BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs To Increase Its Annual Revenues for Electric Service	)))	Case No. ER-2008-0318

POSITION STATEMENT OF THE
MISSOURI INDUSTRIAL ENERGY CONSUMERS

Comes now the Missouri Industrial Energy Consumers (MIEC) and files its Position Statement on the issues in this case. The MIEC reserves the right to assert additional positions, modify its positions and base its final positions on additional evidence presented in this case.

1. **Overview and Policy**: Overview of "cost of service", and/or what policy considerations, if any, should guide the Commission in deciding this case.

   MIEC's Response: MIEC has no position statement on overview and policy.

2. **Return on Equity**: What return on equity should be used in determining revenue requirement?

   MIEC's Response: MIEC recommends AmerenUE's return on equity be set at 10.2%, which is at the mid-point of MIEC witness Michael Gorman's estimated range of 9.81% to 10.55%. Mr. Gorman demonstrated in his testimony that this return on common equity would fairly compensate AmerenUE's shareholder for the investment risk it assumes by operating AmerenUE's regulated utility operations in the state of Missouri, and will provide adequate earnings and cash flow coverage of AmerenUE's financial obligations which will support its investment grade bond rating. Mr. Gorman also responded to AmerenUE's rate of return witness Dr. Roger A. Morin, and showed that his proposed 10.9% return on equity is excessive, and Dr. Morin's own rate of return methodologies with proper data inputs and application would support his recommended return on equity in this proceeding.

Capital Structure:

MIEC's Response: MIEC has no position statement on this issue.

3. **Vegetation Management and Infrastructure And Repair**:

a. Vegetation Management

i. What level of vegetation management expense is appropriate for recognition in AmerenUE's revenue requirement in this case?

MIEC's Response: MIEC has no position statement on this issue.

ii. Should AmerenUE's revenue requirement in this case include a three year amortization of vegetation management expense from January 1, 2008 to June 30, 2008 that is in excess of the $45 million that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002?

MIEC's Response: MIEC has no position statement on this issue.

iii. Should AmerenUE's revenue requirement in this case include a three year amortization of vegetation management expense from July 1, 2008 to September 30, 2008 that is in excess of the $45 million that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002?

MIEC's Response: MIEC has no position statement on this issue.

iv. Should accounting authority be granted for vegetation management expense incurred from October 1, 2008 to February 28, 2009 in excess of the $45 million that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002, with this cost being deferred for treatment in AmerenUE's next rate case?

MIEC's Response: MIEC has no position statement on this issue.

v. Should a tracker be implemented for vegetation management expense that exceeds the level of vegetation management expense the Commission recognizes in AmerenUE's revenue requirement in this case? Should such a tracker be implemented for the one-year period of March 1, 2009 to February 28, 2010?

MIEC's Response: MIEC has no position statement on this issue.

b. Infrastructure Inspection And Repair:

i. What level of infrastructure inspection and repair expense is appropriate for recognition in AmerenUE's revenue requirement in this case?

MIEC's Response: MIEC has no position statement on this issue.

ii. Should AmerenUE's revenue requirement in this case include a three year amortization of infrastructure inspection and repair expense from January 1, 2008 to June 30, 2008?

MIEC's Response: MIEC has no position statement on this issue.

iii. Should AmerenUE's revenue requirement in this case include a three year amortization of infrastructure inspection and repair expense from July 1, 2008 to September 30, 2008?

MIEC's Response: MIEC has no position statement on this issue.

iv. Should accounting authority be granted for infrastructure inspection and repair expense incurred from October 1, 2008 to February 28, 2009, with these costs being deferred for treatment in AmerenUE's next rate case?

MIEC's Response: MIEC has no position statement on this issue.

v. Should a tracker be implemented for infrastructure inspection and repair expense that exceeds the level of infrastructure inspection and repair expense the Commission recognizes in AmerenUE's revenue requirement in this case? Should such a tracker be implemented for the one-year period of March 1, 2009 to February 28, 2010?

MIEC's Response: MIEC has no position statement on this issue.

4. **January 13, 2007 Ice Storm Accounting Authority Order (AAO)**: In Case No. EU-2008-0141, the Commission authorized AmerenUE an AAO for the extraordinary costs of the January 13, 2007 Ice Storm but deferred to this case the determination of the starting date of the five-year amortization of the deferred costs.

MIEC's Response: MIEC has no position statement on this issue.

5. **Deferred Income Taxes**: Three items included by AmerenUE in the deferred income tax balance offset to ratebase relating to deductions taken by AmerenUE on prior tax returns may be disallowed by the IRS, but there will not likely be a final IRS ruling before 2011. Should AmerenUE be permitted to reflect now in cost of service a prospective final ruling by the IRS?

MIEC's Response: MIEC has no position statement on this issue.

6. **Entergy Arkansas Equalization Costs in SO_2 or Other Tracker**: Should AmerenUE be required by the Commission to accumulate in its SO_2 or some other tracker refunds it may prospectively receive relating to the Entergy Equalization costs?

MIEC's Response: MIEC has no position statement on this issue.

7. Off-System Sales:

a. **Margin**: What amount of off-system sales margin is appropriate for recognition in AmerenUE's revenue requirement in this case?

MIEC's Response: AmerenUE's net fuel cost, which includes its off-system sales margin as a credit against fuel cost, should in this proceeding be based on a production cost simulation rerun that has been performed using hourly spot market prices for electricity that average to $45.56 per MWh. This corresponds to the September 30, 2008 endpoint of the rolling 8760 hour average spot market electricity price trend line applicable to AmerenUE.

If AmerenUE chooses in its November 7, 2008 true-up to provide a rerun of its rebuttal case PROSYM run, the rerun can be used by the Commission as the basis of AmerenUE's net fuel cost[1] provided:

i. The hourly spot market prices for wholesale electricity used an input to the rerun average to at least $45.56 per MWh.

ii. The rerun is performed in a reasonable manner.

iii. AmerenUE provides a complete copy of all input and output files associated with the rerun in sufficient time to allow the parties to assess

[1]After adjustments for off-system capacity sales, off-system ancillary service sales, lost Taum Sauk off-system sales and margin from RSG make whole payments.

the reasonableness of the rerun and file responsive testimony by December 23, 2008.

Otherwise, unless the Commission has access to an equivalent reasonable production cost rerun from Staff, AmerenUE's rebuttal case net fuel cost should be reduced by $12.2 million, MIEC's estimate of the change from AmerenUE's rebuttal case that would result from MIEC's recommended production cost model rerun.

b. **Natural Gas and Purchased Power Prices**: What are the appropriate natural gas and purchased power prices to use in this case for purposes of inputs into the production cost models of AmerenUE and the Staff?

MIEC's Response: AmerenUE's net fuel cost, which includes its off-system sales margin as a credit against fuel cost, should in this proceeding be based on a production cost simulation rerun that has been performed using hourly spot market prices for electricity that average to $45.56 per MWh. This corresponds to the September 30, 2008 endpoint of the rolling 8760 hour average spot market electricity price trend line applicable to AmerenUE.

c. **Prior Period Taum Sauk Capacity Sales**: Should there be recognition of prior period Taum Sauk capacity sales that could have been made by AmerenUE but for the catastrophic failure of the Taum Sauk pumped storage unit? OPC sought the establishment of Case No. EO-2008-015, which was consolidated with Case No. ER-2008-0318.

MIEC's Response: MIEC has no position statement on this issue.

d. **Non-Taum Sauk Capacity Sales**:

MIEC's Response: MIEC has no position statement on this issue.

e. **Taum Sauk Capacity Sales**:

MIEC's Response: MIEC has no position statement on this issue.

f. **Non-Asset Based Trading Margins**:

MIEC's Response: MIEC has no position statement on this issue.

8. **Fuel Adjustment Clause (FAC)**:

a. Should AmerenUE's proposed fuel adjustment clause (95% of the difference between actual fuel and purchased power costs, net of off-system sales and the cost included in base rates) be approved, should MIEC's FAC proposal (80% / 20%, with an annual limit plus or minus 50 basis points impact) be approved, or should the Commission reject the authorization of a FAC in this case as proposed by the Staff and OPC?

MIEC's Response: If AmerenUE is granted a fuel adjustment clause, it is important that it have a more meaningful incentive than the 95% / 5% mechanism it has proposed. The incentive serves to better align the interests of customers and stockholders. To this end, MIEC suggests that an appropriate mechanism would be an 80% / 20% sharing between customers and stockholders, with an annual impact equal to the dollars that are equivalent to 50 basis points return on equity, as calculated at the time of the Commission's decision in this rate case.

b. If the Commission authorizes a FAC for AmerenUE, what should be the design of the FAC (e.g., number of adjustments, adjustment dates, accumulation periods, recovery periods, true-ups, prudence reviews, etc.)?

MIEC's Response: MIEC has no position statement on this issue.

9. **Callaway Unit II Combined Construction And Operating License Application (COLA) Costs:** Should or can the costs of the combined construction and operating license application to the Nuclear Regulatory Commission for the prospective Callaway II unit be recovered in rates by AmerenUE? Can any such recovery proceed without a determination of public convenience and necessity or does AmerenUE intend to rely on the 1975 certificate?

MIEC's Response: MIEC has no position statement on this issue.

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10. **MISO[2] Day 2**: Should AmerenUE recover in cost of service Revenue Sufficiency Guaranty resettlement costs for prior years'?

MIEC's Response: MIEC has no position statement on this issue.

11. **Incentive Compensation and Restricted Stock Compensation**:

a. **Incentive Compensation**: AmerenUE eliminated from cost of service the Executive Incentive Plan for officers and directors that is awarded on the basis of earnings per share performance. Should AmerenUE recover the costs of all other incentive compensation programs?

MIEC's Response: MIEC has no position statement on this issue.

b. **Restricted Stock Compensation:** Should AmerenUE recover the costs of the Restricted Stock Compensation plan?

MIEC's Response: MIEC has no position statement on this issue.

12. **Depreciation**: Should depreciation rates for the plant accounts for the Callaway I nuclear generating station be adjusted to reflect an over accrual of the nuclear depreciation reserve accounts, i.e., difference between the actual book accumulated depreciation and the theoretical accrued depreciation on the basis that the Callaway I will be relicensed for an additional 20 year term?

MIEC's Response: MIEC has no position statement on this issue.

13. **Demand Side Management (DSM)**: Should AmerenUE be ordered by the Commission to book expenditures of acquiring DSM resources in the regulatory asset account that was agreed upon in the last AmerenUE rate case for deferring AmerenUE's DSM expenditures, or should the Commission adopt language for the AmerenUE tariff that only net expenditures of acquiring demand response resources exercised to take advantage of market prices should be reflected in the regulatory asset account?

MIEC's Response: MIEC has no position statement on this issue.

14. **Low-Income Weatherization Program**: Should AmerenUE provide an additional $300,000 for funding the current low-income weatherization program for the full amount directed by the Commission in Case No. ER-2007-0002 for the twelve months ended July 5, 2008? Should AmerenUE continue to fund the current low-income weatherization program for the full amount directed by the Commission in Case No. ER-2007-0002 for the twelve months ending July 5, 2009? In what annual amount and from what source of funds, should AmerenUE continue to fund the current low-income weatherization program beyond the Commission's Report and Order in Case No. ER-2007-0002?

[2] Midwest Independent Transmission System Operator, Inc. (MISO)

MIEC's Response: MIEC has no position statement on this issue.

15. **Pure Power Program (Voluntary Green Power Program / Renewable Energy Credits (RECs))**: Should the Commission authorize AmerenUE to continue its Pure Power Program / Voluntary Green Power Program, and if the Commission does so, in what form should the Commission authorize the continuation of the program?

MIEC's Response: MIEC has no position statement on this issue.

16. **Union Issues**: The Unions are in support of AmerenUE's proposed rate increase but raise the following issues:

a. Should AmerenUE be required to expend a substantial portion of the rate increase investing in its employee infrastructure, in general, including recruitment and training;

MIEC's Response: MIEC has no position statement on this issue.

b. Should AmerenUE be required to fully and permanently staff itself within 3 years for its normal and sustained workload, thereby reducing the need for subcontracting and overtime;

MIEC's Response: MIEC has no position statement on this issue.

c. Should AmerenUE be required to be liable for and to insure the training and certification of its subcontractors; and

MIEC's Response: MIEC has no position statement on this issue.

d. Should AmerenUE be required to make good faith efforts to hire locally, both its internal and external workforces?

MIEC's Response: MIEC has no position statement on this issue.

17. **Hot Weather Safety Program**: Should the Hot Weather Program proposed by AARP be adopted by the Commission?

MIEC's Response: MIEC has no position statement on this issue.

18. **Certain Power On and Other Advertising Expense**: Does AmerenUE's advertising meet the criteria applied by the Commission for recovery of the expense in rates?

MIEC's Response: MIEC has no position statement on this issue.

19. **Class Cost of Service and Rate Design**:

a. **Class Cost of Service**:

i. How should class revenue responsibility be determined?

MIEC's Response: Class cost responsibility should be determined based on a class cost of service study that uses generally accepted cost allocation methodology, and which reflects the circumstances of the AmerenUE system. The class cost of service studies shown on Schedules MEB-COS-4 and MEB-COS-5 are an appropriate starting point.

The adjustments to distribution cost classification and allocation discussed in Mr. Stowe's testimony should also be considered, and incorporated in future class cost of service studies.

b. **Rate Design**:

i. How should the Commission implement any revenue requirement change it orders in this case?

MIEC's Response: A modest interclass realignment of revenue responsibility, similar to that displayed on Schedule MEB-COS-6 should be adopted. Within the Large Primary Service rate, each charge should receive the same percentage change.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 13th day of November 2008.

/s/ Diana Vuylsteke