access to short-term debt (liquidity) to fund its day-to-day operations. The commercial paper market is one type of short-term debt, but at this time Ameren Missouri had no access to the

commercial paper market due to the financial crisis. The other key source of short-term liquidity is via credit facilities – essentially lines of credit funded by a consortium of lenders. However, the viability of Ameren Missouri's access to the credit facilities that were in place was in doubt at this time. Lehman Brothers, which had $171 million of the $540 million available under Ameren Missouri's credit facility filed bankruptcy, calling $171 million of the credit facility into question. Because other lenders were holding on to cash that they had, instead of being willing to lend it, the other lenders participating in the credit facility did not step in and agree to cover this $171 million, but rather, only agreed to cover $50 million of it, which effectively reduced the funds available by $121 million. Moreover, another one of the participants in the facility – Wachovia – was teetering on the brink of failure at this time, only to be later rescued when Wells Fargo Bank bought Wachovia.

At the time, Ameren Missouri had serious concerns about whether *

*. To mitigate those concerns, Ameren Missouri, like the entire utility industry as well as most other industries, reduced near-term capital expenditures in order to preserve cash. In October 2008, Ameren and Ameren Missouri investigated ways to reduce capital expenditures, primarily by focusing on reductions in larger projects that could be made quickly, had minimal impact on employees, did not impact safety, would not result in the violation of any law or regulation, did not impact the actual delivery of utility service to customers, and involved heavy use of contractors. The Company first reviewed and categorized capital spending and major operations and maintenance (O&M) spending for the fourth quarter 2008 and for 2009 as mandatory or deferrable and then developed a contingency plan. Because of the market uncertainty and the need to increase liquidity— particularly in light of a seasonal liquidity squeeze anticipated to occur in January 2009, in the fall of 2008 Ameren

Missouri ordered a reduction in capital expenditures classified as deferrable, which resulted in the deferral of all 2009 plant outages and plant upgrades, a delay in construction of the Sioux WFGD Projects (a delay of Ameren Energy Generating Company's Coffeen WFGD Project also occurred), a reduction in the undergrounding portion of the Power On initiative expenditures, the deferral of some fleet acquisitions, and deferral of certain Energy Delivery Technical Services capital projects. In all, Ameren Missouri put in place a plan to reduce its capital expenditures by approximately $420 million through 2009. And while issuing long-term debt at this time would not have eliminated Ameren Missouri's need to reduce expenditures to ensure an adequate level of liquidity to allow it to provide service, *

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Fortunately, the financial crisis began to ease somewhat more quickly than first thought, so that Ameren Missouri was able to ramp the work on the Sioux WFGD project in early 2009, after Ameren and Ameren Missouri had successfully taken steps to improve their liquidity position. In addition to the increased availability of cash resulting from the deferral of capital expenditures and certain O&M costs, Ameren Corporation reduced its dividend by 39%, and reduced executive compensation. This in turn reduced the cash contributed by Ameren Missouri to Ameren for funding the now-lower Ameren dividend. Also at the time the decision to ramp construction back up was made, efforts were under way to raise cash through Ameren Missouri's issuance of $350 million of long-term debt, which ultimately occurred in March 2009. While this additional cash also improved the liquidity of Ameren Missouri; obviously, its availability in March 2009 (and the availability of common equity to Ameren several months later in September 2009) was irrelevant to the decisions facing Ameren and Ameren Missouri in the fall

of 2008—a point in time when it was unknown whether the financing could be accomplished or, if so, at what cost—despite the Staff's opinion otherwise.

Incredibly, the Staff, via the testimony of Staff auditor Roberta Grissum (an accountant, not a person with expertise in financing, and having no experience or expertise in evaluating the liquidity needs of a utility with more than 1 million customers) asserts that the Company had sufficient access to liquidity when the financial crisis was at its height, and that consequently the increased costs associated with the decision to slow down construction at Sioux should be disallowed. We say incredibly, because Ms. Grissum had performed no analysis, indeed, had no way of knowing how much liquidity Ameren Missouri needed. We ask: if the Staff doesn't know how much liquidity was needed, how can it claim that the Company had enough of it? The answer to that question is obvious.

As the Commission recently reiterated in its Report and Order in Case No. ER-2010-0355, where the prudence of air quality improvements at KCP&L's Iatan 1 plant and the addition of KCP&L's Iatan 2 unit were reviewed, a utility's expenditures are presumed to be prudent. *State ex rel. Associated Natural Gas v. Public Serv. Comm'n*, 984 S.W.2d 520, 528-29 (Mo. App. W.D. 1997). The burden is on other participants to create a serious doubt about that prudence in order to rebut the presumption. *Id.* Prudence cannot be based upon hindsight; rather, the company's conduct is to be judged by asking "whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. In effect, [the commission's] responsibility is to determine how reasonable people would have performed the tasks that confronted the company." *Id.* Stated another way, "did management use due diligence to address all relevant factors and information known or available to it when it assessed the situation." *In the matter of*

Union Electric Co, 27 Mo.P.S.C. (N.S.) 183, 194 (1985) *(quoting Anaheim Riverside, etc. v. Federal Energy Regulatory Commission,* 669 F.2d 779 (D.C. Cir. 1981)) (citations omitted).

In summary, the Commission must put itself in the Company's shoes. Staff's theory is that the financial crisis did not warrant the Company taking the steps it took to improve its liquidity. The Sioux WFGD project was by far the largest capital project at Ameren Missouri at this time. If significant capital expenditure cuts were to be made, that project had to be deferred or slowed down. The Company determined that it could not take the chance that it would * *. Consequently, knowing what it knew, and faced with the situation it faced, the Company reasonably and prudently slowed down the project and, when it had been able to shore-up its liquidity, it ramped the project back up. This increased the project costs by $31 million, but that increase was prudent and reasonable. Consequently, this $31 million of costs should be included in rate base.

4. Energy Efficiency/Demand Side Management (DSM):

A. Is Ameren Missouri in compliance with the Missouri Energy Efficiency Investment Act (MEEIA) regardless of whether or not proposed rules under the law are effective?

The Company's request before the Commission complies with the requirements of the MEEIA statute. The Commission's rules implementing MEEIA are not yet effective and are currently under appeal. The purpose of MEEIA is clearly set out in the statute:

> It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs. In support of this policy, the commission shall:
> (1) Provide timely cost recovery for utilities;
> (2) Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and
> (3) Provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings. 393.1075.3 RSMo.

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The Commission should act consistent with MEEIA to provide Ameren Missouri with the mechanisms necessary to align the Company's financial incentives with helping our customers use energy more efficiently. This rate case offers the best opportunity to strike this balance and the Commission should not wait to take the steps necessary to encourage energy efficiency in Missouri.

(1) What DSM programs should Ameren Missouri continue and/or implement, and at what annual expenditure level; and

(2) Should Ameren Missouri continue to ramp up its demand side management programs to pursue all cost-effective demand side savings?

The Commission should approve Ameren Missouri's request to continue its current demand-side management (DSM) programs through the end of 2013 along with granting it the billing unit adjustment mechanism proposed by Company witness Bill Davis. These programs, at the expenditure level anticipated by the Company, creates savings that the Company considers to be at the "all cost-effective" level.

B. Does Ameren Missouri's request for demand-side management programs' cost recovery in this case comply with MEEIA requirements?

(1) Should the Commission approve a cost recovery mechanism for Ameren Missouri DSM programs as part of this case? If so,

(a) Over what period should DSM program costs incurred after December 31, 2010, be amortized?

(b) Should the mechanism include an adjustment to kWh billing determinants?

(c) How much should the Commission reduce the billing determinants? and

(d) If billing units are adjusted for demand side savings, how should the NBFC rates be calculated?

The Commission must approve a cost recovery mechanism in this case or the Company will be unable to continue its strong investment in DSM programs. Specifically, DSM costs incurred after December 31, 2010 should be amortized over six years, consistent with previous Commission orders. In addition, the Commission should approve the billing unit adjustment mechanism proposed by Company witness Bill Davis. This is the only mechanism which has the ability to offset the throughput disincentive. Removing the throughput disincentive is the key to providing Company management the ability to increase the Company's investment in energy efficiency programs. Billing determinants should be reduced by 250,951 MWh for the residential class and by 227,678 MWh for the business classes. The Net Based Fuel Cost (NBFC) calculation is not impacted by the proposed billing unit adjustment.

C. Should a portion of the low income weatherization program funds be utilized to engage an independent third party to evaluate the program?

The Department of Natural Resources (DNR) should set aside a portion of the low income weatherization programs funds to engage an independent third party to evaluate the program and those results should be reported back to Ameren Missouri, the Commission Staff and the OPC. Ameren Missouri has been funding this program and using DNR as the administrator for several years and a process evaluation has not been completed. A process evaluation assesses the effectiveness of the program implementation processes and would be an appropriate use of a portion of the funds which Ameren Missouri provides to DNR each year.

5. Taum Sauk: What amount, if any, of Ameren Missouri's investment related to the reconstruction of Taum Sauk should be included in rate base for ratemaking purposes?

Ameren Missouri proposes to include in rate base approximately $90 million of the approximately $498 million in reconstruction costs for the upper reservoir of the Taum Sauk Plant. The amount proposed for inclusion in rate base is less than the value of enhancements to

the new facility, which will provide benefits to customers for decades to come. It is also less than the cost of repairs and/or reconstruction of the facility which would have been necessary in the absence of the December 2005 breach. Finally, the amount proposed for inclusion in rates represents "allowed costs" as defined in the Company's settlement with the state of Missouri, and recovery of those costs is entirely consistent with that settlement.

6. Municipal Lighting: What is the appropriate ratemaking treatment for Ameren Missouri's street lighting classes in this case?

The lighting rates should be increased as proposed by Company witness Phillip Difani. This proposal applied the system average increase to the Lighting Class as a whole. Then, based on the Lighting Study, the Company proposed a tiered increase limited to 20% for the 6M class and 9.7% for the 5M class. In addition, the Company proposes elimination of the Pole and Span charge from its street lighting tariffs.

7. Cost of Capital: What return on equity should be used to determine Ameren Missouri's revenue requirement in this case?

The Commission should adopt a return on equity (ROE) of 10.70 percent as set forth in the recommendations and updated analysis in the surrebuttal testimony of Mr. Robert B. Hevert. Based on the updated results and additional analysis described in his surrebuttal, Mr. Hevert recommends that the Commission adopt a cost of equity in the range of 10.40 percent to 11.25 percent. In developing his recommendations, Mr. Hevert applied two forms of the Discounted Cash Flow (DCF) model, two forms of the Capital Asset Pricing Model (CAPM), and the Risk Premium approach.

The Commission must draw primary guidance in the evaluation of expert testimony on ROE from the Supreme Court's *Hope* and *Bluefield* decisions. Under the principles established in those cases, the Company's allowed return must be (1) adequate to attract capital at reasonable

terms, thereby enabling it to continue to provide safe and reliable electric service; (2) sufficient to ensure its financial integrity; and (3) commensurate with returns on investments in enterprises having corresponding risks. As the Commission recently affirmed in Case No. ER-2010-0355 (p. 122), "[t]he language of *Hope* and *Bluefield* unmistakably requires a comparative method, based on a quantification of risk."

Mr. Hevert's recommended ROE is reasonable based on (1) the national average of authorized ROE for integrated electric utilities over the last twelve months (10.30 percent); (2) the average authorized ROE over the past twelve months among the states neighboring Missouri (10.23 percent); (3) the Company's regulatory risks associated with operating in Missouri relative to the proxy group of companies used by Mr. Hevert in his analysis; and (4) the risks associated with the Company's ownership of significant coal-fired generating resources.

The returns on equity authorized for integrated electric utilities by other state commissions should be considered because Ameren Missouri competes for capital with utilities operating in other states. The Commission has a legal obligation to set the Company's allowed ROE so that the "return to the equity owner . . . [is] commensurate with returns on investments in other enterprises having corresponding risks." *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 503 (1944) (citations omitted). According to the methodology reaffirmed in the Commission's Order in Case No. ER-2010-0355 (p. 122), the "Zone of Reasonableness" established by reference to the 100 basis point range above and below the recent national average ROE for integrated electric utilities is 9.30 percent to 11.30 percent.

The ROEs recommended by Mr. Gorman (9.90 percent) and Mr. Murray (8.75 percent) cannot be rationalized in the context of recently authorized ROEs. Of the 35 proceedings in which an ROE was authorized for an integrated electric utility over the past twelve months only

four were at or below Mr. Gorman's revised recommendation. Mr. Murray's recommendation is 92 basis points below the lowest return. The high end of Mr. Murray's recommended range (9.25 percent) does not even meet the low end of the 100 basis point Zone of Reasonableness relied upon by the Commission in Case No. ER-2010-0355 or established by reference to the twelve month average of authorized ROEs for integrated electric utilities. While the Zone of Reasonableness includes the recommended ranges of all ROE witnesses in this proceeding except Mr. Murray, over the recent twelve-month period, there were no observed ROE awards as low as 9.30 percent. Although Ms. LaConte's recommendation of 9.7 percent to 10.0 percent is at the low end of her range, she agrees that an ROE as high as 10.6 percent would be reasonable.

Based on the filed capital structure and a return on equity of 10.70 percent, the weighted average cost of capital (WACC) would be 8.354%.

8. Fuel Adjustment Clause Issues:

A. Should the Commission authorize Ameren Missouri to continue its current Fuel Adjustment Clause (FAC) or should the Commission discontinue or order modifications to the FAC?[2]

The Commission should continue Ameren Missouri's FAC in substantially its current form. The Company has proposed several "housekeeping" changes reflected in Schedule LMB-ER4, attached to the rebuttal testimony of Ameren Missouri witness Lynn M. Barnes, which we believe are generally consistent with the changes Staff has proposed.

B. Should the sharing percentage in Ameren Missouri's FAC be changed from 95/5 percent to 85/15 percent?

Ameren Missouri's sharing percentage should remain at 95/5 percent. Ameren Missouri has numerous incentives to act prudently with respect to its net fuel costs, it has never acted

[2] The Company does not believe that this issue has properly been raised in this case, nor that it is an issue that requires resolution by the Commission in this case. Other parties disagree.

imprudently with regard to those costs, and consequently it is unnecessary to increase the sharing percentage. Increasing the Company's sharing percentage is also inappropriate because it would effectively require Ameren Missouri to absorb a greater amount of prudently incurred net fuel costs between rate cases. Finally, changing the sharing percentage would significantly diminish the value of the FAC as a cost recovery mechanism from the standpoint of the Company, its investors and its creditors.

C. Should the length of the recovery periods for the FAC be reduced from twelve (12) months to eight (8) months?

Yes. Reduction of recovery period would help mitigate excessive regulatory lag built into the FAC.

D. Should the Company have the ability to adjust the FPAC rate for errors in calculations that may have occurred since the FAC Rider was granted to Ameren Missouri?

Yes. The tariff should permit the ability to correct errors, whether the correction benefits customers or the Company, so that an accurate amount of net fuel costs is reflected in rates.

E. What is the appropriate tariff language to reflect any modifications or clarifications to Ameren Missouri's FAC?

The appropriate tariff language is reflected in Schedule LMB-ER4.

9. LED Lighting: Should the Commission order Ameren Missouri, not later than twelve (12) months following the effective date of the Report & Order in this case, to complete its evaluation of LED SAL systems, and, based on the results of that evaluation, either file a proposed LED lighting tariff(s) or indicate why such tariff(s) should not be filed?

It is premature for Ameren Missouri to commit to filing an LED lighting tariff. The Company is currently participating in an EPRI LED streetlighting pilot, the results of which may not be known within the next twelve months. Until the results of the pilot are known, it would be imprudent for the Company to agree to file a LED tariff.

10. Solar Rebates Accounting Authority Order (AAO):

A. What is the appropriate method -- RESRAM or an Accounting Authority Order (AAO) -- for Ameren Missouri to recover the costs it incurs for compliance with the Missouri Renewable Energy Standard (RES) after the true-up date in this case (February 28, 2011)?

It is appropriate for the Commission to authorize Ameren Missouri to use an AAO for the costs it incurs for compliance with the RES after the true-up date in this case. The Commission's RES rules, found at 4 CSR 240-20.100(6)(D), specifically allow for this treatment as an alternative to the RESRAM mechanism.

B. If the Commission determines that an AAO is appropriate, should the Company be authorized in this case to implement an AAO to recover the costs it incurred for compliance with the RES before the true-up date in this case?

The Commission should allow Ameren Missouri to recover the costs it incurred for compliance with the RES prior to the true-up date in this case. These expenditures are a new requirement, set out by state statute, and no amount had been previously included in the Company's rates for this cost. This treatment is consistent with the treatment Commission provided for the compliance costs involved with its vegetation management and infrastructure inspection rules.

C. What amount of solar rebate costs should Ameren Missouri be allowed to include in the revenue requirement used to set rates in this case?

The Commission should build into rates the amount paid through February 28, 2011.

11. Union Issues:

A. Does the Commission have the authority to order Ameren Missouri to do the following:

(1) Institute or expand its training programs within specified time periods as a means of investing in its employee infrastructure?
(2) Hire specific additional personnel within specified time periods as a means of investing in its employee infrastructure
(3) Submit to a tracker for its energy delivery distribution system?

(4) Submit to a tracker to address the need and efforts to replace the aging workforce?

(5) Expend a substantial portion of the rate increase from this proceeding on investing and re-investing in its regular employee base in general, including hiring, training and utilizing its internal workforce to maintain its normal and sustained workload?

(6) Use a portion of the rate increase from this proceeding to replace equipment, wires and cable which have out lived their anticipated life?

The determination of the number and mix of employees and the decisions to invest in specific facilities are matters within the Company's management discretion, and since the Commission is not allowed to manage the business of the utility, the Commission does not have the legal authority to require the Company to hire additional employees or to require the Company to spend a substantial portion of any rate increase on "investing or re-investing" in its employees or specified facilities.

B. If the Commission does have the authority, should it order Ameren Missouri to take one or more of the steps listed above?

For the reasons given above, the Commission has no authority to order any of the requested relief.

12. Property Tax:

A. What amount of property tax expense relating to the Sioux Scrubbers and the Taum Sauk additions the Company seeks to put in rate base in this case should the Commission include in Ameren Missouri's revenue requirement for ratemaking purposes?

Ameren Missouri should be permitted to recover the full amount of property tax currently being accrued for the Sioux Scrubbers and Taum Sauk additions—approximately $10 million.

B. Should the Commission order Ameren Missouri to return to its customers any reductions that the Company receives in its 2010 property taxes?

Ameren Missouri does not believe it is appropriate to adjust property taxes for increases or decreases that occur after rates are set. Any reduction in property taxes would likely be offset by increases in rate base and potentially other costs. However, if the Commission requires

Ameren Missouri to return to customers any reductions that it receives in its 2010 property taxes, it should also permit the Company to collect from customers any increases that it incurs in property taxes.

13. Rate Design/Class Cost of Service

A. Class Cost of Service:

(1) Which of the proposed class cost of service methodologies – the 4 NCP–A&E methodology, the Base Intermediate-Peak methodology, or the 4P-P&A methodology – should the Commission use in this case to allocate Ameren Missouri's investment and costs among the Company's various rate classes?

The four non-coincident peak (4 NCP) version of the Average and Excess (A&E) demand methodology should be used to allocate the Company's investment and costs among the various rate classes. In Ameren Missouri's most recently adjudicated rate case, Case No. ER-2010-0036, this is the methodology that the Commission concluded was most reliable.

(2) What methodology should the Commission use in this case to allocate Ameren Missouri's fixed production plant investment and operation and maintenance costs?

The Company proposes that the Commission use the 4 NCP version of the A&E demand methodology because that methodology gives appropriate weight to both class peak demands and class energy consumption. Compared to the other methods proposed in this case, the Company's proposed methodology is more balanced in its consideration of both the energy and excess demand requirements for serving each customer class. This is the same methodology that the Commission adopted and used in Case No. ER-2010-0036 and it would be desirable to maintain consistency in this and future cases as long as there are no material changes in the load characteristics of Ameren Missouri's system.

B. Rate Design:

(1) To what extent should the Commission rely on the results of a class cost of service study in apportioning revenue responsibility among Ameren Missouri's customer classes in this case?

The cost-based results of the Company's Class Cost of Service Study (CCOSS) are the appropriate starting point for designing electric utility rates. This is true for three reasons. First, establishing equal class rates of return, which is the objective of the CCOSS, promotes equity and fairness among all customer classes. Second, cost-based rates support the goal of encouraging customers to make cost-effective decisions regarding their energy use. And third, cost-based rates allow the Company to compete effectively with alternative fuels.

However, other factors also influence rate setting decisions, and based on its judgmental weighting of all relevant factors Ameren Missouri is proposing rates in this case that represent a departure from the cost-based results of the CCOSS. The Company recommends that any rate increase authorized by the Commission in this be allocated to all rate classes on the basis of an equal percentage across-the-board increase based on current revenue levels.

(2) What amount of increase or decrease in the revenue responsibilities of Ameren Missouri's customer classes should the Commission order in this case?

In addition to the general considerations described above, Ameren Missouri's specific rate design proposals in this case are as follows:

(a) <u>Energy Efficiency Charge(s):</u> For all affected classes, energy efficiency charges were seasonally differentiated, based on the existing proportionality of each class' summer/winter non-customer charge revenues, and were set to achieve an "unbundled" annual energy efficiency effect relative to the Company's overall revenue requirement.

(b) Residential Rates: Ameren Missouri proposes to increase the monthly customer charge from $8.00 to $10.00. Additional proposed increases in residential rates were based on the across-the-board principle described above.

(c) Small General Service Rates: The Company proposes to increase the monthly customer charge for single phase service from $9.28 to $11.00 and for double phase service from $18.26 to $22.00. Additional proposed increases in customer rates were based on the across-the-board principle.

(d) Large General Service and Small Primary Service Rates: Ameren Missouri proposes to increase all demand and energy charges uniformly based on the across-the-board principle.

(e) Large Primary Service Rates: Uniform increases of all rates are proposed based on the across-the-board principle.

(f) Large Transmission Service Rates: The Company proposes to increase all demand and energy charges uniformly based on the across-the-board principle.

(g) Lighting Service: Ameren Missouri is proposing a uniform increase to each of the lighting classes – Street & Outdoor Area Lighting – Company-Owned (5(M)), Street & Outdoor Area Lighting – Customer-Owned (6(M)), and Municipal Street Lighting – Incandescent (7(M)) – base on the across-the-board principle. In addition, the Company is proposing to withdraw the tariff associated with the Private Ornamental Street Lighting – Rate of Limited Application (8(M) because there are no customers taking service under this rate.

(3) What is the appropriate monthly residential customer charge that should be set for Ameren Missouri in this case?

Although the results of the CCOSS support an increase in the monthly residential customer charge to approximately $18.00, Ameren Missouri proposes a more moderate increase from $8.00 to $10.00.

(4) Should Ameren Missouri be required to eliminate declining block rates for the residential winter energy charge? If so, should the declining block rates be eliminated in a revenue neutral manner?

Ameren Missouri opposes the proposal of DNR witness Laura Wolfe to eliminate declining block rates for the residential energy charge. As discussed in the surrebuttal testimony of Company witness Wilbon Cooper, Ms. Wolfe's recommendation appears to be based, at least in part, on a computational error. Correction of that error discloses that the Ms. Wolfe's proposal will have a much greater effect on customer bills than will Ameren Missouri's proposed application of the across-the-board principle. In addition, a declining block rate structure has been in effect for decades and continues to be warranted because winter space heating allows for more efficient use of the Company's existing production and transmission capacity. Further, Ameren Missouri is able to serve additional winter load at a variable cost that is lower than the Company's average running costs of generation. Finally, if adopted, Ms. Wolfe's proposal, which is not revenue-neutral, likely will deny Ameren Missouri a reasonable opportunity to earn a fair rate of return.

Respectfully submitted,

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ATTORNEYS FOR
UNION ELECTRIC COMPANY, d/b/a
AMEREN MISSOURI

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing document was served on all parties of record via electronic mail (e-mail) on this 22nd day of April, 2011.

*/s/ Wendy K. Tatro*___________________
Wendy K. Tatro