



Missouri Public Service Commission

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October 30, 2000

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General Counsel

FILED

OCT 30 2000

Missouri Public
Service Commission

RE: Case No. EM-2001-233 -- In the Matter of the Application of Union Electric Company, d/b/a AmerenUE, for an Order Authorizing the Sale, Transfer and Assignment of Certain Assets, Real Estate Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company, d/b/a AmerenCIPS, and, in Connection Therewith, Certain Other Related Transactions.

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **STAFF RESPONSE TO COMMISSION ORDER ADOPTING PROTECTIVE ORDER AND DIRECTING FILINGS RESPECTING UNION ELECTRIC COMPANY'S REQUEST FOR EXPEDITED TREATMENT.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Steve Dottheim
Chief Deputy General Counsel
(573) 751-7489
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SD/lb
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

OCT 30 2000

Missouri Public
Service Commission

In the Matter of the Application of Union Electric)
Company, d/b/a AmerenUE, for an Order Authorizing)
the Sale, Transfer and Assignment of Certain Assets,)
Real Estate Leased Property, Easements and Contractual)
Agreements to Central Illinois Public Service Company,)
d/b/a AmerenCIPS, and, in Connection Therewith,)
Certain Other Related Transactions.)

Case No. EM-2001-233

**STAFF RESPONSE TO COMMISSION ORDER ADOPTING PROTECTIVE ORDER
AND DIRECTING FILINGS RESPECTING UNION ELECTRIC COMPANY'S
REQUEST FOR EXPEDITED TREATMENT**

Comes now the Staff of the Missouri Public Service Commission (Staff) in response to the Missouri Public Service Commission's (Commission) October 18, 2000 Order Adopting Protective Order And Directing Filings. In said Order in response to the Application For Transfer Of Assets, Change In Decommissioning Trust Fund, And Motion For Expedited Treatment (Application And Motion) of Union Electric Company, d/b/a AmerenUE (UE), the Commission ordered: "3. That on or before October 30, 2000, the Staff of the Missouri Public Service Commission shall file a response to the Motion for Expedited Treatment filed by Union Electric Company, d/b/a AmerenUE, which indicates the earliest date on which it believes it will be able to file a recommendation with the Commission." (On October 26, 2000, UE filed an Amendment To Application For Transfer Of Assets.) In response to the Commission's Order, the Staff states as follows:

1. In UE's Application And Motion, filed on October 6, 2000, it requested expedited treatment, stating: "AmerenUE requests that the Commission issue an Order authorizing the transfer as requested herein prior to February 15, 2001. Action by this date is required to allow

AmerenUE to make the necessary arrangements for its capacity and energy needs for the summer of 2001.” According to AmerenUE, if its Application And Motion is denied, it would be required to contract for 327 megawatts (MWs) of generation capacity purchase in order to meet its fifteen (15) percent reserve requirement for the summer of 2001:

If no Commission action is received by February 15, 2001, the Company will be required to issue Requests for Proposals for this acquisition of capacity and energy for the summer of 2001. This will impose an increased administrative cost on AmerenUE and may possibly result in the acquisition of resources that would not be needed if an Order is later received.

The Staff suggests to the Commission that the costs to UE’s Missouri ratepayers of making hasty ratemaking determinations on the matters proposed by UE may outrun by many-fold the costs mentioned by UE in its Application And Motion. Using the information filed by UE, in particular the increase in allocation factors proposed by UE, and information in the FERC Form 1 filed by UE for 1998, the Staff’s initial estimates indicate that after the transaction there may be an increase in costs to UE’s Missouri retail ratepayers in excess of savings claimed by UE in the range of \$28 million in the first year, 2001, to \$15 million per year after 2003.¹

2. At the outset, the Staff seeks to make clear that UE’s Application And Motion is unconventional in that it requests that the Commission make ratemaking determinations outside the context of a rate proceeding, in a transfer of assets case, regardless of any possible effect of Section 393.292 RSMo 1994. UE’s filing is additionally unconventional in that although it may give the appearance of providing possibly more information than may be required, the analysis that is provided in the filing is insufficient for the ratemaking determinations that are requested

¹ UE’s FERC form 1 filing for 1998 shows Fixed O&M expenses for Production of \$231 million, Administrative and General expenses of \$236 million and revenue requirements for General Plant of \$42 million, all of which would in part be reallocated from Illinois to Missouri retail ratepayers. UE did not include any analysis with respect to this reallocation in its filing. However, Mr. Kevin L. Redhage’s testimony indicates an increase in allocated costs to Missouri ratepayers to be in the range of 7.6%. Applying this reallocation to the above revenue requirements results in a reallocation to Missouri in excess of \$38 million per year. These numbers are meant to be an indication of the impact of the reallocation of costs and are not to be taken as the Staff’s final position on this question.

on an expedited basis for a Commission Order by February 15, 2001. Finally, but not least importantly, UE's request is unconventional in that it asks for expedited treatment of ratemaking determinations outside the context of a rate proceeding.

3. The Staff has identified for the Commission the ratemaking determinations which UE is requesting that the Commission make by repeating below the "Wherefore" clause at pages 8-9 of UE's Application And Motion (and at pages 3-4 of UE's Amendment To Application For Transfer Of Assets) and showing in italicized type those items requested by UE which constitute ratemaking determinations:

- (a) Authorizing AmerenUE to perform in accordance with the terms and conditions of the form of Asset Transfer Agreement attached as Schedule 1 to Mr. Craig Nelson's Direct Testimony;
- (b) Authorizing AmerenUE to sell, transfer and assign to AmerenCIPS the assets and liabilities as more particularly described in the form of Asset Transfer Agreement, which assets and liabilities generally constitute AmerenUE's Metro East Illinois retail electric and natural gas operations;
- (c) *Approving as reasonable and prudent the consideration received by AmerenUE from AmerenCIPS for the transferred assets and liabilities;*
- (d) Authorizing AmerenUE to enter into, execute and perform in accordance with the terms of all other documents reasonably necessary and incidental to the performance of the transactions which are the subject of the form of Asset Transfer Agreement and this Application;
- (e) *Approving the reallocation of the capacity and energy associated with these assets to AmerenUE's Missouri electric jurisdiction;*
- (f) *Approving the reallocation of a portion of the decommissioning cost previously allocated to Illinois ratepayers to Missouri ratepayers;*
- (g) *Approving the reallocation of a portion of the funds currently in the Illinois jurisdictional subaccount of the nuclear decommissioning trust fund to the Missouri jurisdictional subaccount;*
- (h) *Approving the use of the latest available 12-Month Coincident Peak Demand Allocation Factors, adjusted for the elimination of the Illinois demands, for the performance of the above reallocations;*

- (i) Approving AmerenUE's continuing to accrue decommissioning expense and to make contributions to the trust fund at the current level of \$6,214,184;
- (j) *Confirming that the decommissioning expenses for the Callaway Plant are included in the Company's current cost of service and are reflected in its current rate for ratemaking purposes;*
- (k) *Confirming that the economic and financial input parameters used in the Zone of Reasonableness analysis contained in the Direct Testimony of Kevin L. Redhage (identical to those presented in Case No. EO-2000-205) continue to be valid and acceptable to the Commission; and*
- (l) Granting such other relief as deemed necessary to accomplish the purposes of the Transfer Agreement and this Application to consummate the sale, transfer and assignment of the Assets and related transactions.

4. The Staff did not reach any agreement with UE on the economic and financial parameters used in UE's zone of reasonableness calculation for the Callaway nuclear decommissioning trust fund in Case No. EO-2000-205, and the Commission did not make a finding in Case No. EO-2000-205 that such parameters are acceptable as claimed by UE in item (k) above. A review of the Unanimous Stipulation And Agreement filed by the Staff, the Office of the Public Counsel and UE on November 30, 1999 and the Order Approving Stipulation And Agreement issued by the Commission on January 4, 2000 will verify the Staff's statement to be accurate and UE's assertion to be incorrect.

5. Given that UE's filing seeks that the Commission make major ratemaking determinations in this case, an argument can be made that UE's filing in this docket is in violation of the Case No. EM-96-149 second experimental alternative regulation plan (EARP) Stipulation And Agreement, although it is not indicated that rates charged customers would change prior to June 30, 2001.

6. In its present form, UE's filing does not include the analysis that UE should have performed. This deficiency by UE would require that the Staff perform this analysis without the

benefit of the work papers and analysis that should have been available from UE. Thus, among other things, UE's present filing, if accepted by the Commission, shifts the burden of proof to the Staff by the mere inadequacy of UE's filing. What UE is requesting, besides being unreasonable and otherwise inappropriate, is not possible in the timeframe requested by UE. To address the deficiencies in UE's filing, UE should be ordered by the Commission to submit the following:

Year-by-year changes in revenue requirement for Missouri jurisdictional ratepayers, based on the requested transfer and without the requested transfer, for the years 2001-2010 arising from differences in the following areas that would occur as a result of the requested transfer:

- a. Generation Costs
 - i. Capacity Costs – requiring work papers that set out the assumptions on differences in capacity costs (reallocation of plant vs. purchased capacity) and UE's potential to sell the excess capacity associated with the transfer over the years 2001 through 2004.
 - ii. Fuel and Variable O&M Costs – requiring work papers that set out the underlying assumptions used in fuel runs for each of the 10 years.
 - iii. Fixed O&M Costs – requiring work papers that set out the estimates of these costs and changes in allocation factors used for each of the 10 years.
- b. Reallocation of Decommissioning Costs – requiring work papers that set out the assumed changes in allocation factors for each of the 10 years.
- c. Reallocation of Transmission Costs – requiring work papers that set out the change in transmission costs to Missouri from applying an assignment of transmission plant versus the allocation of transmission facilities, including depreciation accounts.
- d. Reallocation of Overhead Costs for both natural gas and electric, including:
 - i. UE's Administrative and General Expenses, General Plant and any other UE overhead costs that will increase by reallocation to Missouri ratepayers- requiring work papers that set out the estimates of these costs and changes in allocation factors used for each of the 10 years.
 - ii. Ameren Services allocation of costs to Missouri ratepayers- requiring work papers that set out the estimates of these costs and changes in allocation factors used for each of the 10 years.

iii. Proposals to reduce overhead costs (cost savings) for both UE and Ameren Services associated with the proposed transfer of assets.

d. Any other changes in distribution or customer costs that could result in changes in allocated costs to Missouri ratepayers – requiring work papers that set out the estimates of these costs and changes in allocation factors for the 10 years.

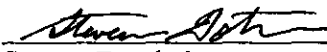
7. Assuming that the Commission Orders UE to file the above specified items and UE's corrective filing is complete when it is filed, then seventy-five (75) days from UE submitting its corrective filing, the Staff can file a memorandum containing its recommendation. An additional thirty (30) days would be required by the Staff to file testimony and schedules if the Staff's memorandum recommends rejection of the proposed transfer.

8. Given its initial review of UE's filing, the Staff suggests that an intervention period should be set and all parties to Case No. EM-96-149, wherein a second UE experimental alternative regulation plan was accepted, should be provided notice of UE's filing. The Staff further suggests that a procedural schedule with testimony and hearing dates should be established, particularly given the apparent ratemaking consequences of UE's filing.

9. As the Commission is aware, UE's instant filing is not the only matter pending before the Commission requiring the attention of the Staff. In fact, UE's Application And Motion in the instant case is not the only case that UE has filed requesting expedited treatment. UE has on file with the Commission Case No. EO-2001-245 wherein UE has requested expedited treatment such that the Commission is requested to issue an Order authorizing the changes proposed by UE respecting the trustee of its nuclear decommissioning fund, the trust agreement and the fixed income investment manager by December 15, 2000. The Staff would further note that if this year is typical of previous years, there are likely to be additional filings requesting expedited treatment. The Staff makes note of this only to indicate that there are not Staff members available who can be assigned to the instant filing and this filing alone.

Wherefore the Staff responds to the Commission Order Adopting Protective Order And Directing Filings and, among other things, states that UE's filing requests that the Commission make various ratemaking determinations outside the context of a rate proceeding, can be asserted to be in violation of the Case No. EM-96-149 Stipulation And Agreement and provides insufficient analysis for the ratemaking determinations that it is requesting be made. The Staff states that the expedited schedule requested by UE is not possible if an adequate analysis of what UE proposes is to be performed by the Staff. Finally, the Staff suggests that an intervention period be set, the parties to Case No. EM-96-149 be provided notice of UE's filing and a prehearing conference be scheduled for the purpose of the parties to the instant proceeding recommending to the Commission a procedural schedule, should hearings be required.

Respectfully submitted,
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 30th day of October 2000.



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