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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EC-2002-1

CROSS-SURREBUTTAL TESTIMONY

OF

RICHARD J. KOVACH

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
June, 2002**

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1 **CROSS-SURREBUTTAL TESTIMONY**

2 **OF**

3 **RICHARD J. KOVACH**

4 **CASE NO. EC-2002-1**

5 **Q. Please state your name and business address.**

6 A. My name is Richard J. Kovach. My business address is 1901 Chouteau
7 Avenue, St. Louis, Missouri 63103.

8 **Q. Are you the same Richard J. Kovach who previously filed rebuttal**
9 **testimony in this proceeding?**

10 A. Yes, I am.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to provide comments on the revenue
13 adjustment portion of the rebuttal testimony of Office of the Public Counsel (OPC)
14 witness Mr. David Effron, the class cost of service, revenue allocation, rate design and
15 the rate aspects of the proposed time of use (TOU) experiment in the rebuttal testimony
16 of OPC witness Ms. Hong Hu and the portions of Mr. Mark Drazen's rebuttal testimony
17 pertaining to interruptible tariffs and Rider E.

18 **Q. Have you read and are you familiar with the testimony of these**
19 **witnesses with regard to the areas that you will be commenting on in your cross-**
20 **surrebuttal testimony?**

21 A. Yes, I have read these portions of their rebuttal testimony and am familiar
22 with the areas of such testimony being referenced by my cross-surrebuttal testimony.

1 **The Customer Growth Revenue Testimony of Mr. David Effron**

2 **Q. On pages 9-13 of his rebuttal testimony Mr. Effron infers that the**
3 **Staff's proposed customer growth adjustment was not done properly and**
4 **understates the customer growth that would occur under normal conditions. Do**
5 **you agree with Mr. Effron's analysis and his corrections to the Staff's customer**
6 **growth adjustment?**

7 **A. I do not agree with Mr. Effron's proposal in this area of his testimony. In**
8 **my rebuttal testimony filed on May 10, 2002 in this case, I pointed out and discussed**
9 **several major deficiencies in the Staff's proposed customer growth adjustment and**
10 **indicated why such an adjustment is inappropriate. Mr. Effron's testimony did nothing to**
11 **correct or eliminate these deficiencies in the Staff's proposed customer growth**
12 **adjustment, but merely calculated a proposed customer growth adjustment using another**
13 **methodology.**

14 **Q. Please briefly summarize the deficiencies to the Staff's proposed**
15 **customer growth adjustment that you included in your May 10, 2002 rebuttal**
16 **testimony, which Mr. Effron failed to address.**

17 **A. First, the Staff's proposed customer growth adjustment violates the**
18 **Commission's Order establishing July 2000-June 2001 as the test year in this case, as that**
19 **Order only permits updates to the test year through September 30, 2001. The Staff's**
20 **proposed customer growth adjustment imputes customers and revenues into the test year**
21 **established for this case, which the Company may not begin to realize until October**
22 **2001, and may not fully realize until as late as September 2002, if at all. Mr. Effron also**

1 ignored the bounds of the update period specified by the Commission's Order in the
2 development of various portions of his proposed customer growth adjustment.

3 Second, the Staff's proposed customer growth adjustment is based upon
4 projected customers and average customer usage and revenues derived from the
5 Company's existing customer base, with no independent analysis as to whether all such
6 customers will or have been realized by the Company, and whether their usage is the
7 same as the average usage and revenue levels of the Company's existing customers.
8 Mr. Effron's analysis suffers from the same deficiency in that he made no independent
9 analysis of these customer usage and revenue factors.

10 Third, the only additional operating expense allowed by the Staff as a part
11 of their proposed customer growth adjustment was a nominal level of additional fuel cost.
12 The obvious additional costs associated with serving additional customers such as meter
13 reading, billing, postage and various customer accounts expenses were totally ignored as
14 a part of the Staff's proposed customer growth adjustment.

15 Fourth, the Staff failed to incorporate and consider the additional customer
16 demands and the entire additional energy requirements, associated with their proposed
17 customer growth adjustment, in their calculation of the Missouri jurisdictional demand
18 and energy allocation factors. This error of omission results in the Company's Missouri
19 retail electric jurisdiction receiving less than its full share of the Company's additional
20 demand-related fixed costs (production and transmission), and less than its full portion of
21 the additional energy-related variable costs, associated with the Staff's proposed customer
22 growth adjustment.

1 **Q. In presenting his proposal, did Mr. Effron also fail to consider the**
2 **additional meter reading, billing, postage, and customer accounts expenses**
3 **associated with serving the additional customers imputed by his proposed customer**
4 **growth methodology?**

5 A. Mr. Effron made no attempt to address or consider these additional costs
6 associated with customer growth. He only suggested an allowance of additional fuel
7 expense to reflect his proposed increase in kWh sales, but did not quantify any specific
8 level of increased fuel expense. As his proposal increases the Staff's proposed
9 adjustment in customer growth, sales and revenues, with no accompanying increases in
10 non-fuel expenses, Mr. Effron's proposed customer growth adjustment, like that of the
11 Staff's, lacks the appropriate matching of revenues and expenses associated with growth
12 in customers.

13 **Q. Did Mr. Effron also fail to adjust the Missouri jurisdictional demand**
14 **and energy allocation factors as a part of his proposal?**

15 A. As with the direct operating expenses associated with serving new
16 customers that I mentioned above, Mr. Effron made no attempt to address or consider
17 changes in the determination of the Company's Missouri jurisdictional demand and
18 energy allocation factors that are associated with customer growth. Ignoring increases in
19 the Company's Missouri jurisdictional allocation factors as a result of customer growth
20 inappropriately transfers portions of any demand and energy costs associated with such
21 growth in Missouri to the Company's other regulatory jurisdictions.

1 **Q. In reviewing Mr. Effron's proposed customer growth adjustment for**
2 **the Company's Large General Service and Small Primary Service customer classes,**
3 **what problems are readily apparent with his methodology?**

4 A. Significantly, he violated the Commission's Order establishing the test
5 year and update period in this case, by using data from three months beyond the end of
6 the September 30, 2001 update period. He included the months of October-December
7 2001 to determine a six-month average of end-of-month customers based upon July
8 2001-December 2001 (see Line Note 3, Schedule WPDJE-2, Page 2). The six-month
9 average for such purposes should have been limited to using April 2001-September 2001,
10 the latest six months within the permitted update period. This would have resulted in an
11 end-of-month customer count of 8,409 customers for the Large General Service class
12 (156 customers less than what Mr. Effron calculated) and 646 customers for the Small
13 Primary Service customer class (the same number of customers that Mr. Effron
14 calculated).

15 **Q. What is the impact of limiting Mr. Effron's proposed customer**
16 **growth adjustment to the 8,409 Large General Service class customers derived from**
17 **data within the Commission's ordered test year and update period?**

18 A. Mr. Effron's proposed Large General Service customer growth analysis
19 increased the Staff's proposed customer growth adjustment by approximately \$2.4
20 million. The same Large General Service analysis, adjusted to the above 8,409 test year
21 customers would actually reduce the Staff's proposed customer growth adjustment by
22 approximately \$5.1 million. This is an absolute difference of \$7.5 million between
23 Mr. Effron's original customer growth methodology for the Large General Service class,

1 and that same methodology revised to comply with the Commission's test year order.
2 The basis for these calculations is attached hereto as Schedule 19 of my testimony.

3 **Q. Please summarize your testimony regarding Mr. Effron's proposed**
4 **customer growth adjustment.**

5 A. Mr. Effron's proposal should not be adopted, for all of the same reasons
6 presented earlier in this testimony and in my May 10, 2002 rebuttal testimony on this
7 issue. In addition, Mr. Effron's methodology is generally flawed in terms of its
8 calculation of the Large General Service Rate calculation, a swing of \$7.5 million (from
9 \$2.4 million negative to \$5.1 million positive) resulting from simply restricting the
10 application of Mr. Effron's methodology to the Commission's test year update period.
11 The fact that such a significant change results from simply adhering to the Commission's
12 ordered test year restrictions established in this case casts considerable doubt upon the
13 validity of the specific customer growth adjustments proposed by Mr. Effron in this case.

14 **Q. Has the Company performed a customer growth study of its own as a**
15 **part of this case?**

16 A. No, and it does not plan to do so, as the Company believes that such a
17 study is unnecessary in order to establish just and reasonable rate levels as a part of this
18 case. As I stated in my rebuttal testimony filed on May 10, 2002 in this case, if done
19 properly such a study would have to realistically and accurately reflect all of the
20 Company's embedded costs, as well as additional revenues associated with growth, and
21 because such costs and revenues would, theoretically, come very close to matching each
22 other, there would be no need for such an adjustment. To reiterate my earlier point,

1 neither the Staff's nor Mr. Effron's proposed customer growth adjustments should be
2 adopted by the Commission.

3 **Q. On pages 14-15 of his testimony, Mr. Effron comments on the Staff's**
4 **pricing of the kilowatthours included in its weather normalization adjustment. Did**
5 **the Company and the Staff both employ the same methodology in determining the**
6 **revenue impact of their weather normalization adjustments?**

7 **A.** Yes, both the Company and the Staff employed the same methodology for
8 this purpose. The basis for the methodology employed by both parties is outlined in
9 general terms on the lower half of page 8 of Staff witness Janice Pyatte's direct
10 testimony.

11 **Q. Do you agree with Mr. Effron's comment that not all of the**
12 **Company's weather normalization kilowatthours would necessarily fall into a single**
13 **rate block within each customer class?**

14 **A.** Theoretically, Mr. Effron's assertion has some validity. However, the
15 summer air conditioning usage of the Company's Residential and Small General Service
16 Rate customers normally account for the overwhelming majority of the annual
17 kilowatthours included in the weather adjustment. As each of these rates contains only a
18 single rate block applicable during the summer billing season, their weather adjustment is
19 accurately priced. Mr. Effron's assertion is more valid, however, for the other non-
20 residential customer classes billed upon blocked rates, i.e., the Large General Service and
21 Small Primary Service Rate customers, that use considerably less air conditioning in
22 total, as a part of their operations.

1 **Q. Does Mr. Effron's point have some merit as applied to the Company's**
2 **winter billing season, when most rate schedules have multi-blocked structures?**

3 A. Yes, although I would point out that the winter billing season has lower
4 rates than the summer billing season and that the Company's winter billing season
5 contains a much smaller portion of the weather adjustment kilowatthours. For these two
6 reasons, any revenue adjustments in the winter due to weather normalization will be
7 significantly less than similar adjustments in the summer.

8 **Q. Is more research in this area of pricing warranted, particularly for**
9 **the rates that have blocked structures?**

10 -A. Yes, both the Company and the Staff adopted this previously accepted
11 methodology for expediency and to eliminate a potential issue in this case. However, this
12 is an area of pricing where the devotion of additional resources could potentially lead to
13 some marginal improvement in overall revenue estimation accuracy. The Company
14 recommends that alternative pricing methodologies be reviewed and a new pricing model
15 be employed for this purpose in the Company's next Missouri regulatory case.

16

17 **The Class Cost of Service and Rate Design Testimony of Ms. Hong Hu**

18 **Q. What are Ms. Hu's major points on class cost of service and rate**
19 **design?**

20 A. Ms. Hu's comments in this area appear on pages 16-22 of her testimony.
21 She makes three points in that portion of her testimony, while disagreeing with virtually
22 all of the Staff's rate design recommendations. First, she recommends that the revenues
23 for each of the Company's customer classes should be based upon a thorough and up-to-

1 date class cost of service study. Second, she disagrees with the Staff's recommended use
2 of the settlement agreement in the Company's rate design Case No. EO-96-15 for
3 adjusting the Company's class revenues in this case. Third, she disagrees with the Staff's
4 proposal to allocate the major portion of any reduction in the Company's revenues to
5 customer classes on the basis of the Company's non-customer charge class revenues.

6 **Q. Do you agree with Ms. Hu's first recommendation that any class**
7 **revenue adjustments ordered by the Commission in this case should be based upon**
8 **a detailed and updated class cost of service study?**

9 A. Yes, I certainly agree with Ms. Hu on this point, and the Company has
10 submitted such a study as a part of its rebuttal testimony filed on May 10, 2002 in this
11 case. The study is sponsored by Company witness William Warwick in this case, and the
12 detailed results of this study are contained in his testimony and workpapers. Schedule 5
13 in my rebuttal testimony summarizes the results of this study. Schedule 6 of my rebuttal
14 testimony indicates the class revenue adjustments necessary to reflect such study results.
15 This information meets the requirements of Ms. Hu's first recommendation.

16 **Q. Do you agree with Ms. Hu's second recommendation that the**
17 **settlement in Case No. EO-96-15 should not be used in the determination of any**
18 **class revenue adjustments in this case?**

19 A. Yes, I am in total agreement with Ms. Hu on this point, and have made the
20 same point on pages 62-64 of my rebuttal testimony filed in this case.

21 **Q. Do you agree with Ms. Hu's third recommendation that the Staff's**
22 **proposal to allocate the majority of any revenue reduction in this case on the basis**
23 **of class non-customer charge revenues is unfair to the residential class?**

1 A. While I agreed with Ms. Hu's first two recommendations, I cannot agree
2 with her third recommendation for several reasons. First, the presence and availability of
3 the Company's comprehensive class cost of service study results in this case, which
4 satisfies Ms. Hu's first recommendation, tends to render her second and third
5 recommendations moot.

6 Second, the table presented on page 22 of Ms. Hu's testimony illustrates
7 only that, under the Staff's non-customer charge revenue allocation proposal, the
8 Residential class is getting a slightly lower revenue reduction than the other rate classes.
9 However, it is too subjective to simply conclude that this result is "unfair" based only on
10 that table without considering the Company's total cost of serving each of these customer
11 classes.

12 Third, as cost of service must be considered as a major element of
13 "fairness," the class cost of service results presented in Schedule 6 of my rebuttal
14 testimony clearly indicate that the Residential class should, under an assumed rate
15 reduction scenario, receive a substantially lower percentage reduction than that which
16 results from the Staff's non-customer charge revenue allocation proposal.

17 **Q. Is there another way that you can illustrate your third point, that the**
18 **residential class should, under a rate reduction scenario, receive a smaller reduction**
19 **than the non-residential customer classes?**

20 A. Yes, I can illustrate this point using my response to Data Request
21 No. 3522, received from Mr. James Watkins, attached hereto as Schedule 20 of my
22 testimony. However, I must preface my comments in this area by stating that the
23 Company does not endorse, and in fact completely disagrees with, the direction and level

1 of the rate adjustment that formed the basis for Mr. Watkins' data request. The data
2 provided in the Company's response to that data request merely applied the Company's
3 class cost-of-service results to the scenario presented by Mr. Watkins in order to respond
4 to his Data Request No. 3522.

5 In that data request, Mr. Watkins asked for the Company's proposed class rate
6 design, or adjustment to its revenue-neutral rate design, to reflect a hypothetical \$285
7 million per year revenue reduction. The Company's revenue-neutral rate design is that
8 which resulted from its class cost of service study. The table attached to this data request
9 response illustrates how the \$285 million rate reduction scenario posed by Mr. Watkins
10 would be allocated to the various customer classes after the initial step of moving current
11 rates to the Company's revenue-neutral (cost of service) rate design. Again, while this
12 response illustrates the Company's methodology for adjusting class revenue levels, the
13 Company does not agree with nor endorse the hypothetical \$285 million revenue
14 reduction scenario proposed by Mr. Watkins.

15 **Q. Subject to the caveat of the Company's non-endorsement of**
16 **Mr. Watkins' data request rate reduction scenario, what general conclusions can be**
17 **drawn from the data developed in the table attached to your response to DR**
18 **No. 3522?**

19 **A.** This table shows that, under the scenario posed by Mr. Watkins in his data
20 request, the residential class should receive a significantly lower rate reduction than the
21 non-residential customer classes, based upon cost of service principles. As the Staff's
22 non-customer charge revenue allocation methodology also points toward a lower rate
23 reduction for the residential class, Ms. Hu is wrong in inferring that the Staff's

1 methodology is unfair to residential customers. Rather, this information indicates that
2 Ms. Hu's position of an equal percentage rate reduction to all customer classes is
3 inherently unfair to all non-residential customers that, based upon cost of service results,
4 should receive more of a reduction than the residential customers. I would also add that
5 this same conclusion would apply at any hypothetical rate reduction level.

6

7 **The Proposed Experimental Time-of-Use Rate Testimony of Ms. Hong Hu**

8 **Q. Pages 3-15 of Ms. Hu's testimony discuss Public Counsel's proposed**
9 **experimental Time-of-Use (TOU) Residential Rate Program. Before presenting**
10 **comments on the specifics of this proposal, do you have any general comments**
11 **regarding this TOU proposal?**

12 **A.** First, I want to make it clear that my testimony will only be commenting
13 on the rate and customer aspects of Ms. Hu's TOU proposal. The testimony of Company
14 witness Richard Voytas will focus on the capacity planning and energy efficiency aspects
15 of this proposal. Second, it should be pointed out that the Company currently has TOU
16 rate options for all of its residential and non-residential customers, and has had such
17 options in its tariffs since the early 1980's. Third, as the schedule in this case has
18 established, Ms. Hu's testimony is rebuttal testimony and, thus, it should have been
19 responsive to the earlier testimony of some other party. However, she never directs this
20 portion of her testimony toward the direct testimony of the Staff, or the rebuttal testimony
21 of the Company or any other party in the case. Thus, it does not appear that this portion
22 of her testimony is appropriate rebuttal testimony for this case.

1 **Q. Please describe the Company's current TOU customer rate options**
2 **that you indicated have been in effect for approximately 20 years.**

3 A. The Company's current optional TOU rates are structured as specific off-
4 peak and on-peak energy charges for the Company's Residential and Small General
5 Service Rate customer classes. For the more complex rates applicable to the Company's
6 larger customer non-residential rate classes, the TOU rates are structured as off-peak
7 kilowatthour rate credits and on-peak kilowatthour rate adders. The currently effective
8 tariff sheets illustrating these TOU rates are attached hereto as Schedule 21 of my
9 testimony. The on-peak hours incorporated within each of these rates are 10:00 a.m. to
10 10:00 p.m., Monday through Friday of each week, excluding specified major holidays.
11 Off-peak hours are all remaining hours during the week. For a normal week, consisting
12 of 168 hours, on-peak hours would total 60 (5 x 12), or 35.7% of the weekly hours, and
13 off-peak hours are the remaining 108 hours, or 64.3% of the weekly hours.

14 **Q. Please describe the Company's current optional Residential TOU rate**
15 **and how it compares with the Company's current standard Residential Rate.**

16 A. The Company's current optional Residential TOU rate applicable during
17 the summer billing months consists of a monthly customer charge of \$15, an off-peak
18 energy charge of 4.85 cents per kilowatthour and an on-peak energy charge of 11.82
19 cents per kilowatthour. The Company's current standard Residential rate applicable
20 during the summer billing months (i.e. June-September) consists of a monthly customer
21 charge of \$7.25 and an energy charge of 8.13 cents per kilowatthour for all usage during
22 the month. Thus, customers electing to take service on the Company's optional TOU
23 Rate would pay a 45% premium $[(11.82/8.13) - 1]$ for all summer on-peak kilowatthour

1 usage and receive a 40% discount $[1 - (4.85/8.13)]$ for all summer off-peak kilowatthour
2 usage.

3 **Q. Was there a great deal of customer interest in these TOU rates at the**
4 **time they were developed and filed with the Commission?**

5 A. At the time of development of the optional Residential TOU Rate, the
6 Company was unaware of the level of customer interest in such a rate and was concerned
7 about its ability to accommodate the metering and billing requirements of the rate.
8 However, despite newspaper advertising, bill messages and the printing of descriptive
9 program brochures, only approximately 100 residential customers have opted for this rate
10 at any one time since its inception. Currently, only about 40 residential customers
11 receive this optional service.

12 **Q. Ms. Hu acknowledges on page 11 of her testimony that the Company**
13 **already has TOU Rates for its residential customers. Does she provide any**
14 **justification for ignoring or replacing the Company's currently approved residential**
15 **TOU tariff with the new experimental program that she is currently recommending**
16 **for the residential class?**

17 A. Ms. Hu has not provided any justification for an entirely new residential
18 TOU program. Her criticism of the Company's existing program was limited to the level
19 of the Company's active promotion of the program, the nature of the Company's brochure
20 describing the rate and complications associated with customers' abilities to evaluate their
21 potential savings from the rate.

22 **Q. Did the Company actively promote the optional Residential TOU rate**
23 **at its inception in the early 1980's?**

1 A. Yes, we did. I was directly involved in that program and recall that the
2 Company's promotion of that rate included bill messages, brochures and newspaper
3 advertising. These messages provided a toll-free number for interested customers to call
4 to receive additional information, either via a call center representative or the brochure.
5 The newspaper ads were at least 1/4 page ads with the call in phone numbers and also
6 contained a clip out form that customers could mail into the Company to request
7 additional program information, or to be placed on the rate.

8 **Q. What level of response did the Company receive from residential**
9 **customers regarding the optional TOU rate?**

10 A. While there may have been as many as several hundred total inquires
11 regarding this rate, a maximum of only about 100 customers have actually taken service
12 on this rate at any single point in time since the rate's inception. Thus, despite Ms. Hu's
13 assertion that the Company is not actively promoting this rate, the Company was very
14 active in its initial promotion of the TOU rate and received only the miniscule customer
15 response that I described. It would have been unreasonable for the Company to continue
16 to devote resources to promote a program that obviously is of so little interest to the
17 Company's residential customers, even if the Company was provided the funds to
18 conduct such a promotion.

19 **Q. What is your response to Ms. Hu's point regarding the need for**
20 **additional customer education about residential TOU rates?**

21 A. Educating customers about TOU rate evaluation is a difficult task, as I'm
22 sure Ms. Hu would agree. However, I believe the point in this area that Ms. Hu is
23 overlooking is the demonstrated lack of customer interest in this subject, not their ability

1 to become educated. The majority of our customers should not be sold short in terms of
2 their ability to become educated in areas in which they are truly interested. As examples,
3 I would cite the many senior citizens learning to use computers that they were not
4 exposed to during their working years. In addition, these same senior citizens, as well as
5 other customers of all ages, have come to learn how to operate such things as VCRs,
6 cable and satellite TV, use of the Internet, on-line banking and bill paying, etc. Learning
7 about these subjects may be just as complicated or even more complicated than learning
8 about TOU rates.

9 **Q. Is it also possible that customers are not interested in TOU electric**
10 **rates due to the stability in the Company's electric rates during the last 13-15 years?**

11 **A.** That could certainly be a factor in customer concerns and attitudes.
12 Increases in the costs of food, housing, health care, insurance, education, and taxes of all
13 types, automobiles and transportation seem to be of greater current importance to most
14 customers. Some new rate scheme, that places additional burdens upon them and which
15 may or may not save them some unknown level of money in the future, in lieu of
16 standard electric rates that have been stable or declining for a long period of time, would
17 seem to be low on the list of most customer concerns and priorities. While electric bills
18 may be a major concern for some customers, I have seen no information that the concerns
19 and priorities of the general population that I have cited above are not viewed as
20 significantly more important by the vast majority of our customers, including those who
21 are also concerned about their electric bills.

22 **Q. In her testimony and data request responses, Ms. Hu cites other**
23 **electric utilities in the U.S. as examples of ongoing successful TOU programs. Are**

1 **there concerns about the transferability of these utility program results to the**
2 **AmerenUE service area in Missouri?**

3 A. The utility most often referred to by Ms. Hu is Puget Sound Energy,
4 located in the State of Washington, in the far northwest corner of the country. Other
5 utilities Ms. Hu mentioned at her deposition are Georgia Power and Gulf States Utilities,
6 which serve areas in the southernmost portion of the country. These service areas are a
7 long distance from, and have significantly different weather and system peak demand
8 patterns than Missouri. For example, Puget Sound is a winter peaking system, whereas
9 Georgia Power and Gulf States are summer peaking utilities which, due to their southern
10 locations, have even greater annual air conditioning requirements than Missouri. In
11 addition, Puget Sound relies much more heavily on hydro generation, than AmerenUE.
12 These simple facts alone give rise to the question of the transferability of the results of
13 the TOU programs of these other utilities to the State of Missouri.

14 Q. On page 8 of her testimony Ms. Hu references Puget Sound Energy
15 on-peak and off-peak TOU rate differentials of plus 17% and minus 12%,
16 respectively. What are the comparable differentials in AmerenUE's current
17 optional TOU rate?

18 A. The Ameren rates associated with these differentials were discussed
19 earlier in my testimony. AmerenUE's current residential summer on-peak differential is
20 plus 45%, and its current residential summer off-peak differential is a minus 40%. These
21 higher percentage differentials indicate that AmerenUE's residential customers currently
22 have a greater incentive to shift their electrical consumption during the Company's peak
23 season and peak hours than the customers at Puget Sound do.

1 **Q. On page 9 of her testimony, Ms. Hu cites various Puget Sound news**
2 **releases and other information regarding their TOU program. Please provide**
3 **additional public information regarding Puget Sound's current financial condition.**

4 A. Please refer to a April 2, 2002 article on page 6 of Platts Electric Power
5 Daily, attached hereto as Schedule 22 of my testimony. That article cites Moody's
6 Investors Service downgrading of Puget Energy's debt to a speculative grade, referencing
7 Puget's weaker credit profile resulting mainly from the under-recovery of power supply
8 costs over the prior nine months. This article also mentions the granting of an 8.3%
9 temporary rate increase for a three month period.

10 **Q. What does this article suggest about Puget Sound's TOU rate**
11 **program?**

12 A. The reference to Puget's under-recovery of power supply costs and the
13 need for a temporary 8.3% rate increase does not appear to be a ringing endorsement for
14 their mandatory, system-wide TOU program. Either the rate differentials in Puget's TOU
15 program were not designed to reflect the true variability of all sources of Puget's power
16 supply costs, or the program contains other deficiencies that result in Puget being unable
17 to properly track and collect all such costs incurred. Perhaps the TOU program, despite
18 all of its favorable PR, simply costs Puget too much to operate and administer. However,
19 no one knows all of the facts and there may have been other factors that contributed to
20 Puget's need to seek both temporary and permanent rate relief following a downgrading
21 of its securities. It is apparent, however, that its TOU program, which should have been
22 designed to better track Puget's cost of power supply, failed to provide the relief
23 necessary to avoid this situation.

1 **Q. Did Ms. Hu have any discussions with these other utilities regarding**
2 **their TOU programs?**

3 A. She indicated at her deposition on June 19, 2002, that there were no such
4 discussions with anyone from these utilities.

5 **Q. Did Ms. Hu conduct a survey of customer interests for a new TOU**
6 **program within the AmerenUE service area?**

7 A. She indicated at her deposition that she had not conducted such a survey
8 of AmerenUE's customers.

9 **Q. Did Ms. Hu discuss her proposal with anyone at AmerenUE before**
10 **proposing the new TOU program in her testimony?**

11 A. She indicated at her deposition that she had not discussed this new
12 proposal applicable to AmerenUE with anyone from AmerenUE.

13 **Q. Did Ms. Hu review the variability of any of AmerenUE's hourly costs**
14 **in an effort to assess the appropriateness and support for any new TOU program?**

15 A. She indicated at her deposition that she had not reviewed, researched or
16 studied such data applicable to AmerenUE's operations.

17 **Q. Regarding Ms. Hu's specific residential TOU proposal, she suggests**
18 **that the Commission establish a collaborative committee to design and evaluate an**
19 **experimental TOU program. Please comment on this recommendation.**

20 A. Ms. Hu's proposed approach is inappropriate for several reasons. First,
21 she totally ignored the Company's existing TOU rates and, instead, chose to propose to
22 reinvent the TOU wheel. The Company is always ready to discuss alternatives to its
23 existing rates, and would have done so, had Ms. Hu approached us directly to discuss her

1 TOU concerns. Certainly, attempting to modify and improve an existing rate is more
2 rational, more cost effective and certainly more preferable to starting the residential TOU
3 process all over again.

4 Second, Ms. Hu is proposing mandatory TOU rates for every residential
5 customer within a selected city within the Company's service area. This proposal smacks
6 of governmental "big brother" control and is likely to be distasteful to the majority of the
7 Company's customers. The Company's customer relations level are likely to be
8 negatively affected as a result of any mandatory rate requirement, and the Company's call
9 center employees will have to respond to the inquiries of complaining customers.

10 Third, Ms. Hu proposes to protect all customers forced onto the proposed
11 residential TOU program by guaranteeing them a refund of any additional amounts paid
12 (over standard rates) at the end of the program, and to inform customers of such at the
13 inception of the program. The Company is of the opinion that few, if any, customers will
14 respond to the experimental TOU rate by adjusting their usage patterns if they know that
15 they will be "made whole" for any losses they may suffer at the end of each year.

16 Fourth, Ms. Hu provides no cost analyses or other justification for her
17 proposed experiment, except to have all such analyses and decisions, including program
18 cost recovery, to be decided by a collaborative committee. If the committee cannot
19 decide, Ms. Hu suggests that the Commission could make all such decisions at a later
20 date. This proposal will be totally unworkable, as it is simply asking the Commission to
21 order or buy off now on what is effectively an unneeded and unseen "pig in a poke," and
22 to be prepared to rule later on each and every aspect of this proposal that the collaborative
23 committee cannot agree upon.

1 **Q. Is the Company willing to work with Ms. Hu regarding some of the**
2 **issues she has raised?**

3 A. As I indicated earlier, the Company is willing to review various
4 modifications of its existing optional Residential TOU rate in order to address some of
5 Ms. Hu's concerns and objectives. So long as adequate funding is provided, this could
6 include the development of additional customer educational and advertising programs
7 and materials. However, the Company is totally opposed to the mandatory imposition of
8 such rates upon customers. Rather, customers should be provided with information
9 adequate to make such a decision on their own voluntary basis.

10

11 **The Interruptible and Rider E Testimony of Mr. Mark Drazen**

12 **Q. On page 16 of his rebuttal testimony, Mr. Drazen indicates that the**
13 **capacity cost of the Company's former 10(M) interruptible rate was \$60/kW/year.**
14 **What is the apparent source of that cost and why may it be misleading?**

15 A. That former rate provided for a monthly demand charge credit on the
16 interruptible portion of a customer's total demand, which approximated \$5/kW/month. I
17 assume that Mr. Drazen simply multiplied that rate credit by 12 to arrive at a \$60 cost.
18 However, on page 12 of my rebuttal testimony in Case No. EO-2000-580, filed on
19 September 18, 2000, I pointed out that the cost of this interruptible power to the
20 Company under the former 10(M) Rate was \$1,000 per megawatthour, or \$1.00 per
21 kilowatthour for a typical year of curtailments. Mr. James Watkins, the Staff witness in
22 that case, performed his own analysis and arrived at an even higher cost to the Company
23 under that rate. Thus, while this cost may look attractive for capacity, the Company

1 concluded that it could cover such capacity needs with far less expensive market
2 purchases.

3 **Q. Is Company witness Richard Voytas responding to all of Mr. Drazen's**
4 **remaining comments regarding interruptible rates as they relate to capacity**
5 **planning and distributed generation?**

6 A. Yes, he is.

7 **Q. On page 19 of his rebuttal testimony Mr. Drazen begins his comments**
8 **regarding the Company's proposed Rider E, by stating that the structure of the rate**
9 **is appropriate, but that some of the charges are too high. Have you reviewed the**
10 **basis for the charges Mr. Drazen is referring to in that statement?**

11 A. Yes, I have reviewed all of the comments in Mr. Drazen's rebuttal
12 testimony regarding Rider E, and discussed a number of them with him. As a result of
13 these discussions, the Company is modifying its proposed Rider E tariff in this case from
14 that filed in my earlier rebuttal testimony. The revised Rider E tariff that the Company is
15 proposing is attached hereto as Schedule 23 of this testimony.

16 **Q. Please summarize the major revisions reflected in the revised Rider E**
17 **contained in Schedule 23 of your testimony.**

18 A. An option for the Company to utilize the customer's generator metering
19 has been added, to provide an option to eliminate the installation of unnecessary metering
20 by the Company, at the customer's expense. The unbundled demand charges have been
21 synchronized with the demand charges in the Company's Large Primary Service Rate
22 being proposed in this case. The Generator Backup Demand Charge has been lowered to
23 eliminate any double collection of capacity reserve charges. An option has been added to

1 apply the Backup Demand Charge to a contracted for reserve level of kilowatts desired or
2 required by the customer to provide for customers that may be providing some portion of
3 their own reserve, or simply do not want to be reserved. A provision was added outlining
4 the terms by which the customer could schedule or pre-arrange a maintenance outage
5 with the Company on a pro-rated billing demand basis. A clarifying provision was added
6 to assure that there would be no double collection of the Generator Backup Charge during
7 periods of generator outages that are covered by the Company's power sources. Other
8 minor wording revisions were also made to clarify the intended application of the rider.

9 **Q. Are there any issues that you and Mr. Drazen could not agree on**
10 **regarding Rider E?**

11 A. There still may be some confusion over the suggestion on page 21 of his
12 rebuttal testimony that no Production Demand Charge should apply during periods of
13 customer generator outages because this cost is already covered in the Generator Backup
14 Demand Charge. First, if Mr. Drazen is inferring that the Generator Backup charge is
15 being collected twice, I would refer him to the additional language that has been added to
16 the very end of paragraph 4. (3) of the Schedule 23 revised Rider E tariff, where the
17 deduction of this charge is clearly indicated. Second, if Mr. Drazen is inferring that there
18 should be no Production Demand Charge to the customer during intervals of generator
19 outages because the cost of such service is included in the Generator Backup Demand
20 Charge, I must disagree. The backup charge was established at 18% of the Production
21 Demand Charge, excluding the 18% system reserve requirement. If the customer expects
22 100% of his designated reserve requirement to be backed up by the Company, the
23 customer should be expected to pay the full production demand charge (less the backup

1 charge) for at least the time interval of the generator outage, which is what the Company
2 is proposing in its revised Rider E.

3 **Q. What about Mr. Drazen's contention on page 21 of his testimony that**
4 **if customer-owned capacity is more reliable, a lower rate should be paid for the**
5 **Rider E backup service?**

6 A. As discussed by Company witness Richard Voytas in his cross-surrebuttal
7 testimony, the Company's reserve margin has been determined in accordance with
8 established MAIN guidelines and is 18%, which dictates the Company's cost of system
9 reserve capacity. Under the Company's Rider E proposal, a customer with a low forced
10 outage rate generator will in fact pay less in total to cover that generator's outages as a
11 result of paying the Rider E Production Demand Charge during a fewer number of outage
12 days or shorter outage duration periods. Customers with generators with higher forced
13 outage rates will pay more in total to cover those generators under the Company's Rider E
14 proposal. This is the way it should be and the proposal is also consistent with
15 Mr. Drazen's suggestion.

16 **Q. Does this conclude your testimony?**

17 A. Yes.

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

The Staff of the Missouri Public Service
Commission,)

Complainant,)

vs.)

Case No. EC-2002-1

Union Electric Company, d/b/a)

AmerenUE,)

Respondent.)

AFFIDAVIT OF RICHARD J. KOVACH

STATE OF MISSOURI)

) ss

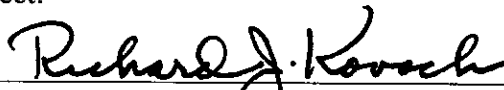
CITY OF ST. LOUIS)

Richard J. Kovach, being first duly sworn on his oath, states:

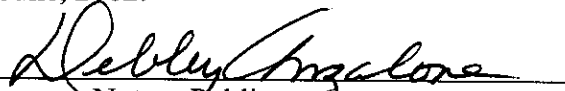
1. My name is Richard J. Kovach. I work in St. Louis, Missouri and I am employed by Ameren Services Company as Manager, Rate Engineering.

2. Attached hereto and made a part hereof for all purposes is my Cross-Surrebuttal Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 24 pages, which has been prepared in written form for introduction into evidence in the above-referenced docket.

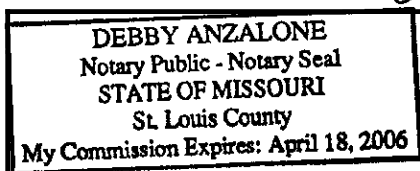
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


Richard J. Kovach

Subscribed and sworn to before me this 21st day of June, 2002.


Notary Public

My commission expires:



EFFRON'S SCHEDULE WPDJE-2 DATA

<u>Month</u>	<u>Average Customers</u>	<u>Ending Cust.</u>	<u>Growth</u>	<u>Ave. Revenue</u>	<u>Effron's revenue Adjustment</u>
Jun-00					
Jul-00	8,140	8,565	426	5,941	\$ 2,529,985
Aug-00	8,168	8,565	397	5,888	\$ 2,339,488
Sep-00	8,220	8,565	346	5,966	\$ 2,063,377
Oct-00	8,275	8,565	291	3,212	\$ 934,296
Nov-00	8,283	8,565	282	3,015	\$ 851,333
Dec-00	8,269	8,565	296	3,089	\$ 915,251
Jan-01	8,292	8,565	274	3,350	\$ 917,333
Feb-01	8,297	8,565	269	3,051	\$ 820,236
Mar-01	8,416	8,565	150	2,970	\$ 445,014
Apr-01	8,268	8,565	297	2,946	\$ 876,065
May-01	8,126	8,565	440	3,061	\$ 1,346,384
Jun-01	8,314	8,565	251	5,497	\$ 1,381,576
Totals					\$ 15,420,338
Staff Adjustment					\$ 13,004,684
Adjustment to Staff Position					\$ 2,415,654

EFFRON'S SCHEDULE WPDJE-2 DATA CORRECTED TO PERMITTED UPDATE PERIOD

<u>Month</u>	<u>Ending Cust.</u>	<u>Growth</u>	<u>Ave. Revenue</u>
Jun-00			
Jul-00	8,409	270	\$ 1,601,169
Aug-00	8,409	241	\$ 1,419,002
Sep-00	8,409	190	\$ 1,130,631
Oct-00	8,409	135	\$ 432,078
Nov-00	8,409	126	\$ 379,934
Dec-00	8,409	140	\$ 432,402
Jan-01	8,409	118	\$ 393,621
Feb-01	8,409	113	\$ 343,248
Mar-01	8,409	-7	\$ (19,305)
Apr-01	8,409	141	\$ 415,443
May-01	8,409	284	\$ 867,828
Jun-01	8,409	95	\$ 522,214
Totals			7,918,265
Staff Adjustment			\$ 13,004,684
Adjustment to Staff Position			(5,086,419)

Absolute Difference

7,502,072.91

DATA INFORMATION REQUEST
UNION ELECTRIC COMPANY, d/b/a AMERENUE
CASE NO. EC-2002-1

Requested From: Mary Hoyt/Rich Kovach

Date Requested: 5/23/2002

Information Requested: What is the Company's proposed rate design, or proposed adjustment to its proposed revenue-neutral rate design, for implementing a Commission ordered revenue reduction in this case in the event that the Commission does not also adopt the Company's proposed alternative regulation plan? If the Company's proposal depends on the magnitude of the revenue reduction, provide the Company's proposal by narrative description or numerical example for each key level of revenue reduction including a \$285,031,343 revenue reduction. A "key" level of revenue reduction would be a level at which the Company's proposal would be different from its proposal for a lesser amount of revenue reduction.

Requested By: James Watkins, Energy Department, (573) 751-7528

Information Provided: If the Company's proposed "revenue-neutral" customer class revenue rate design (based upon equal class rates of return) is adopted by the Commission in this case, the Company proposes to subsequently implement any level of revenue reduction (or increase) ordered by the Commission in this case in a two-step manner. First, any change in the Company's total Missouri retail revenues would be allocated to each customer class on the basis of the percentage distribution of the Company's proposed equal rate of return "revenue-neutral" customer class revenues. Second, the individual customer, energy, demand and other rate components within each customer class, associated with the Company's "revenue-neutral" class revenue proposal (including Riders B and E), would also be adjusted by the same customer class percentages utilized in the first step. The Company proposes that this procedure be followed for any level of rate adjustment ordered by the Commission in this case. A table illustrating this process is attached, based upon the Company's 6/30/01 test year revenues and the \$285,031,343 reduction referenced in this request.

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Staff if, during the pendency of Case No. EC-2002-1 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Union Electric Co. office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Union Electric Co. and its employees, contractors, agents or others employed by or acting in its behalf.

Signed by: Richard J. Kovach

Prepared by: Richard J. Kovach

Date Response Received: _____

AmerenUE - Proposed Equal ROR Revenue Distribution of Revenue Reduction

(Response to James Watkins DR No. 3522)

	<u>Total</u> <u>Revenues</u>	<u>Residential</u>	<u>SGS</u>	<u>LGS</u>	<u>SPS</u>	<u>LPS</u>
Current Revenues	\$1,773,762	\$ 786,445	\$ 226,660	\$ 393,395	\$ 204,361	\$ 162,901
Equal ROR Adjustment	\$ -	\$ 80,640	\$ (10,125)	\$ (20,298)	\$ (32,539)	\$ (17,678)
Equal ROR Revenues	\$1,773,762	\$ 867,085	\$ 216,535	\$ 373,097	\$ 171,822	\$ 145,223
% of Equal ROR Revenue	100.00%	48.88%	12.21%	21.03%	9.69%	8.19%
Distribution of \$285,031	\$ (285,031)	\$ (139,334)	\$ (34,796)	\$ (59,954)	\$ (27,611)	\$ (23,336)
Adjusted Equal ROR \$	\$1,488,731	\$ 727,751	\$ 181,739	\$ 313,143	\$ 144,211	\$ 121,887
Change in Current Rev.	-16.07%	-7.46%	-19.82%	-20.40%	-29.43%	-25.18%

UNION ELECTRIC COMPANY

ELECTRIC SERVICE

P. S. C. MO., ILL. C. C., IA. ST. C. C. SCHEDULE NO. 5

33rd Revised

SHEET NO. 28CANCELLING SCHEDULE NO. 5

32nd Revised

SHEET NO. 28

APPLYING TO

MISSOURI SERVICE AREASERVICE CLASSIFICATION NO. 1(M)
RESIDENTIAL SERVICE RATE*Rate Based on Monthly Meter ReadingsSummer Rate (Applicable during 4 monthly billing periods of June through September)

Customer Charge	\$ 7.25	per month
Energy Charge	8.130¢	per kWh

Winter Rate (Applicable during 8 monthly billing periods of October through May)

Customer Charge	\$ 7.25	per month
Energy Charge - First 750 kWh	5.770¢	per kWh
- Over 750 kWh	3.891¢	per kWh

Optional Time-of-Day Rate

Customer Charge (All Months)	\$15.00	per month
Energy Charge (Cents per kWh)	On-Peak Hours (1)	Off-Peak Hours (1)
Summer (June-September billing periods)	11.82¢	4.85¢
Winter (October-May billing periods)	6.97¢	3.45¢

(1) On-peak and Off-peak hours applicable herein shall be as specified in Rider I, paragraph A.

RCS Adjustment. The rates contained herein shall be subject to adjustments as provided for in Rider R.

Payments. Bills are due and payable within ten (10) days from date of bill and become delinquent after twenty-one (21) days from date of bill.

Term of Use. Initial period one (1) year, terminable thereafter on three (3) days' notice.

Tax Adjustment. Any license, franchise, gross receipts, occupation or similar charge or tax levied by any taxing authority on the amounts billed hereunder will be so designated and added as a separate item to bills rendered to customers under the jurisdiction of the taxing authority.

Schedule 21-1

*Indicates Change

Issued Pursuant to the Order of the Mo.P.S.C. in Case Nos. EM-96-149 and EO-96-15.

P.S.C. Mo. DATE OF ISSUE March 23, 2000DATE EFFECTIVE March 30, 2000ISSUED BY Charles W. Mueller President & CEOSt. Louis, Missouri

UNION ELECTRIC COMPANY

ELECTRIC SERVICE

P. S. C. MO., ILL. C. C., IA. ST. C. C. SCHEDULE NO. 5

21st Revised

SHEET NO. 32CANCELLING SCHEDULE NO. 5

20th Revised

SHEET NO. 32

APPLYING TO

MISSOURI SERVICE AREASERVICE CLASSIFICATION NO. 2 (M)SMALL GENERAL SERVICE RATERate Based on Monthly Meter ReadingsSummer Rate (Applicable during 4 monthly billing periods of June through September)

Customer Charge - Single Phase Service	\$ 7.25 per month
- Three Phase Service	\$15.10 per month

*Energy Charge	7.99¢ per kWh
----------------	---------------

Winter Rate (Applicable during 8 monthly billing periods of October through May)

Customer Charge - Single Phase Service	\$ 7.25 per month
- Three Phase Service	\$15.10 per month

Energy Charge - Base Use	5.96¢ per kWh
- Seasonal Use(1)	3.45¢ per kWh

- (1) The winter seasonal energy use shall be all kWh in excess of 1,000 kWh per month and in excess of the lesser of a) the kWh use during the preceding May billing period, or b) October billing period, or c) the maximum monthly kWh use during any preceding summer month.

Optional Time-of-Day Rate

Customer Charge - Single Phase Service	\$15.00 per month
- Three Phase Service	\$30.00 per month

Energy Charge (Cents per kWh)	On-Peak Hours (1)	Off-Peak Hours (1)
Summer (June-September billing periods)	11.86¢	4.84¢
Winter (October-May billing periods)	7.81¢	3.59¢

- (1) On-peak and Off-peak hours applicable herein shall be as specified in Rider I, paragraph A.

Schedule 21-2

*Indicates Change

Issued Pursuant to the Order of the Circuit Court of Cole County, MO., in Case No. 00CV323273.

P.S.C. Mo. DATE OF ISSUE April 20, 2000DATE EFFECTIVE April 28, 2000ISSUED BY Charles W. Mueller
NAME OF OFFICERPresident & CEO
TITLESt. Louis, Missouri
ADDRESS

UNION ELECTRIC COMPANY

ELECTRIC SERVICE

P. S. C. MO., ILL. C. C., IA. ST. C. C. SCHEDULE NO. 5

23rd Revised

SHEET NO. 34CANCELLING SCHEDULE NO. 5

22nd Revised

SHEET NO. 34

APPLYING TO

MISSOURI SERVICE AREASERVICE CLASSIFICATION NO. 3(M)LARGE GENERAL SERVICE RATERate Based on Monthly Meter ReadingsSummer Rate (Applicable during 4 monthly billing periods of June through September)

Customer Charge: \$66.00 per month

Energy Charge:

*First 150 kWh per kW of Billing Demand @ 7.84¢ per kWh

Next 200 kWh per kW of Billing Demand @ 5.91¢ per kWh

*All Over 350 kWh per kW of Billing Demand @ 3.96¢ per kWh

Demand Charge: Total Billing Demand @ \$3.79 per kW

Winter Rate (Applicable during 8 monthly billing periods of October through May)

Customer Charge: \$66.00 per month

Base Energy Charge:

First 150 kWh per kW of Base Demand @ 4.91¢ per kWh

Next 200 kWh per kW of Base Demand @ 3.68¢ per kWh

All Over 350 kWh per kW of Base Demand @ 2.86¢ per kWh

Seasonal Energy Charge: Seasonal kWh @ 2.86¢ per kWh

Demand Charge: Total Billing Demand @ \$1.35 per kW

Optional Time-of-Day Adjustments

Additional Customer Charge - (All Months) \$14.00 per month

Energy Adjustment (Cents per kWh)

On-Peak Off-Peak
Hours (1) Hours (1)

Summer (June-September billing periods) +0.88¢ -0.49¢

Winter (October-May billing periods) +0.27¢ -0.15¢

(1) On-peak and off-peak hours applicable herein shall be as specified in Rider I, paragraph A.

*Indicates Change

Schedule 21-3

Issued Pursuant to the Order of the Circuit Court of Cole County, MO., in Case No. OOCV323273.

P.S.C. Mo. DATE OF ISSUE April 20, 2000

DATE EFFECTIVE April 28, 2000

ISSUED BY Charles W. Mueller
NAME OF OFFICERPresident & CEO
TITLESt. Louis, Missouri
ADDRESS

APPLYING TO

MISSOURI SERVICE AREASERVICE CLASSIFICATION NO. 4(M)SMALL PRIMARY SERVICE RATERate Based on Monthly Meter Readings*Summer Rate (Applicable during 4 monthly billing periods of June through September)

Customer Charge: \$210.00 per month

Energy Charge:

First 150 kWh per kW of Billing Demand	@	7.45¢ per kWh
Next 200 kWh per kW of Billing Demand	@	5.62¢ per kWh
All Over 350 kWh per kW of Billing Demand	@	3.76¢ per kWh

Demand Charge: Total Billing Demand @ \$3.01 per kW

Reactive Charge: 24¢ per kVar

*Winter Rate (Applicable during 8 monthly billing periods of October through May)

Customer Charge: \$210.00 per month

Base Energy Charge:

First 150 kWh per kW of Base Demand	@	4.69¢ per kWh
Next 200 kWh per kW of Base Demand	@	3.49¢ per kWh
All Over 350 kWh per kW of Base Demand	@	2.73¢ per kWh

Seasonal Energy Charge: Seasonal kWh @ 2.73¢ per kWh

Demand Charge: Total Billing Demand @ \$1.10 per kW

Reactive Charge: 24¢ per kVar

Optional Time-of-Day Adjustments

Additional Customer Charge - (All Months) \$14.00 per month

Energy Adjustment (Cents per kWh)	On-Peak Hours(1)	Off-Peak Hours(1)
Summer (June-September billing periods)	+0.63¢	-0.35¢
Winter (October-May billing periods)	+0.23¢	-0.13¢

(1) On-peak and off-peak hours applicable herein shall be as specified within this service classification.

*Indicates Change

Schedule 21-4

Issued pursuant to the Order of the Mo.P.S.C. in Case No. ER-95-411.

P.S.C. Mo. DATE OF ISSUE July 26, 1995DATE EFFECTIVE August 1, 1995

ILL. C.C. DATE OF ISSUE _____

DATE EFFECTIVE _____

IA.ST.C.C. DATE OF ISSUE _____

DATE EFFECTIVE _____

ISSUED BY C. W. Mueller
NAME OF OFFICERPresident & CEO
TITLESt. Louis, Missouri
ADDRESS

UNION ELECTRIC COMPANY

ELECTRIC SERVICE

P. S. C. MO., ILL. C. C., IA. ST. C. C. SCHEDULE NO. 5

8th Revised

SHEET NO. 67.1CANCELLING SCHEDULE NO. 5

7th Revised

SHEET NO. 67.1

APPLYING TO

MISSOURI SERVICE AREA

SERVICE CLASSIFICATION NO. 11(M)
LARGE PRIMARY SERVICE RATE

Rate Based on Monthly Meter Readings

Summer Rate (Applicable during 4 monthly billing periods of June through September)

Customer Charge	\$210.00 per month
Demand Charge	\$ 15.67 per kW
Energy Charge	2.62¢ per kWh
Reactive Charge	24¢ per kVar

Winter Rate (Applicable during 8 monthly billing periods of October through May)

Customer Charge	\$210.00 per month
Demand Charge	\$ 7.11 per kW
Energy Charge	2.31¢ per kWh
Reactive Charge	24¢ per kVar

Optional Time-of-Day Adjustments

Additional Customer Charge - (All Months)	\$14.00 per month	
Energy Adjustment (Cents per kWh)	On-Peak Hours (1)	Off-Peak Hours (1)
Summer (June-September billing periods)	+0.45¢	-0.25¢
Winter (October-May billing periods)	+0.20¢	-0.11¢

(1) On-peak and off-peak hours applicable herein shall be as specified within this service classification.

Payments. Bills are due and payable within ten (10) days from date of bill.

*Term of Use. One (1) year, terminable thereafter on three (3) days' notice.

Tax Adjustment. Any license, franchise, gross receipts, occupation or similar charge or tax levied by any taxing authority on the amounts billed hereunder will be so designated and added as a separate item to bills rendered to customers under the jurisdiction of the taxing authority.

Schedule 21-5

*Indicates Change.

P.S.C. Mo. DATE OF ISSUE May 30, 2001DATE EFFECTIVE June 30, 2001ISSUED BY Charles W. Mueller
NAME OF OFFICERPresident & CEO
TITLESt. Louis, Missouri
ADDRESS

Electric Power Daily

Page 1 of 7

Generation

NRG ENERGY CANCELS PLANNED BUY OF 794 MW FROM CONECTIV

Minneapolis, Minn.-NRG Energy Monday said it had cancelled its planned purchase of 794 MW in fossil-fueled plants from Conectiv in New Jersey and Pennsylvania.

The Wilmington, Del.-based utility chose NRG's bid in 2000 for its fossil plants, and last year sold NRG 1,081 MW of fossil-fueled plants in Delaware and Maryland for \$630-million. The sale of the New Jersey plants, however, required approval from the state Board of Public Utilities, and the BPU had not finished reviewing the transaction. NRG said it cancelled the purchase due to increased operating costs and changes in the electricity market, but could not be reached for further comment. NRG Energy President David Peterson said the termination would reduce NRG's capital obligations by \$230-million in 2002.

Northwest

THREE SMELTERS TO STAY IDLE FOR APRIL, FREEING 336 MW AT BPA

The Bonneville Power Administration Monday said three aluminum smelters that were to restart April 1 using 336 MW of BPA power would remain idle for at least a month. The agency would not say what it would do with the power in the meantime, citing competitive reasons.

BPA has take-or-pay contracts for Golden Northwest Aluminum's two smelters in Washington and Oregon, which are contracted for a total of 236 MW, and a smelter in Washington owned by Chicago-based McCook Metals, which is signed for 100 MW.

Under terms of the contracts, if the companies do not take the power by April 1, they must pay BPA the difference between the \$32/MWh contract price and the market price. According to the agreements, if the wholesale price for power is at or above BPA's price, the smelter companies would owe nothing to the agency. A BPA spokesman said both prices are currently about equal.

Goldendale, Wash.-based Golden is preparing for a tentative May restart of its two idled smelters and has crafted a business plan

(continued on page 6)

SPARKED BY GAS PRICE RISE, ISO WARNING, SUMMER NEW YORK CITY POWER PRICES JUMP SHARPLY

Power prices for summer delivery in New York City jumped by more than 10% in Monday trading largely on strong natural gas futures and last week's report by the New York Independent System Operator warning that the city could face shortages and price spikes if capacity isn't added.

Prices for the ISO's Zone-J, the congestion zone corresponding to the city, summer packages jumped \$13 to a mid-market level of \$106/MWh at the close. Zone-G moved up \$8 to \$86.50/MWh on the strength of Zone-J prices.

While traders blamed most of the increase on the 25-cent rise in the Henry Hub gas contract on the New York Mercantile Exchange, most viewed the ISO study as a strong second driver for the jump.

Prices did not rise as strongly in Zone-A, in western New York, which has the ability to import from PJM to the south and Canada to the north.

(continued on page 7)

MOODY'S, S&P CUT SIERRA PACIFIC RESOURCES ON NEVADA PUC ORDER LIMITING COST RECOVERY

Citing the financially destabilizing effects of a March 29 Nevada regulatory ruling, Moody's Investors Service Monday downgraded Sierra Pacific Resources and its two utility subsidiaries, following a similar move Friday by Standard & Poor's.

Placing SPR subsidiary Nevada Power at risk of bankruptcy, Nevada regulators voted to slash the utility's \$922-million deferred energy rate request to \$485-million. The state Public Utilities Commission found the utility imprudently spent \$437-million on purchased power. One of the three commissioners, Richard McIntire, said in a concurring opinion he believed the utility's entire deferred costs were imprudent.

The PUC found that Nevada Power incurred costs that it was not recovering in rates in 2001 when spiking western power prices were at their peak.

During hearings on the rate case, utility officials warned that if the

(continued on page 7)

DESPITE ENRON, ENERGY MERCHANT SECTOR GAINS GROUND IN LATEST FORTUNE 500 LIST

Several energy merchant companies gained ground—or appeared for the first time—in the just-released *Fortune 500* rankings of America's largest companies, prompting speculation about why firms in the sector, tainted by Enron's collapse, have seen their revenues climb so far, so fast.

Enron itself took fifth place, even though only nine months of its 2001 revenue, \$139-billion, was reported and considered for the ranking. Enron was seventh in the previous *Fortune 500*. The firm declared bankruptcy on in December and has not released fourth-quarter results.

With so many energy marketers advancing, *Fortune* included a sidebar with its rankings explaining "energy-trading contracts" and what it called "wacky revenue leaps" by the various companies.

American Electric Power skyrocketed to 13th place on the list from

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Western has an estimated 2002 fuel mix of 78% coal, 15% nuclear and 7% oil, gas or diesel fuel. It has available accredited generation of 5,947 MW and, counting firm purchases and sales, had a 19% capacity margin at the time of its 4,468 MW year 2001 peak on July 30. The utility's all-time record peak is 4,528 MW set Sept. 11, 2000.

On the unregulated front, Western said it would push ahead with the money-losing monitored security business which its critics blame for the financial woes which have plagued it for more than a year. "Monitored Services has a history of losses which are likely to continue," Western said, noting red ink from those operations of \$20.7-million in 1999, \$91.4-million in 2000 and \$126.1-million in 2001.

COVANTA FILES CHAPTER 11 BANKRUPTCY; STOCK DELISTED, MOODY'S CUTS RATING

Financially troubled independent power producer Covanta Energy Monday announced a voluntary filing for Chapter 11 bankruptcy reorganization, as the first step in a "financial restructuring plan resulting from its comprehensive review of strategic alternatives."

This is the "most viable venue" to reorganize the capital structure, dispose of remaining non-core entertainment and aviation assets, and protect the value of remaining energy and water operations, Covanta declared.

Investment firm Kohlberg, Kravis Roberts & Co. reached a non-binding "letter of intent" to invest \$225-million in Covanta, which would become a KKR affiliate after it emerges from bankruptcy. "Existing common equity and preferred shareholders are not expected to participate in the new capital structure," Covanta noted in its announcement.

The New York Stock Exchange Monday suspended trading in Covanta common stock and its convertible preferred stock. The last day of trading was actually March 28, when the common stock closed at 72 cents, down 95.6%. Covanta plans to seek listing on the Over-the-Counter Bulletin Board, domain of penny stocks such as Enron.

Also Monday, Moody's Investors Service downgraded Covanta senior secured debt from Caa2 to Caa3, its ninth-highest speculative grade. While Covanta has obtained \$463-million of debtor-in-possession financing from its existing bank group—subject to bankruptcy court approval—this puts the banks in a more senior position versus holders of Covanta's debentures, and could negatively affect recovery levels on senior debt, added vice president—senior analyst Michael Haggerty.

The petition for Chapter 11 reorganization was filed with the U.S. Bankruptcy Court in the Southern District of New York. Covanta said its core energy and water facilities will continue to operate in the normal course of business and will be unaffected by the filing.

The company also announced the sale of its Thailand subsidiary, and the two cogeneration facilities it operates, to "two consortia of co-investors" for \$35-million.

"We have painstakingly reviewed and pursued all options outside of a Chapter 11 filing for quite some time now," said president and chief executive officer Scott Mackin.

"Our core businesses, waste to energy, independent power production and water, are strong. However, the capital structure impediments left over from the non-core, former Ogden Corporation businesses, and the lack of

access to the capital markets as means by which to deal with them, have foreclosed other options. The exhaustive strategic review has demonstrated that Chapter 11 represents the most viable venue for Covanta to address those capital structure issues, expedite our restructuring and preserve the value of our strong core businesses. When we emerge, we will do so with a strong balance sheet and core businesses unencumbered by the problems we inherited," the company said.

MOODY'S CUTS PUGET ENERGY

Moody's Investors Service Monday downgraded the issuer rating of holding company Puget Energy from Baa3 to Ba1, its highest speculative grade, and, the senior secured debt of utility Puget Sound Energy from Baa1 to Baa2. It cited the weaker credit profile resulting mainly from under-recovery of power supply costs in the last half of 2001 and first quarter of this year, and the stabilizing effects of the settlement, approved March 28 by the Washington Utilities and Transportation Commission, to raise electric rates \$25-million (8.3%) for three months starting Monday.

Under a "fast-track collaborative process," following further review of PSE's rate base and operating expenses, a permanent increase of \$90-million (6.5%) would start in July, replacing the interim hike. If approved by the WUTC, the deal would end a dispute ignited by Puget's need to recoup expensive wholesale power costs. Energy also cut quarterly dividend on common stock is to be cut 45.6%, from 46 cents (\$1.84 annually) down to 25 cents.

"The settlement signals an improved working relationship between PSE and the WUTC and its staff, which could help restore PSE's financial flexibility over time," said vice president—senior analyst Kevin Rose. But the outlook remains negative, pending a staff review of rate base and operating costs. If there are few, if any adjustments, as Moody's expects, the outlook would be shifted to stable, Rose added.

CORRECTION:

An article in the April 1 edition of *Electric Power Daily* named American Electric Power as one of four companies that on March 27 acknowledged they were under investigation by the Texas Public Utilities Commission for allegedly manipulating the state's market for balancing energy last summer. The story incorrectly said AEP identified itself after a state official filed a Freedom of Information Act request. An AEP spokesman Monday said the company had acknowledged it was under PUC investigation in a March 22 statement.

BPA-SMELTERS (continued from page 1)

based on securing power supply from three sources to fulfill its long-term needs. "It will be a combination of some BPA surplus power, some market power and some self-generation," Gerald Miller, Golden's general counsel and vice president of energy and government affairs, said Friday.

Golden hopes to complete separate negotiations by mid-April with BPA and the United Steelworkers union, which represents workers at the smelters. If it is successful, the company intends to restart its Goldendale and The Dalles smelters. It will take five or six months for them to return to

**REVISED
RIDER E
SUPPLEMENTARY AND BACKUP SERVICE**

1. Rate Application

Supplementary and Backup Service consist of the standard service supplied by Company that is also available in the event of failure or shutdown of customer's private plant service or any other source of electrical energy or motive power through electrical or mechanical means or by means of operational procedure, or where this service in effect serves to relieve, sustain or augment any other source of power.

2. Availability

Supplementary and Backup Service will be supplied whenever it is available from the Company at the customer's location and is desired by the customer, as indicated by the customer's connection to the Company's Delivery System and self-generation is available and operable on the customer's side of the meter. Customer's generating equipment shall not be operated in parallel with Company's service except when such operation is approved by Company and permitted under a written Parallel Operating Agreement with Company.

Supplementary and Backup Service will be delivered to customer under the Large Primary Service Rate at a service voltage to be selected by Company. All provisions of the Large Primary Service rate under which supplementary and backup service is to be supplied shall remain in effect, except as hereinafter specifically provided

Unless otherwise described herein, all other Company tariff provisions, including Rules and Regulations applicable to the Large Primary Service classification are also applicable to this Rider. Rider B credits are only applicable to the Wires and Energy Charges contained herein. Where customers receive service from the Company at a secondary voltage level, Rider C provisions shall apply. Except as noted herein, no other credits or Riders are applicable to customers served under the provisions of this Rider.

3. General Provisions

Company shall install meter(s) and/or recording device(s) to register the output of the Customer's self-generation. Such metering shall be 15-minute interval metering and recording devices that are compatible with the Company's main revenue meter(s). The installation charge for the additional or nonstandard meter(s) and/or recording device(s) required to administer this Rider, in addition to any other applicable additional facilities, shall be determined by the provisions of Section III.Q, Special Facilities. Alternatively, customer may provide the self-generation output information specified above from its own metering equipment, subject to Company's approval.

4. Rate for Service

All Electric service shall be billed under the provisions of this Rider. The monthly bill to be paid by customer for Supplementary and Backup Service shall be as follows for the summer and winter billing months:

	<u>Summer</u>	<u>Winter</u>
Customer Charge	\$445.00	\$445.00

Monthly meter readings from Company's main meter:

	(June - September)	(October - May)
	<u>Summer</u>	<u>Winter</u>
Energy Charge: (1)	2.20¢/kWh	1.85¢/kWh
Wires Demand Charge*: (2)	\$ 4.65/KW	\$2.31/KW
Production Demand Charge*: (3)	\$10.09/KW	\$5.05/KW
Generator Backup Demand Charge: (4)	\$ 1.54/KW	\$0.77/KW
Reactive Power Charge: (5)	\$0.24/kVar	\$0.24/kVar

• * Minimum demand is not applicable.

- (1) The energy charge is based on the meter readings through the company's main meter. All main metered energy usage associated with load normally supplied through customer's generator shall be priced as above plus 0.5¢/kWh. Energy use associated with Company approved scheduled outages of customer's generator shall not be subject to the 0.5¢/kWh adder
- (2) The Wires Demand shall be the 15-minute maximum on-peak coincided demand reading of the Company's main meter and the customer's self-generation meter or one-half (1/2) of the maximum 15-minute off-peak coincided main meter and customer self-generation meter reading, whichever is greater. Where contractual agreements limit the total demand available through the Company's meter, said contractual demand may be used to determine the Wires Demand.
- (3) The Production Demand shall be the 15-minute on-peak maximum demand or one-half (1/2) of the maximum off-peak demand reading through the Company's meter, whichever is greater. Such reading may be adjusted for periods when customer declares and demonstrates an unscheduled outage to the Company's satisfaction. For such occurrences, when the Monthly Demand Share is 50% or lower, the 15-minute maximum demand reading shall be the greater of 1) maximum main meter demand outside the outage period, or 2) highest main meter reading minus the load normally served by customer's generator during the generator outage, both subject to the on and off-peak provisions indicated earlier in this paragraph.

In cases of a declared outage as described above, the additional demand shall be prorated and an additional fee shall be computed as follows: $[(\text{Monthly Demand Share}) * (\text{Backup Demand of the outaged generator(s)}) * (\text{Production Demand Charge} - \text{Generator Backup Demand charge})]$.

- (4) The Generator Backup Demand quantity is either a) the nameplate rating of the customer's self-generation equipment expressed in kilowatts (KW), or b) a contractually specified quantity desired by customer and agreed to by Company. The quantity of Backup Demand shall be automatically increased in any month where metering indicates additional unscheduled outage-related Backup Demand and the increased Backup Demand shall be used for billing purposes thereafter.
- (5) The Reactive Power kVar as defined in the Large Primary Service Classification.

5. Definitions

Self-Generation Meter(s) - Meter(s) installed and read by Company to measure output of customer's self-generation device(s) or customer installed meters whose readings are accepted by the Company.

Company Main Meter(s) - Meter(s) installed by Company to measure total consumption of KW and kWh's by customer from Company.

Self-Generator Outage - Outage of customer's self-generation equipment, as reported by customer to Company with supporting documentation acceptable to Company. Customer shall indicate duration of outage, nameplate rating of generator, and/or contractual demand of associated generator. Outage must be reported to the company as soon as practicable, but in no event more than 30 days after the billing cycle.

Monthly Demand Share - For periods when customer can demonstrate to Company's satisfaction that a generator outage has occurred, the number of days of outage (excluding weekends and holidays) divided by twenty (20). Such fraction shall be used to determine the outage related prorated Production Demand KW. A 24-hour day starting at midnight will be assumed for purposes of this Rider.

Scheduled Outages - When scheduled at least thirty (30) days in advance and approved by Company, the additional demand recorded by the Company's main meter(s) shall be prorated in accordance with the provisions of paragraph 4.(3) above.