

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

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

**AMERENUE'S RESPONSE TO TEST YEAR AND TRUE-UP
RECOMMENDATIONS OF OTHER PARTIES**

COMES NOW Union Electric Company d/b/a AmerenUE (AmerenUE or Company), pursuant to 4 CSR 240-2.080(15), and hereby files this Response to the test year and true-up recommendations of the state of Missouri, the Missouri Department of Natural Resources, the Staff of the Missouri Public Service Commission (Staff), Missouri Energy Group (MEG), Laclede Gas Company, the Office of the Public Counsel (OPC), Noranda Aluminum, Inc., AARP and The Consumers Council of Missouri (collectively, AARP/CCM). For its Response, AmerenUE states as follows:

1. On July 11, 2006, the Commission issued its Order Directing Notice, Suspending Tariff, Setting Hearings, and Directing Filings. In that Order, the Commission directed the parties to file recommendations regarding the test year and any true-up sought in this case. The above-referenced parties filed recommendations in response to the Order.

2. Only OPC (and perhaps AARP/CCM) took any issue with the Company's test year proposal, which was outlined in the direct testimony of AmerenUE witness Gary S. Weiss. OPC apparently objects to updating the case for significant known and measurable items through January 1, 2007, although it is not clear that OPC has an objection to an appropriate true-up of significant items through that date. AARP/CCM imply they may have a similar objection, although they state it is "too early" to take a position.

3. No other party has lodged any objection to AmerenUE's test year and update/true-up recommendation. In fact, Staff agrees that the test year should be the 12 months ending June 30, 2006 updated for known and measurable changes through January 1, 2007. Moreover, the State, DNR, MEG, and Laclede all state that they have no objection to AmerenUE's recommendation. Noranda took no position on the recommendation.

4. As outlined in detail in the Company's direct testimony in this case, the Company has already signed several new coal and coal transportation contracts containing new and substantially higher coal and transportation prices effective January 1, 2007. Consequently, the actual test year fuel costs are simply not reflective of fuel costs that will exist when rates to be set in this case will take effect. Indeed, higher fuel and transportation costs under these new, executed contracts will have been in effect for a full five months prior to the date rates are expected to take effect in this case (the June 6, 2007 operation of law date for this case). The Company is not alone in facing unavoidable fuel and transportation cost increases, as the Commission is well aware, insofar as this is a phenomenon taking place throughout the electric utility industry.

5. As the Commission has repeatedly recognized, a test year is used "because the past expenses of a utility can be used as a basis for determining what rate is reasonable to be charged in the future." *Staff v. Union Electric Company*, 2001 Mo. PSC LEXIS 1681, Case No. EC-2002-1 (Dec. 6, 2001). The Commission has also recognized that test year figures often need to be updated. *Id.* ("the Commission has a common practice of updating test year data with post-period data in order to provide a better basis for future projection.").

6. We are assuming that OPC's position is not that known, already effective, substantial increases in fuel and transportation costs, that will have large impacts on the

Company's revenue requirement five months before rates would be set, should be ignored in this case. If that were OPC's position, which we do not believe is the case, it would run directly counter to the Commission's clear recognition that test year data should be updated to "provide a better basis for future projection." The Company, in filing its direct case on July 7, 2006, already built these contracted for fuel and transportation prices into its fuel modeling which in turn was used to calculate its filed revenue requirement. The Company's testimony and workpapers already show what these new prices are. OPC and others already have this data and can spend months evaluating it prior to filing their direct cases.¹

As has been recently discussed with Staff and OPC, a workable and commonly employed mechanism to ensure that these fuel and transportation prices pursuant to the previously executed contracts are included in this case is to utilize a true-up for fuel and transportation costs and certain other items that may be agreed upon and/or ordered by the Commission. New fuel and transportation contracts are precisely the kind of item for which a true-up makes sense, much like a new labor contract with new wage rates that take effect beyond the end of the test year, but at, near or before new rates will take effect. *See, e.g., In the Matter of Missouri-American Water Company's Tariff to Revise Water and Sewer Rate Schedules*, 2003 Mo. PSC LEXIS 871, Case No. WR-2003-0500 et al. (June 17, 2003) ("the true-up is generally limited to only those accounts necessarily affected by some significant known and measurable change, such as a new labor contract . . ."). The Company respectfully submits that no party could credibly claim that the fuel and transportation cost increases reflected in the new fuel and transportation contracts are not significant known and measurable items.

¹ On September 30, they will receive updated data for April, May and June 2006 to replace the budgeted data included for those three months in the Company's initial filing.

7. The Company will be discussing these matters with the other parties, including OPC and AARP/CCM, during the Early Prehearing Conference set by the Commission for tomorrow. Because, however, the deadline for response (tomorrow) under the Commission's procedural rules coincides with the Early Prehearing Conference, the Company has filed this Response to make clear its position that inclusion of these significant, known and measurable fuel and transportation costs in this case is necessary and appropriate. The Company is hopeful that the Early Prehearing Conference will yield an agreement on this issue, including on an appropriate update/true-up process to capture significant known and measurable items, such as the fuel and transportation price increases, through January 1, 2007.

Respectfully submitted,

Dated: August 16, 2006

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via e-mail, to the following parties on the 16th day of August, 2006.

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