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 Service Provided to Customers In the Company's Missouri Service Area.	))))	**Case No. ER-2010-0036**

SUGGESTIONS IN SUPPORT OF INTERIM RATE TARIFF (IRT)

COMES NOW Union Electric Company d/b/a AmerenUE (AmerenUE or the Company) and hereby files these Suggestions in Support of the Interim Rate Tariff filed concurrently herewith. In this regard, AmerenUE states as follows:

Introduction/Summary of Relief Requested

1. Filed concurrently herewith is an Interim Rate Tariff (IRT) bearing an effective date of October 1, 2009. As explained in more detail herein, the IRT would implement an interim rate increase of approximately $37.3 million, or a 1.67 percent increase for all of the Company's electric customers, starting on October 1, 2009. For the typical residential customer this 1.67 percent yields an annual increase of $15.70 or $1.31 per month. These interim rates represent only about one-tenth of the total permanent rate increase sought by the Company in this case. The IRT would expire by its owns terms at the earlier to occur of June 21, 2010 (the operation of law date in this case) or at such time as permanent rates authorized by the Commission's Report and Order in this rate case become effective. The interim rate increase would be subject to refund, with interest at the Company's short-term borrowing rate, pending the final determination of this rate case. While the Commission has the authority to suspend the IRT pursuant to the file and suspend provisions of Section 393.150, RSMo., the Commission is not required to take any action respecting the IRT, which can be allowed to become effective and to expire according to its terms.

2. Because the IRT sets interim rates that are subject to refund, with interest, pending the final determination of this rate case; because the IRT implements only a fraction of the permanent rate increase needed by the Company; because implementing interim rates will reduce the need to borrow more cash (at historically high rates) to fund system investments; because the Company has earned and continues to earn far less than its authorized return on equity; and because the interim rate increase reflected in the IRT was calculated based upon the cost of actual rate base additions that today are serving customers, there is no need for the Commission to suspend the IRT. Rather, the Company respectfully requests that the Commission allow the IRT to take effect according to its terms on October 1, 2009. Alternatively, if the Commission were to decide to suspend the IRT, the Company respectfully requests that the Commission suspend the IRT for no more than one additional month and set a prompt hearing respecting the propriety of the IRT sufficiently in advance of the suspension period, so that the Commission will be in a position to lift the suspension after any such hearing so that the IRT can take effect no later than November 1, 2009.

The Law Governing Interim Rate Requests

3. In ***State ex rel. Laclede Gas Co. v. Pub. Serv. Comm'n***, 535 S.W.2d 561, 567 (Mo. App. W.D. 1976), the Western District Court of Appeals held as follows:

> We hold that the Commission has the power in a proper case to grant interim rate increases within the broad discretion implied from the Missouri file and suspend statutes and from the practical requirements of utility regulation.

As the Commission itself has recognized, ***Laclede*** also stands for the proposition that an interim rate increase can be implemented without the existence of an "emergency" situation. ***Id.*** at 574.

4. Historically others – the Staff, the Office of the Public Counsel (OPC), and the industrial interveners – have repeatedly urged the Commission to restrict the exercise of its discretion to situations where an "emergency" exists. Although the Commission has not often permitted the use of interim rates in non-emergency situations,[1] the Commission has consistently recognized that ***Laclede*** does not require an emergency or a near emergency. Indeed, allowing interim rates to take effect is, as the Commission has repeatedly recognized, a matter committed to the sound discretion of the Commission. *See, e.g., Order Rejecting Tariff and Granting Motion to Dismiss*, In Re: The Empire District Electric Co., 2002 WL 1587076 (Mo.P.S.C.) (May 9, 2002) ("The Commission has, however, granted interim rate relief on a non-emergency basis where the Commission found that the particular circumstances necessitated such relief. The Western District Court of appeals has also held that it is possible to grant interim rate relief on a nonemergency basis. The Commission has traditionally, however, followed the emergency standard."); *see also Order Approving Small Company Rate Increase on an Interim Basis Subject to Refund, and Approving Tariff*, In Re: Timber Creek Sewer Co., Inc., 2007 WL 3243348 (Mo. P.S.C.) (Oct. 30, 2007) ("The Commission has the authority to grant nonemergency relief by applying a case-by-case standard."); *Order Approving Stipulation and Agreement*, In Re: Citizens Electric, 2001 WL 18404788 (Mo.P.S.C.) (Dec. 26, 2001); *Report and Order*, In Re: The Empire District Electric Co., 1997 WL 280093 (Mo.P.S.C.) (Feb. 13, 1997) ("Since no standard is specified in statute to control the Commission as to whether to order suspension of a proposed rate schedule, the result is within the sound discretion of the Commission and an emergency situation need not necessarily be established * * * [t]he standard for allowing interim rate relief is . . . good cause

[1] Although the Commission's use of interim rates in non-emergency situations has been rare, it has occurred on occasion, as the *Timber Creek* and *Citizens Electric* cases cited below demonstrate. In addition, interim rate adjustments are the vehicle that is regularly used by the Commission to reflect PGA adjustments.

shown by the company, and determination of good cause is at the Commission's discretion.") The Commission's Staff agrees an emergency is not required, although it has historically advocated that the Commission nonetheless require the existence of an emergency. *See, e.g.*, *Staff's Response to Interim Filing*, Case No. ER-2002-425 (involving The Empire District Electric Company), at p. 7.

5. Stated directly, these Suggestions ask the Commission to do what it has always had the power to do: decline to require an emergency or near-emergency and apply the Commission's discretion to simply allow the IRT to become effective according to its terms on October 1, 2009 in order to mitigate the severe impact of regulatory lag on AmerenUE in this rate case.[2]

The Scope of the Interim Relief Filed

6. As noted earlier, the IRT filed herewith seeks an interim rate increase of approximately $37.3 million. Allowing the IRT to take effect essentially implements about one-tenth of the Company's permanent rate increase request to become effective on October 1, 2009.[3] The amount of the interim rate increase equates to the return, depreciation, and taxes on rate base additions that the Company has *actually placed in service* through May 31, 2009. Thus, the approximately $37.3 million interim rate increase request is supported by actual

[2] Like other state regulatory commissions, the Commission should use interim rates to mitigate the lag between the occurrence of higher utility costs and the ability to implement a permanent rate increase to reflect those higher cost levels. *See, e.g.*, *In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in Minnesota*, **Order Setting Interim Rates**, Docket No. E-015/GR-08-415, Minnesota Public Utilities Commission (July 21, 2008) (Approving a $35.5 million interim electric rate increase (nearly 80% of the permanent electric rate increase request), subject to refund); *In the Matter of NorthWestern Energy's Application for Approval for Authority to Establish Increased Natural Gas and Electric Delivery Service Rates*, **Interim Order**, Docket No. D2007.7.82, Montana Public Service Commission (Dec. 18, 2007) (Approving a $22.9 million interim electric rate increase (nearly 75% of the permanent electric rate increase request), subject to refund); *Northern States Power Company Electric Rate Increase Application*, **Order On Interim Rates**, Case No. PU-07-776, North Dakota Public Service Commission (Approving a $17.1 million interim electric rate increase (more than 80% of the permanent electric rate increase request), subject to refund).

[3] We assume, as is customary, that the Commission will suspend the permanent rate increase tariffs filed in this case pending an evidentiary hearing several months from now according to a procedural schedule to be later adopted by the Commission.

investments in "steel in the ground" since the close of the true-up period in the Company's last rate case. These assets have been fully paid for by AmerenUE and are, at this moment, being used to provide electric service to AmerenUE's customers. Indeed, the majority of this steel in the ground arose from capital expenditures that relate directly to improving and maintaining the reliability of the Company's electric delivery system.

7. While we respect the right of the parties in this rate case to review the Company's books to verify that these investments have been made, and to examine their prudence in the course of this rate case, it would be highly unusual for capital additions of this type not to ultimately be included in rate base. Indeed, rate base disallowances are the exception, rather than the rule, and the law holds that the Company is *presumed* to have acted prudently in making those rate base additions. *See, e.g., State ex rel. Public Counsel et al. v. Union Electric Co.*, 274 S.W.3d 569, 577 (Mo. App. W.D. 2009) ("[T]he commission properly presumed that UE was prudent in its purchase of the CTGs, until the State or Public Counsel presented evidence that raised a 'serious doubt' concerning the prudence of its expenditure."). In the very unlikely event that a rate increase equal to the interim increase reflected in the IRT were not ultimately approved, the fact that the interim rates are subject to refund with interest fully protects customers. Moreover, all parties will retain their full and fair opportunity to audit these investments, and the prudence if these investments, in the course of litigating the permanent rate increase sought in this case.

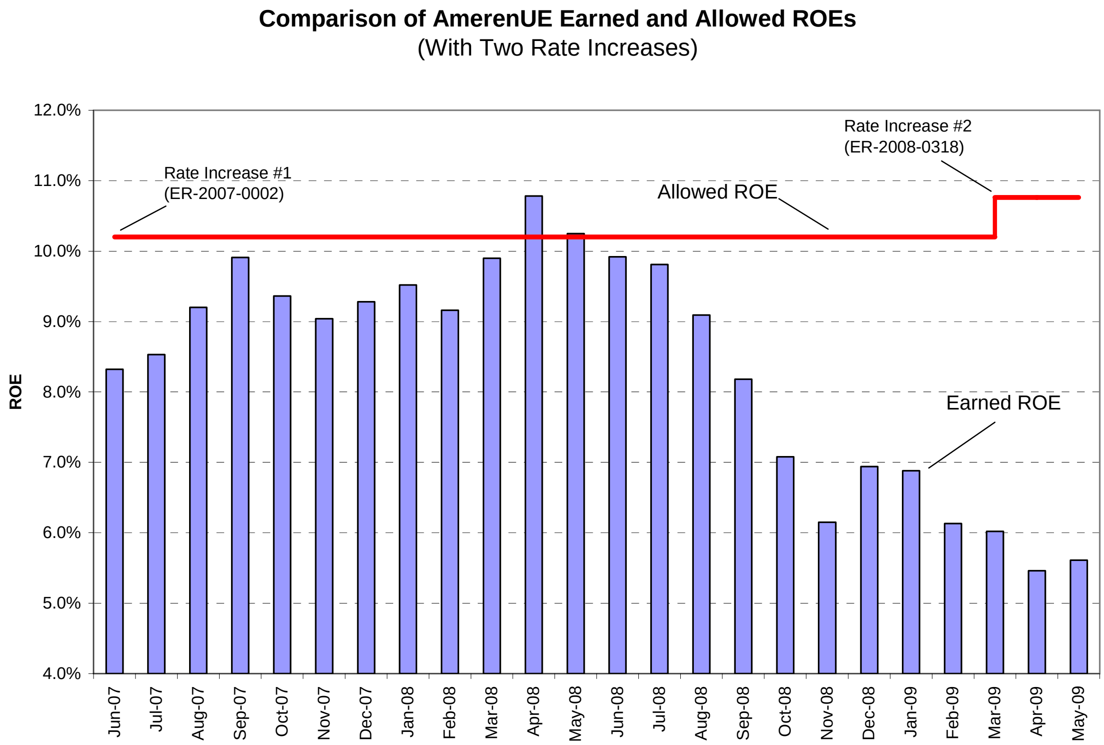
Bases for This Interim Rate Increase Request

8. As reflected in the evidentiary record in the Company's last rate case, and as discussed in testimony filed in this case, the Company is making substantial capital investments in its system. These investments require large sums of cash, which either must be

generated internally (i.e., through customer rates) or externally (i.e., by borrowing or equity issuances). The level of these capital expenditures remains high in comparison to capital expenditure levels just a few years ago, making cash flows more critical than ever. The Company's internal cash flows are insufficient to fund these investments, which necessitates greater Company borrowings at interest rates that, by historic standards, are relatively high, largely due to the financial crisis that began in the second half of 2008 and that in many respects is continuing today.

9. Even with filing this rate case less than five months after the last rate increase took effect, the regulatory lag inherent in the lengthy traditional rate case process means that it will likely take 21 months to implement another rate increase to cover the revenue requirement increase that has occurred since the close of the true-up period in the last case. In the interim, the Company must therefore rely more on external sources of cash, which means its financing costs will rise, which will ultimately raise rates for customers. This lag also presents challenges relating to the Company's ability to invest in its infrastructure when and to the extent it might otherwise like to do.

10. Moreover, since June 1, 2007, the Company has, on average, fallen far short of the returns on equity authorized by the Commission in each of the Company's last two rate cases (Case Nos. ER-2007-0002 and ER-2008-0318), as depicted in the table below:



11. According to the Company's First Quarter of 2009 Surveillance Report (submitted to the Commission's Auditing Manager as required by the Commission's fuel adjustment clause rules), the Company's return on equity for the 12 months ending March 31, 2009 (which happens to be the test year period filed in this case) was just 5.87% versus an authorized return on equity in the Company's last rate case of 10.76%.

12. These financial results continue to put pressure on the Company's credit ratings, which are near the bottom of both Moody's and Standard and Poor's investment grade ratings (just one notch above junk for Standard and Poor's (BBB-) and just two notches above junk for Moody's (Baa2)).

13. Indeed, these cash flow pressures present challenges to the Company's ability to invest in its systems and to otherwise achieve even greater improvements in the reliability of its energy delivery systems. For example, in late 2008, in response to the liquidity crisis in the

economy, the Company found it necessary to defer more than $75 million of planned 2009 capital improvements. Despite these deferrals, as noted above, the Company is continuing to invest large sums of capital. Indeed, AmerenUE's capital expenditures in 2008 were roughly three times its 2008 depreciation expense.

14. Not only do the Company's particular circumstances justify its interim rate request, but so does that fact that the regulatory lag inherent in the traditional regulatory scheme in Missouri is particularly severe, which makes it even more important to use interim rates as a tool to partially mitigate that severity. That this regulatory lag is severe is demonstrated by several historical regulatory practices in Missouri.

15. First, Missouri law prohibits the inclusion of construction work in progress in rate base, meaning that utilities must finance needed investments up-front without receiving any return on those investments, or a return of those investments. AmerenUE's investments in its system have been and continue to be extremely large, resulting in a growing rate base, continued pressure on the Company's earnings, and negative cash flows that put downward pressure on the Company's credit ratings and that ultimately raise the financing costs associated with the Company's continued investments in its system. Those higher costs are ultimately passed on to customers.

16. Not only does the prohibition on including construction work in progress in rate base exacerbate the effects of regulatory lag on the Company's financial condition, but so does the long rate case process in Missouri. Historically, a rate case (from the day it is filed) in Missouri takes 11 months to complete, which is longer than most other jurisdictions.[4] As a

[4] There is, however, no requirement that the Commission take 11 months to complete a rate case. The Commission is not required to suspend rate increase tariffs at all, and certainly is not required to do so for a full 120 days plus an additional six months, as demonstrated by the plain language of Section 393.150, RSMo. ("but not for a *longer period than* one hundred twenty days"; "for a further period *not exceeding* six months" (emphasis added)).

practical matter, the time needed to implement a rate increase is even longer than eleven months, given the substantial undertaking required to prepare and file a rate case.

17. Third, many jurisdictions use forward looking test years, which better matches the Company's costs with the associated rates that are charged to customers. Missouri has traditionally used an historic test year for all items, even those not subject to the prohibition of including construction work in progress in rate base.[5]

18. In summary, AmerenUE's particular circumstances, including the fact that it has now had to file three rate cases within a span of just over three years, and these historical regulatory practices that undermine utility earnings, decrease cash flows, and ultimately contribute to a deterioration of the utility's financial health, justify the use of interim rate relief as a tool to mitigate these problems, at least in part. AmerenUE recognizes that it is asking the Commission to depart from its historical reluctance to allow interim rates to help mitigate regulatory lag. However, for the reasons discussed in these Suggestions, the Commission can and should exercise its sound discretion to use this tool – the tool of allowing interim rates subject to refund – to mitigate the severe regulatory lag that continues to plague the Company.

Summary of the IRT

19. As earlier noted, filed concurrently with this pleading is the proposed IRT (denominated Rider IRA). The IRT would implement an interim rate increase of approximately $37.3 million or a 1.67 percent increase for all of the Company's electric customers, starting on October 1, 2009, but specifically makes that increase rate increase interim and subject to refund, with interest. The 1.67 percent increase was calculated by applying the Company's existing allowed return on rate base and depreciation rates (and

[5] Except with respect to rates based on rate base additions that would not go into service until after new rates take effect, there is no prohibition on using a forward looking test year in Missouri.

associated taxes) to the Company's per-book net plant-in-service balance as of May 31, 2009, as compared to the net plant-in-service balance used to set the Company's base rates in Case No. ER-2008-0318, which were effective on March 1, 2009 and dividing by test year retail jurisdictional base rate revenues. These calculations are reflected in Schedule IRT-1, attached hereto and incorporated herein by this reference. Workpapers supporting these calculations (in Excel format where available) have been filed in EFIS.

20. The 1.67 percent increase equates to an approximate dollar increase of $1.31 per month for a typical residential customer. This 1.67% increase is included in the overall approximately 18 percent increase in base rates for a residential customer as reflected in the minimum filing requirements submitted when this rate case was filed. The impact of this interim rate increase on all service classifications is reflected in Schedule IRT-2, attached hereto and incorporated herein by this reference.

WHEREFORE, the Company hereby respectfully requests that the Commission:

a. Accept the filing of the IRT;

b. Allow the IRT to take effect on October 1, 2009, according to its terms; and

c. Alternatively, limit any suspension of the IRT to a period only long enough to hold a hearing respecting the propriety of the IRT, and conclude such a hearing and lift any such suspension so that the IRT can take effect no later than November 1, 2009.

Dated: July 24, 2009

Respectfully submitted:

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VERIFICATION

I, Stephen M. Kidwell, Vice President of Regulatory Affairs and Energy Efficiency for Union Electric Company d/b/a AmerenUE, hereby swear, upon my oath, that the foregoing Suggestions in Support of Interim Rate Tariff are true and accurate to the best of my knowledge and belief.

Stephen M. Kidwell

Subscribed and sworn to before me this 24 day of July, 2009.

Lou Ann Dollar - Notary Public
Notary Seal, State of
Missouri - Cole County
Commission #07404611
My Commission Expires 7/5/2011

Notary Public LOU ANN DOLLAR

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Suggestions were served via e-mail, on the following parties, on the 24th day of July, 2009.

Staff of the Commission
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/s/ James B. Lowery
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AmerenUE
Interim Rate Calculation
(In $000's)

	Gross Plant	Missouri Retail
Increase in Gross Plant October 2008 through May 2009	$ 358,273	$ 351,921
Increase in Net Plant October 2008 through May 2009	215,819	213,579
Return and Income Taxes (11.886%)		25,386
Depreciation Expense		11,897
Total Increase in Revenues		$ 37,283

AmerenUE
Increase in Electric Plant
Increase from October 2008 thru May 2009
(In $000's)

	May 2009			September 2008				Allocation		
	Plant Balance	Less ARO	Adjusted Plant Balance	Plant Balance	Less ARO	Adjusted Plant Balance	Incr(Decr)	Method	Percent	Missouri Jurisdictional
GROSS PLANT										
Intangible Plant	44,296,181	-	44,296,181	41,519,870	-	41,519,870	2,776,311	(Fixed)	95.59%	2,653,876
Steam	2,972,400,073	26,100,948	2,946,299,125	2,936,805,453	26,608,867	2,910,196,586	36,102,539	(Fixed)	95.59%	34,510,417
Nuclear	2,829,862,608	-	2,829,862,608	2,805,605,808	40,826,807	2,764,779,001	65,083,608	(Fixed)	95.59%	62,213,420
Callaway Post Operational	116,730,946	-	116,730,946	116,730,946	-	116,730,946	-	(Fixed)	95.59%	-
Hydraulic	269,594,027	-	269,594,027	286,579,523	-	286,579,523	(16,985,496)	(Fixed)	95.59%	(16,236,436)
Other Production	1,191,179,135	-	1,191,179,135	1,182,070,067	-	1,182,070,067	9,109,068	(Fixed)	95.59%	8,707,358
Total Production	7,379,766,789	26,100,948	7,353,665,841	7,327,791,797	67,435,674	7,260,356,123	93,309,718			89,194,759
Transmission	631,514,658	-	631,514,658	600,063,042	-	600,063,042	31,451,617	(Direct)	100.00%	31,451,617
Distribution	4,044,494,072	337,836	4,044,156,236	3,850,104,374	337,836	3,849,766,538	194,389,699	(Distribution)	99.52%	193,456,628
General	537,321,278	231,782	537,089,496	501,064,703	320,730	500,743,973	36,345,523	(Labor)	96.75%	35,164,294
Total	12,637,392,979	26,670,566	12,610,722,413	12,320,543,785	68,094,240	12,252,449,545	358,272,868			351,921,174
ACCUMULATED RESERVE										
Intangible Plant	19,324,407	-	19,324,407	16,438,547	-	16,438,547	2,885,860	(Fixed)	95.59%	2,758,594
Steam	1,318,677,544	8,040,031	1,310,637,513	1,291,879,404	7,339,027	1,284,540,377	26,097,136	(Fixed)	95.59%	24,946,252
Nuclear	1,224,712,700	-	1,224,712,700	1,270,073,139	76,479,917	1,193,593,222	31,119,478	(Fixed)	95.59%	29,747,109
Callaway Post Operational	59,882,516	-	59,882,516	57,424,204	-	57,424,204	2,458,312	(Fixed)	95.59%	2,349,900
Hydraulic	72,751,499	-	72,751,499	70,791,625	-	70,791,625	1,959,874	(Fixed)	95.59%	1,873,443
Other Production	470,809,607	-	470,809,607	456,007,387	-	456,007,387	14,802,220	(Fixed)	95.59%	14,149,442
Total Production	3,146,833,865	8,040,031	3,138,793,834	3,146,175,759	83,818,944	3,062,356,814	76,437,020			73,066,147
Transmission	224,623,568	-	224,623,568	215,869,249	-	215,869,249	8,754,319	(Direct)	100.00%	8,754,319
Distribution	1,779,131,235	255,314	1,778,875,921	1,737,491,873	250,971	1,737,240,901	41,635,020	(Distribution)	99.52%	41,435,171
General	257,465,009	148,304	257,316,705	244,721,307	146,154	244,575,153	12,741,552	(Labor)	96.75%	12,327,451
Total	5,427,378,085	8,443,650	5,418,934,435	5,360,696,734	84,216,070	5,276,480,665	142,453,770			138,341,682
NET PLANT										
Intangible Plant	24,971,774	-	24,971,774	25,081,323	-	25,081,323	(109,549)	(Fixed)	95.59%	(104,718)
Steam	1,653,722,529	18,060,916	1,635,661,612	1,644,926,049	19,269,840	1,625,656,210	10,005,403	(Fixed)	95.59%	9,564,165
Nuclear	1,605,149,909	-	1,605,149,909	1,535,532,669	(35,653,110)	1,571,185,779	33,964,130	(Fixed)	95.59%	32,466,311
Callaway Post Operational	56,848,430	-	56,848,430	59,306,742	-	59,306,742	(2,458,312)	(Fixed)	95.59%	(2,349,900)
Hydraulic	196,842,528	-	196,842,528	215,787,898	-	215,787,898	(18,945,370)	(Fixed)	95.59%	(18,109,879)
Other Production	720,369,528	-	720,369,528	726,062,680	-	726,062,680	(5,693,152)	(Fixed)	95.59%	(5,442,084)
Total Production	4,232,932,924	18,060,916	4,214,872,007	4,181,616,038	(16,383,270)	4,197,999,308	16,872,699			16,128,612
Transmission	406,891,090	-	406,891,090	384,193,792	-	384,193,792	22,697,298	(Direct)	100.00%	22,697,298
Distribution	2,265,362,837	82,522	2,265,280,315	2,112,612,501	86,865	2,112,525,636	152,754,679	(Distribution)	99.52%	152,021,457
General	279,856,269	83,478	279,772,792	256,343,396	174,576	256,168,820	23,603,972	(Labor)	96.75%	22,836,843
Total	7,210,014,894	18,226,915	7,191,787,979	6,959,847,051	(16,121,830)	6,975,968,880	215,819,098			213,579,492

Depreciation Expense	Incr. Plant	Depr. Rate	Depreciation
Intangible Plant	2,653,876	20.00%	530,775
Steam	34,510,417	2.00%	690,208
Nuclear	62,213,420	2.19%	1,362,474
Callaway Post Operational	-		
Hydraulic	(16,236,436)	1.44%	(233,805)
Other Production	8,707,358	2.63%	229,004
Total Production	89,194,759		2,047,881
Transmission	31,451,617	2.34%	735,968
Distribution	193,456,628	3.42%	6,616,217
General	35,164,294	5.59%	1,965,684
Total	351,921,174		11,896,525

AmerenUE
CASE NO. ER-2009-
PROPOSED CLASS REVENUE REQUIREMENTS
($000's)

Customer Class	Current Base Revenue	Proposed Base Revenue	Interim Increase	Interim Percent Increase
Residential	$ 969,764	$ 986,007	$ 16,243	1.67%
Small General Service	$ 251,689	$ 255,905	$ 4,216	1.68%
Large General Service	$ 472,274	$ 480,184	$ 7,910	1.67%
Small Primary Service	$ 189,005	$ 192,171	$ 3,166	1.68%
Large Primary Service	$ 172,754	$ 175,648	$ 2,894	1.68%
Large Transmission Service	$ 139,156	$ 141,487	$ 2,331	1.68%
Lighting	$ 31,252	$ 31,775	$ 523	1.67%
Total	$ 2,225,894	$ 2,263,177	$ 37,283	1.67%

Customers will see a 1.67% increase to bills. However, due to rounding on this schedule, individual rate classes vary from 1.67%.