

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)	<u>Case No. ER-2007-0002</u>
Rates for Electric Service Provided to Customers In)	Tariff No. YE-2007-00007
the Company's Missouri Service Area.)	

PREHEARING BRIEF OF THE COMMERCIAL GROUP

The Commercial Group respectfully submits its Prehearing Brief in accordance with the Commission's Order Adopting Procedural Schedule And Test Year issued September 12, 2006. Although The Commercial Group addresses only certain issues herein, it reserves the right to address any issues arising in this case including, but not limited to, other issues set out in the issues list. The Commercial Group's silence on a particular issue should not necessarily be construed as agreement with any particular party's position. The issues addressed below are in the format set forth in the Proposed List Of Issues, Order Of Witnesses And Order Of Cross-Examination being filed in this docket.

I. SUMMARY OF TESTIMONY OF KEVIN C. HIGGINS

The Commercial Group submitted the following prefiled testimony by its expert, Kevin C. Higgins:

1. Direct Testimony of Kevin C. Higgins on EEInc. and Off-System Sales Margins (Dec. 15, 2006).
2. Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2006).
3. Direct Testimony of Kevin C. Higgins on Fuel Adjustment Clause (Dec. 29, 2006).
4. Rebuttal Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Feb. 5, 2007).
5. Surrebuttal Testimony of Kevin C. Higgins on EEInc. (Feb. 27, 2007).

The positions advocated by Mr. Higgins on behalf of The Commercial Group are set forth below.

II. STATEMENT OF POSITIONS

- 8. Electric Energy, Inc.: How should the expiration of the affiliate power supply agreement with EEInc. be treated for ratemaking purposes? Would it be lawful and proper for the Commission to impute to AmerenUE's revenue requirement the net effect on AmerenUE's variable production costs of power from EEInc.? Was the action taken by AmerenUE respecting the expiration of the affiliate power supply agreement with EEInc. prudent?**
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As a regulated utility responsible for providing its customers with electricity at just and reasonable rates, AmerenUE's failure to extend or renew the power supply agreement with EEInc. on cost-based terms was imprudent.¹ The ability to extend or renew the power supply agreement was entirely within the control of AmerenUE and its corporate affiliates.² Instead, AmerenUE made a corporate decision to forego the opportunity to extend the agreement.³

While AmerenUE is free to make such a decision, it should not be allowed to pass the resulting incremental costs on to its customers.⁴ For ratemaking purposes the incremental costs of serving AmerenUE's retail load – absent the output of EEInc's Joppa facility – should be absorbed by the Company and not its customers.⁵

From a ratepayer perspective these incremental costs include an increase in AmerenUE's fuel expense and/or a reduction in its off-system sales margins, since less

¹ Higgins Direct Testimony on EEInc. and Off-System Sales Margins (Dec. 15, 2006) at pp. 14-15.

² *Id.* at p. 14.

³ *Id.*

⁴ *Id.* at pp. 14-15.

⁵ *Id.* at p. 15.

AmerenUE capacity will be available for such sales.⁶ The most accurate measure of these incremental costs would be determined by requiring AmerenUE to use its PROSYM dispatch model to calculate the difference between the test year fuel and purchased power costs incurred by the Company and what would have been incurred had the power sales agreement been extended under terms similar to what had been in place up to December 31, 2005.⁷ AmerenUE was asked to make these PROSYM runs in the discovery process but refused to do so.⁸

Alternatively, the incremental costs associated with AmerenUE's decision to forego cost-based power from EEInc.'s Joppa plant can be estimated using various assumptions. These estimates are shown on Schedule KCH-1 Scenarios 1, 2 and 3, and range from a low of \$21.7 million to a high of \$62.6 million.⁹

Efforts to portray the decision to forego cost-based power from the Joppa facility as solely that of EEInc.'s Board of Directors are a "form-over-substance" argument and ignore the affiliate relationships within the Ameren Corporation, particularly as they apply to EEInc. and its Joppa facility. Although the formal decision not to renew the power sales agreement may have been an action of EEInc., that action could only have occurred with the full support of Ameren Corporation and, more importantly for ratemaking purposes, the acquiescence of AmerenUE.¹⁰

This acquiescence becomes glaringly apparent when comparing the actions of AmerenUE with those of Kentucky Utilities Company, another regulated utility and one

⁶ *Id.* at p. 6.

⁷ *Id.* at pp. 17 & 21.

⁸ *Id.* at p. 17.

⁹ *Id.* at pp. 17-20.

¹⁰ *Id.* at p. 8.

of EEInc.'s co-owners along with AmerenUE. There is no evidence that AmerenUE ever even *requested* that its contract with EEInc. be continued.¹¹ In contrast, Kentucky Utilities – a regulated utility facing the same circumstances as AmerenUE – attempted to negotiate an extension of its power sales agreement with EEInc. based on the previous cost-of-service terms.¹² Other similarly situated utilities have attempted to do the same.¹³ It was imprudent for AmerenUE not to do the same, and this imprudence should not be rewarded in the ratemaking process.

Nor is the “EEInc.-as-sole-decision-maker” theory bolstered by suggestions that it would have been “irrational” *per se* for EEInc. to sell its power at cost, or would have violated legal obligations to EEInc.'s shareholders. Such arguments ignore the affiliate relationships between EEInc., AmerenUE and the Ameren Corporation and the well-documented tendency of affiliated companies to engage in “transfer pricing” at below-market prices when profits are maximized for the affiliated group as a whole.¹⁴

Efforts to portray the Joppa plant as a “below-the-line” investment are similarly unpersuasive. The history of the plant make it clear that AmerenUE's Missouri customers effectively guaranteed EEInc.'s financial obligations, assuring the Company of a continuous source of economical power.¹⁵ In addition, under the terms of the power sales agreement with EEInc., AmerenUE - as a partial owner of EEInc. – earned a 15%

¹¹ Higgins Surrebuttal Testimony on EEInc. (Feb. 27, 2007) at p. 6.

¹² Higgins Direct Testimony on EEInc. and Off-System Sales (Dec. 15, 2006) at p. 15; Higgins Surrebuttal Testimony on EEInc. (Feb. 27, 2007) at p. 6.

¹³ Higgins Direct Testimony on EEInc. and Off-System Sales (Dec. 15, 2006) at pp. 16-17.

¹⁴ Higgins Surrebuttal Testimony on EEInc. (Feb. 27, 2007) at pp. 2-5.

¹⁵ Higgins Direct Testimony on EEInc. and Off-System Sales (Dec. 15, 2006) at pp. 10-13.

return which was recovered from AmerenUE's Missouri customers.¹⁶ In essence, AmerenUE's interest in EEInc. was no different than an "above-the-line" investment.

For all the above and foregoing reasons, The Commercial Group urges the Commission to find that the incremental costs incurred as a result of AmerenUE's failure to seek an extension of its power sales agreement with EEInc. are imprudent, and to disallow such costs from the Company's request in this docket. The Commercial Group further urges the Commission to quantify these incremental costs by requiring AmerenUE to use its PROSYM dispatch model to calculate the difference between the test year fuel and purchased power costs incurred by the Company and what would have been incurred had the power sales agreement been extended under terms similar to what had been in place up to December 31, 2005. Use of the MPSC Staff's dispatch model to quantify the incremental costs related to EEInc.

Alternatively, The Commercial Group urges the Commission to quantify the disallowed costs using one of the three alternatives set forth in Schedule KCH-1 attached to the Direct Testimony of Kevin C. Higgins filed December 15, 2006, in this cause.

9. Off-System Sales: How should off-system sales be recognized in AmerenUE's revenue requirement and what amount of off-system sales margin is appropriate for the test year? Should any tracking or sharing of changes in off-systems sales margins be implemented?

AmerenUE's proposal for sharing off-system sales margins should be rejected because it fails to strike the appropriate risks vs. rewards balance between the

¹⁶ *Id.* at p. 11; Higgins Surrebuttal Testimony on EEInc. (Feb. 27, 2007) at p. 6.

Company and its customers.¹⁷ The Company's proposal would shift to its customers most of the downside risks associated with off-system sales margins, while retaining for itself most of the potential upside benefits.¹⁸

A more equitable approach would be to establish \$183 million as the pro-forma level of off-system sales margins, with deviations above and below this pro-forma amount to be shared on a 50/50 basis between the Company and its customers.¹⁹ This 50/50 sharing would be capped at the \$360 million margin proposed by the Company and any additional amounts above the cap would flow 100% to the customers.²⁰ This approach will result in a more equitable balancing of the risks and rewards of off-sales margins between AmerenUE and its customers.

For the above and foregoing reasons, The Commercial Group urges the Commission to reject AmerenUE's proposal for sharing of off-system sales margins. Instead, The Commercial Group urges the Commission to establish a pro-forma level of off-system sales margins equal to \$183 million and to require deviations from this amount to be shared between AmerenUE and its customers on a 50/50 basis up to a maximum of \$360 million, with off-system sales margins in excess of \$360 million to flow to customers on a 100% basis.

10. Fuel Adjustment Clause: Should AmerenUE's proposed fuel adjustment clause be approved and, if so, with what modifications or conditions?

The Commercial Group does not advocate a position either for or against AmerenUE's proposed fuel adjustment clause ("FAC"). However, implementation of the

¹⁷ Higgins Direct Testimony on EEInc. and Off-System Sales (Dec. 15, 2006) at p. 23.

¹⁸ *Id.* at pp. 23-25.

¹⁹ *Id.* at pp. 25-27.

²⁰ *Id.* at p. 25.

imprudence adjustment advocated by The Commercial Group in connection with the Electric Energy, Inc., issue (see Issue No. 8, above) will differ depending upon whether or not a FAC is adopted.²¹

If no FAC is adopted, the EEInc. adjustment advocated by The Commercial Group should simply be applied to base rates.²² If an FAC is adopted, however, the EEInc. disallowance can be implemented in either of two ways: 1) through base rates, or 2) solely through the FAC charge.²³

A. Implementing Imprudence Disallowances Through Base Rates

If the Commission adopts an FAC and chooses to implement the EEInc. adjustment through base rates, a corresponding adjustment must also be made to the FAC calculation. Otherwise the base rate disallowance will be overridden in the calculation of the Fuel and Purchased Power Adjustment and costs deemed imprudent by the Commission will inadvertently be recovery through the FAC.²⁴

The adjustment to the FAC calculation can be made in either of two ways. Both will ensure that any rate base prudence disallowance (e.g., EEInc.) is not offset by the FAC. First, the Commission can simply implement the calculation using the FAC proposed by the Company.

AmerenUE is proposing to use the following formulation for the FAC:

$$\text{FPA} = [\text{CF} + \text{CPP} + \text{SMS} + \text{R} + \text{I}] / \text{S} - \text{BFC}$$

Where “FPA” = Fuel and Purchased Power Adjustment

“CF” = Allowable fuel cost

“CPP” = Cost of purchased power [as defined in the tariff]

²¹ *Id.* at pp. 20-21.

²² *Id.* at p. 21.

²³ *Id.*

²⁴ Direct Testimony of Kevin C. Higgins on Fuel Adjustment Clause (Dec. 29, 2006) at pp. 2-3.

“SMS” = Shares of off-system sales margins, if applicable
“R” = Under/Over recovery from prior Recovery Period, and modifications ordered as a result of required prudence reviews
“I” = Interest
“S” = Applicable Recovery period kwh, at the generation level
“BFC” = Base Fuel Cost

As indicated in the Company’s proposed definitions above, “R” may incorporate the effects of disallowances from required prudence reviews. This term could also be used by the Commission for incorporating imprudence disallowances (e.g., EEInc.) applicable to base rates that are carried forward from a previous general rate proceeding.²⁵

Alternatively, the Commission can implement the required FAC calculation by modifying AmerenUE’s proposed FAC formulation so that rate base disallowances are reflected in their own variable. The formulation above could be modified to read:

$$\text{FPA} = [\text{CF} + \text{CPP} + \text{SMS} + \text{R} + \text{I} - \text{D}] / \text{S} - \text{BFC}$$

Where “D” = Any base rate disallowance ordered in the prior general rate proceeding.²⁶

If the Commission chooses this formulation, the “D” variable could also be used for any other Commission-ordered disallowances.²⁷

One final option is available if the Commission adopts an FAC and chooses to implement the EEInc. adjustment through base rates, with a corresponding adjustment the FAC calculation. The base rate disallowance that is carried forward into the FAC calculation can remain a constant amount or it can be changed over time.²⁸

²⁵ *Id.* at p. 4.

²⁶ *Id.*

²⁷ *Id.* at p. 5.

²⁸ *Id.* at p. 3.

If the Commission intends that base rates be reduced by a constant amount going forward, then the disallowance applied to the FAC calculation should also remain constant, at least until AmerenUE's next general rate case.²⁹ Alternatively, if the disallowed costs are subject to change and the Commission intends that these changes should be reflected going forward, then the disallowance included in the FAC calculation can also be allowed to change over time.³⁰

B. Implementing Imprudence Disallowances Solely Through the FAC

If the Commission adopts an FAC, the EEInc. disallowance may also be implemented solely through the FAC charge rather than through base rates. This can be accomplished by applying the disallowance directly to the variable "D" in the FPA formula above.³¹

While this approach will produce a correct outcome, it has the disadvantage of delaying implementation of the disallowance until the FAC is in effect.³² This is not the case when the imprudence disallowance is implemented through base rates as discussed in the previous section.

For all the above and foregoing reasons, The Commercial Group urges the Commission to implement any imprudence disallowances as outlined above in order to ensure that the benefits of such disallowances flow-through to AmerenUE's customers.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.* at p. 5.

³² *Id.* at p. 6.

18. Class Cost of Service and Rate Design:

Class Cost of Service Issues: What should be the increase or decrease in the revenue responsibility of each customer class?

The increase or decrease in the revenue responsibility of each customer class depends upon the amount of overall rate change granted by the Commission.

At AmerenUE's requested rate increase The Commercial Group urges the Commission to allocate the increase among the classes as shown on Schedule KCH-3 (copy attached). The Commercial Group's proposal as shown on Schedule KCH-3 will move all customer classes closer to cost-of-service, while providing some mitigation for the Residential class.³³ Specifically, the proposal reflected on Schedule KCH-3 will move the Residential class midway between the jurisdictional average increase of 18.3% and the Residential cost-of-service-based increase of 26.81%, producing a Residential class increase of 22.56%.³⁴ To fund the cost of this mitigation, each of the remaining customer classes would receive an increase of 3.23% above its respective cost-of-service increase.³⁵

Alternatively, if the Commission wishes to provide greater mitigation of the impact on the Residential class at AmerenUE's requested rate increase, The Commercial Group urges the Commission to allocate the increase among the classes as shown on Schedule KCH-4 (copy attached). The Commercial Group's proposal as shown on Schedule KCH-4 will also move all customer classes toward cost-of-service; it will also ensure that no customer class that warrants a percentage rate increase *above* the

³³ Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2007) at pp. 10-11.

³⁴ *Id.* at p. 11.

³⁵ *Id.*

jurisdictional average (based on cost-of-service results) receives a rate increase that is *below* the jurisdictional average.³⁶

To the extent that increase granted in this case is less than that requested by the Company, The Commercial Group recommends that the revenue apportionment be adjusted to move rates more in line with cost-of-service.³⁷ Specifically, The Commercial Group recommends that each percentage point reduction in the Company's jurisdictional revenue increase be applied uniformly to the percentage rate increase shown for each customer class in lower the right-hand column of Schedule KCH-3.³⁸ This approach will move rates closer to cost-of-service as the overall rate increase for each customer class falls.³⁹

A. To what extent, if any, are current rates for each customer class generating revenues that are greater or less than the cost of service for that customer class?

According to updated cost-of-service results filed by AmerenUE, current rates produce the following returns for each customer class:⁴⁰

Residential	0.514%
Small Gen Serv	5.158%
Large Gen Serv	6.838%
Small Primary	4.702%
Large Primary	0.909%
Large Trans	7.601%

³⁶ *Id.* at pp. 12-13.

³⁷ *Id.* at p. 11.

³⁸ *Id.* at pp. 11-12.

³⁹ *Id.* at p. 12.

⁴⁰ Schedule WMW-E4, Surrebuttal Testimony of William M. Warwick on Class Cost of Service (Feb. 27, 2007).

B. How should AmerenUE's cost of service be assigned to the customer classes?

The methodologies employed by AmerenUE to allocate jurisdictional costs to customer classes are widely recognized as valid approaches and should be applied in this proceeding.⁴¹ Alternatively, the methodologies employed by MIEC witness Maurice Brubaker – which also follow nationally accepted standards – are acceptable.⁴²

The methodologies employed by MPSC Staff witness James A. Busch should be rejected by the Commission, particularly his conclusion that the LGS class should not receive any adjustment toward the class' cost-of-service.⁴³ The independent cost-of-service studies of both AmerenUE and the MIEC show an unmistakable pattern: the Company is over-recovering costs from the LGS rate class relative to the jurisdictional average.⁴⁴ Therefore, some adjustment toward the cost-of-service for the LGS class is warranted. The Commercial Group recommends that the final revenue apportionment move classes closer to cost-based as set out in response to Question No. 18, above.

In addition, the "Peak and Average" methodology utilized by the Office of Public Counsel witness Barbara A. Meisenheimer and AARP witnesses Ronald J. Binz and Nancy Brockway should be rejected for the reasons set forth below in response to Question No. 18.E.

⁴¹ Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2006) at pp. 4-5.

⁴² Rebuttal Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Feb. 5, 2007) at pp. 2 & 4.

⁴³ *Id.* at pp. 3-4.

⁴⁴ *Id.* at p. 4.

C. Should the Commission adopt AmerenUE's proposal to cap any residential class increase at no more than ten (10%) percent?

No, unless the Company is willing to fund the necessary subsidy itself. Instead, AmerenUE is proposing to mitigate the rate impact to the Residential class at the expense of the other customer classes.⁴⁵

AmerenUE's cost-of-service analysis indicates that the Residential class warrants a 26.81% increase at the Company's requested revenue requirement.⁴⁶ This is significantly *above* the jurisdictional average of 18.3% at the Company's requested increase.⁴⁷ And yet AmerenUE proposes to cap the increase to the Residential class at 10%, an increase significantly *below* the jurisdictional average.⁴⁸ To fund the 10% cap AmerenUE proposes to require the other customer classes to pay a subsidy of \$143 million.⁴⁹

AmerenUE's proposal is grossly inequitable and should be rejected by the Commission.⁵⁰ The proposal goes far beyond the bounds of reasonableness; it draws no guidance whatsoever from the principles of cost causation and, consequently, fails to meet the most basic requirements of just and reasonable ratemaking.⁵¹

AmerenUE seeks to defend its 10% cap proposal by asserting that non-residential customers may have the ability to pass along rate increases to their own customers, as well as having better access to capital markets to finance increased

⁴⁵ Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2007) at pp. 8-9.

⁴⁶ Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2007) at p. 6.

⁴⁷ *Id.* at pp. 7-8.

⁴⁸ *Id.*

⁴⁹ *Id.* at p. 6.

⁵⁰ *Id.* at p. 7.

⁵¹ *Id.* at p. 8.

energy prices. These arguments are highly unorthodox, not grounded in accepted ratemaking principles and should be rejected by the Commission.⁵²

AmerenUE's proposal would take ratemaking in a new and inappropriate direction by setting rates on the basis of the *perceived* ability of some customer classes to pass costs on to others or the access capital markets – criteria having nothing to do with cost, efficiency or stability.⁵³ Further, AmerenUE has provided no evidence to show that these assumed abilities of some customer classes have any basis in fact.⁵⁴

Finally, AmerenUE has not provided a single example of the rates of one customer classes being capped on the basis of the criteria being advocated by the Company. When asked in discovery to provide any such examples, AmerenUE's witness was unable to do so.⁵⁵

For all these reasons, The Commercial Group urges the Commission to reject the 10% cap being advocated by AmerenUE. Instead, if the Commission deems it necessary to mitigate the impact of any rate increase on the Residential class The Commercial Group urges the Commission to adopt one of the alternatives set forth in response to Question No. 18, above.

D. Should Staff's proposal to combine the Small Primary Service Class and the Large General Service Class in the Class Cost of Service Study be adopted?

The Commercial Group did not take a position on this issue.

⁵² *Id.* at p. 9.

⁵³ *Id.*

⁵⁴ *Id.* at pp. 9-10.

⁵⁵ *Id.* at p. 10.

E. On what basis should production capacity be allocated to classes?

Production capacity should be allocated to the various classes using a variation of the “Average and Excess Demand” method used by the Company. This allocation method is widely recognized as a valid approach and is appropriate in this proceeding.⁵⁶

The “Peak and Average” method advocated by the Office of Public Counsel and the AARP should be rejected. This method contains a significant analytical flaw which results in a double-counting of average demand during the system peak month(s). As a result, the method does not properly assign the cost of the incremental amount of production plant used to serve the system peak to the users at system peak.⁵⁷

F. On what basis should production energy costs be allocated to classes?

The Commercial Group did not take a position on this issue.

G. On what basis should transmission costs be allocated to classes?

Transmission costs should be allocated to the various classes using the 12-Coincident-Peak method used by the Company. This allocation method is widely recognized as a valid approach and is appropriate in this proceeding.⁵⁸

H. On what basis should distribution costs be allocated to classes? Should the allocation of primary distribution costs include any customer-related component?

Distribution-related costs in Accounts 364-369 should be allocated to the various classes using the zero-intercept method used by the Company. This method identifies

⁵⁶ *Id.* at pp 2-4.

⁵⁷ *Id.* at pp. 10-14.

⁵⁸ *Id.* at pp 2-4.

that portion of distribution-related plant associated with a hypothetical no-load situation and properly classifies such costs as customer-related. The remaining distribution-related costs in these accounts are properly classified as demand-related.⁵⁹

Yes, the allocation of primary distribution costs should include customer-related components, and the contrary position advocated by the Office of Public Counsel (“OPC”) and the AARP should be rejected.⁶⁰ Ignoring customer-related costs in allocating distribution plant associated with FERC Accounts 364-368 is inconsistent with the guidelines published in the Electric Utility Cost Allocation Manual by the National Association of Regulatory Utility Commissioners.⁶¹ In addition, such treatment results in an unwarranted cost shift to commercial customers.⁶²

In their respective cost-of-service studies both AmerenUE and the Commission's Staff correctly recognize that a portion of distribution plant associated with FERC Accounts 364-368 should be classified as customer-related.⁶³ The Commercial Group recommends that the Commission adopt the cost allocation treatment of these accounts as proposed either by the Company or the Staff.⁶⁴

⁵⁹ *Id.* at pp. 2-4.

⁶⁰ Rebuttal Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Feb. 5, 2007) at p. 5.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.* at pp. 5-6.

I. On what basis should non-fuel generation expenses be allocated?

Non-fuel generation expenses should be allocated using the “Average and Excess Demand” methodology. Both AmerenUE and MIEC witness Maurice Brubaker utilize this methodology. Either is acceptable.⁶⁵

J. On what basis should off-system sales revenues be allocated among the customer classes?

The Commercial Group did not take a position on this issue, but supports the approach advocated by the MIEC at p.29, line 16 – p. 30, line7, of the Direct Testimony and Schedules of Maurice Brubaker on Cost of Service, Revenue Allocation and Rate Design (Dec. 29, 2006).

K. On what basis should credit and collection expenses be allocated?

The Commercial Group did not take a position on this issue.

Rate Design: How should the Commission implement any revenue change it orders in this case and address proposed revisions to existing tariffs?

The Commercial Group did not take a position on this issue.

A. Should the Commission adopt AARP’s proposal to recover less of the Company’s demand related costs in the summer, and more of the demand related costs in the winter?

The Commercial Group did not take a position on this issue.

⁶⁵ Direct Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Dec. 29, 2006) at pp. 2-5; Rebuttal Testimony of Kevin C. Higgins on Cost of Service and Revenue Apportionment (Feb. 5, 2007) at p. 3.

B. Should the Commission adopt the Missouri Association for Social Welfare's proposal to create an "essential service rate"?

The Commercial Group did not take a position on this issue.

C. Should the Commission adopt AmerenUE's proposal for economic development and retention riders?

The Commercial Group did not take a position on this issue.

D. Should AmerenUE have an Industrial Demand Response program? If so, what should be the parameters of that program?

The Commercial Group did not take a position on this issue.

E. Does the Large Power Rate need to be changed? If so, should the Commission adopt AmerenUE's proposal for changes to the Large Power Service Rate?

The Commercial Group did not take a position on this issue.

F. Does the Large Transmission Service Rate need to be changed? If so, should the Commission adopt AmerenUE's proposal for changes to the Large Transmission Service Rate?

The Commercial Group did not take a position on this issue.

G. Should the Commission adopt AmerenUE's proposal for changes to miscellaneous tariff provisions?

The Commercial Group did not take a position on this issue.

H. Should the Commission adopt Staff's proposal for changes to miscellaneous tariff provisions?

The Commercial Group did not take a position on this issue.

III. CONCLUSION

WHEREFORE, for all the above and foregoing reasons, The Commercial Group respectfully requests that the Commission adopt the positions set forth herein.

Dated this 6th day of March, 2007.

Respectfully submitted,

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ATTORNEYS FOR THE COMMERCIAL
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CERTIFICATE OF SERVICE

The undersigned certifies that on March 6, 2007, a true and correct copy of the foregoing Prehearing Brief Of The Commercial Group was served by U.S. mail, postage prepaid, or by electronic mail addressed to all parties by their attorneys of record as provided by the Secretary of the Commission.

Revenue Change by Class at AmerenUE's Proposed Revenue Requirement :
Commercial Group Proposal
(\$000s)

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Revenue Req'd @ Equal ROR	Allocated Rate Rev. Variance	Adj. Rev. Req'd @ Equal ROR	Req'd Rev. Change @ Equal ROR	Percent Change @ Equal ROR
1	Residential	\$ 850,213	\$ (11)	\$ 850,202	\$ 13,515	\$ 32,743	\$ 1,078,160	\$ (11)	\$ 1,078,149	\$ 227,947	26.81%
2	Small General Service	\$ 226,710	\$ (2)	\$ 226,708	\$ 3,093	\$ 6,417	\$ 251,997	\$ (2)	\$ 251,994	\$ 25,286	11.15%
3	Large General Service	\$ 418,267	\$ (4)	\$ 418,263	\$ 5,129	\$ 10,700	\$ 451,572	\$ (4)	\$ 451,568	\$ 33,305	7.96%
4	Small Primary Service	\$ 182,440	\$ (2)	\$ 182,438	\$ 2,117	\$ 4,656	\$ 202,566	\$ (2)	\$ 202,564	\$ 20,126	11.03%
5	Large Primary Service	\$ 155,952	\$ (2)	\$ 155,950	\$ 2,024	\$ 4,991	\$ 200,486	\$ (2)	\$ 200,484	\$ 44,534	28.56%
6	Large Transmission Service	\$ 137,209	\$ (1)	\$ 137,208	\$ 1,231	\$ 3,324	\$ 146,718	\$ (1)	\$ 146,717	\$ 9,509	6.93%
7	Total	\$ 1,970,791	\$ (22)	\$ 1,970,769	\$ 27,111	\$ 62,831	\$ 2,331,499	\$ (22)	\$ 2,331,476	\$ 360,707	18.30%

Data Source: Schedule WMMW-E1, WMMW-E2 & WLC-E7

Mitigated Revenue Spread with Residential Moved Halfway to Cost of Service; Subsidy Spread to Remaining Classes Based Upon Percent Change @ Equal ROR + Equal Subsidy Percent

Line No.	Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Revenue Req'd Rev. Change @ Equal ROR	CG Proposed Target Revenue	CG Proposed Revenue Change	CG Proposed Percent Increase
8	Residential	\$ 850,213	\$ (11)	\$ 850,202	\$ 13,515	\$ 227,947	\$ 1,041,981	\$ 191,779	22.56%
9	Small General Service	\$ 226,710	\$ (2)	\$ 226,708	\$ 3,093	\$ 25,286	\$ 259,311	\$ 32,603	14.38%
10	Large General Service	\$ 418,267	\$ (4)	\$ 418,263	\$ 5,129	\$ 33,305	\$ 465,068	\$ 46,805	11.19%
11	Small Primary Service	\$ 182,440	\$ (2)	\$ 182,438	\$ 2,117	\$ 20,126	\$ 208,452	\$ 26,014	14.26%
12	Large Primary Service	\$ 155,952	\$ (2)	\$ 155,950	\$ 2,024	\$ 4,991	\$ 205,518	\$ 49,568	31.78%
13	Large Transmission Service	\$ 137,209	\$ (1)	\$ 137,208	\$ 1,231	\$ 9,509	\$ 151,146	\$ 13,938	10.16%
14	Total	\$ 1,970,791	\$ (22)	\$ 1,970,769	\$ 27,111	\$ 360,707	\$ 2,331,476	\$ 360,707	18.30%

**Revenue Change by Class at AmerenUE's Proposed Revenue Requirement :
Assuming Residential Class Receives Jurisdictional Average Increase**
(\$000s)

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Revenue Req'd @ Equal ROR	Allocated Rate Rev. Variance	Adj. Rev. Req'd @ Equal ROR	Req'd Rev. Change @ Equal ROR	Percent Change @ Equal ROR
1	Residential	\$ 850,213	\$ (11)	\$ 850,202	\$ 13,515	\$ 32,743	\$ 1,078,160	\$ (11)	\$ 1,078,149	\$ 227,947	26.81%
2	Small General Service	\$ 226,710	\$ (2)	\$ 226,708	\$ 3,093	\$ 6,417	\$ 251,997	\$ (2)	\$ 251,994	\$ 25,286	11.15%
3	Large General Service	\$ 418,267	\$ (4)	\$ 418,263	\$ 5,129	\$ 10,700	\$ 451,572	\$ (4)	\$ 451,568	\$ 33,305	7.96%
4	Small Primary Service	\$ 182,440	\$ (2)	\$ 182,438	\$ 2,117	\$ 4,656	\$ 202,566	\$ (2)	\$ 202,564	\$ 20,126	11.03%
5	Large Primary Service	\$ 155,952	\$ (2)	\$ 155,950	\$ 2,024	\$ 4,991	\$ 200,486	\$ (2)	\$ 200,484	\$ 44,534	28.56%
6	Large Transmission Service	\$ 137,209	\$ (1)	\$ 137,208	\$ 1,231	\$ 3,324	\$ 146,718	\$ (1)	\$ 146,717	\$ 9,509	6.93%
7	Total	\$ 1,970,791	\$ (22)	\$ 1,970,769	\$ 27,111	\$ 62,831	\$ 2,331,499	\$ (22)	\$ 2,331,476	\$ 360,707	18.30%
Data Source: Schedule WMW-E1, WMW-E2 & WLC-E7											

Mitigated Revenue Spread with Residential Capped at Requested System Avg Increase - 18.3%; Subsidy Spread to Remaining Classes Based Upon Percent Change @ Equal ROR + Equal Subsidy Percent

Equal Subsidy Percent = 6.46%											
Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Revenue Req'd @ Equal ROR	Mitigation Adjustment	Proposed Target Revenue	CG Proposed Revenue Change	CG Percent Increase
8	Residential	\$ 850,213	\$ (11)	\$ 850,202	\$ 13,515	\$ 32,743	\$ 227,947	\$ (72,336)	\$ 1,005,813	\$ 155,611	18.30%
9	Small General Service	\$ 226,710	\$ (2)	\$ 226,708	\$ 3,093	\$ 6,417	\$ 25,286	\$ 14,635	\$ 266,629	\$ 39,921	17.61%
10	Large General Service	\$ 418,267	\$ (4)	\$ 418,263	\$ 5,129	\$ 10,700	\$ 33,305	\$ 27,000	\$ 478,568	\$ 60,305	14.42%
11	Small Primary Service	\$ 182,440	\$ (2)	\$ 182,438	\$ 2,117	\$ 4,656	\$ 20,126	\$ 11,777	\$ 214,341	\$ 31,903	17.49%
12	Large Primary Service	\$ 155,952	\$ (2)	\$ 155,950	\$ 2,024	\$ 4,991	\$ 44,534	\$ 10,067	\$ 210,551	\$ 54,501	35.01%
13	Large Transmission Service	\$ 137,209	\$ (1)	\$ 137,208	\$ 1,231	\$ 3,324	\$ 9,509	\$ 8,857	\$ 155,574	\$ 18,366	13.39%
14	Total	\$ 1,970,791	\$ (22)	\$ 1,970,769	\$ 27,111	\$ 62,831	\$ 360,707	\$ (0)	\$ 2,331,476	\$ 360,707	18.30%
Data Source: Schedule WLC-E7											