

LAW OFFICE OF ROBERT C. JOHNSON

720 OLIVE STREET SUITE 2400 ST. LOUIS, MO 63101

FAX: (314) 588-0638

Robert C. Johnson

DIRECT: (314) 345-6436

E-MAIL: rjohnson@blackwellsanders.com

Lisa C. Langeneckert

DIRECT: (314) 345-6441

E-MAIL: llangeneckert@blackwellsanders.com

July 2, 2002

VIA FEDERAL EXPRESS

Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Re: Staff Complaint Case No. EC-2002-1

Dear Mr. Roberts:

On behalf of the Missouri Energy Group, I enclose herewith for filing in the above matter, an original and eight (8) copies of its Position Statement. An additional copy of this document is enclosed, which I would appreciate your file stamping and returning in the enclosed, pre-addressed envelope.

Yours very truly,



Lisa C. Langeneckert

Enclosures (11)

cc/enc: All parties of record

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

Staff of the Missouri Public Service Commission,)	
)	
)	
Complainant,)	
)	
v.)	Case No. EC-2002-1
)	
Union Electric Company d/b/a)	
AmerenUE,)	
)	
Respondent.)	

POSITION STATEMENT OF MISSOURI ENERGY GROUP

COMES NOW the Missouri Energy Group ("MEG") and for its Position Statement on the Issues states as follows:

- A. On July 2, 2001, the Staff filed with the Missouri Public Service Commission ("Commission") an Excess Earning Complaint against Union Electric Company ("UE") doing business as AmerenUE alleging that UE's rates for electric service were no longer just and reasonable.
- B. On January 3, 2002 the Commission issued its *Order Approving Jointly Filed Revised Procedural Schedule* in which the Commission ordered the parties to file a Position Statement on the Issues by July 1, 2002 ;
- C. On July 1, 2002 the Commission issued its *Order Regarding Position Statements and Marking of Exhibits* in which the Commission extended the due date for Position Statements to July 3, 2002.

D. The MEG takes the following positions:

1. **ISSUE: Rate of Return: What rate of return should be used in determining the revenue requirement?**

MEG Position: A fair and reasonable rate of return determined in accordance with the regulatory standards applied to like utilities in comparable circumstances

2. **Depreciation:**

- A. **Average Service Lives: What plant average service lives should be used in determining depreciation rates?**
- B. **Net Salvage: Should the net salvage for plant upon retirement be expensed or included in the calculation of depreciation rates? If treated as an expense, what amount should be included in cost of service for net cost of removal?**
- C. **Depreciation Reserve Imbalance: Is it appropriate to amortize in rates any depreciation reserve imbalance? If so, should the imbalance be amortized over twenty years or forty years?**
- D. **4 CSR 240-10.020: Does 4 CSR 240-10.020 require any adjustment in this case for return on depreciation reserve? If so, what adjustment does 4 CSR 240-10.020 require?**

MEG Position: The MEG supports the position on depreciation set forth in the testimony of MIEC witness James T. Selecky

3. **Weather Normalization Adjustments: What adjustments for weather should be made to normalize the impacts of weather on customer usage and revenues during the test year?**

MEG POSITION: The MEG takes no position on this issue at this time

4. **Non-Weather Normalization Adjustments: What adjustments for non-weather items should be made to normalize the impacts of these items on customer usage and/or revenues during the test year?**

MEG POSITION: The MEG takes no position on this issue at this time

- 5. Customer Growth: What usage allowance for customer growth, if any, should be reflected in the determination of revenue requirement in this case?**

MEG POSITION: The MEG takes no position on this issue at this time

- 6. Sulfur Dioxide (SO₂) Allowance Revenues: What amount for revenues received from sulfur dioxide (SO₂) allowance transactions should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 7. SO₂ Allowance Authority: Should the authority that Commission granted to UE in Case No. EO-98-401 to manage, within certain limits, its SO₂ emission allowances inventory be modified as recommended by Public Counsel?**

MEG POSITION: The MEG takes no position on this issue at this time

- 8. Income Taxes: What amount for income taxes should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 8(a). Deferred Income Taxes: Should certain accumulated deferred income taxes ("ADIT") be deducted in the determination of rate base?**

MEG POSITION: The MEG takes no position on this issue at this time

- 9. Energy Losses: What factor for energy losses should be used to account for energy losses that occur between the generation sources and customers' meters in UE's system, how should these losses be used and should different loss factors be used for different customer classes and jurisdictions supplied at different voltages levels?**

MEG POSITION: The MEG takes no position on this issue at this time

- 10. Fuel and Purchased Power. What amount for fuel and purchased power costs for UE's native load should be included in cost of service**

MEG POSITION: The MEG believes that a representative cost should be included

- 11. Test Year Production Expense. Should the starting point for determining test year production expense be the amounts reflected on UE's books for the twelve months ending June 30, 2001 or the twelve months ending September 30, 2001?**

MEG POSITION: The MEG takes no position on this issue at this time

- 12. Test Year Revenues:** Should the starting point for determining test year revenues be the amounts reflected on UE's books for the twelve months ending June 30, 2001 or the twelve months ending September 30, 2001?

MEG POSITION: The MEG takes no position on this issue at this time

- 13. Venice Power Plant Fire Normalization:** What amount for costs related to the August 2000 Venice power plant fire should be included in cost of service?

MEG POSITION: The MEG takes no position on this issue at this time

- 14. Capacity Purchases for Firm Retail and Wholesale Load ("native load"):**

- A.** Should the profits from UE's and Ameren Energy Generating Company (AEG)/Ameren Energy Marketing Company (AEM)'s off-system sales be allocated between UE and AEG/AEM according to the Joint Dispatch Agreement (JDA) on the basis of UE's and AEG/AEM's monthly load requirements, as proposed by UE, or on the basis of the contribution of UE's and AEG/AEM's share of monthly energy from resources jointly used to meet load requirements plus off-system sales, as proposed by Staff?
- B.** Should UE's reserve requirements for meeting its summer 2001 peak be treated as having been met by the contract between UE and AEG/AEM, as proposed by UE, or by the cost as if UE had built, operated and maintained combustion turbines identical to those brought on line by AEG at Columbia, Missouri and Pinkneyville, Illinois?
- C.** What amount for power capacity purchases for UE's native load, if any, should be included in cost of service?

MEG POSITION: See issue 10. Also, the Commission should review UE's planning capacity margin, as discussed in the rebuttal testimony of Mark Drazen.

- 15. Allocations of Fuel and Purchased Power Costs:** Should fuel and purchased power costs incurred on a joint dispatch basis be allocated pursuant to the current JDA or should they be allocated or assigned based upon proportional savings achieved by UE and AEG derived from considering savings each entity achieves relative to stand-alone dispatch costs?

MEG POSITION: The MEG takes no position on this issue at this time

- 16. Jurisdictional Allocations: Should UE's production/transmission plant and expenses be allocated among its Missouri retail operations, Missouri wholesale operations and Illinois operations on the basis of a 12 CP (coincidental peak) methodology, as proposed by the Staff, or a 4 CP methodology, as proposed by UE?**

MEG POSITION: The MEG takes no position on this issue at this time

- 17. Interchange Sales Profit ("margin"): What amount for interchange sales profit (margin) should be used in the determination of revenue requirement?**

MEG POSITION: The MEG takes no position on this issue at this time

- 18. Callaway Refueling: Should a normalization adjustment be made with respect to the refueling at the Callaway nuclear power plant? If so, what adjustment should be made?**

MEG POSITION: The MEG takes no position on this issue at this time

- 19. Nuclear Supervision & Engineering Expense: What amount for nuclear supervision and engineering expenses should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 20. Administrative & General Salaries: What amount for administrative and general salaries should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 21. Payroll: What method should be used to calculate the amount for payroll expense to be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 22. Pension and OPEBs Expense: What amount should be included in cost of service for pension and other post-retirement employment benefit expenses?**

MEG POSITION: The MEG takes no position on this issue at this time

- 22(a). Should a rate base reduction be recognized for unfunded FAS 106 liability?**

MEG POSITION: The MEG takes no position on this issue at this time

- 23. Incentive Compensation: Should incentive compensation be included in cost of service? If so, what amount should be included?**

MEG POSITION: The MEG takes no position on this issue at this time

- 24. Outside Services: What adjustments to outside services expense should be made, if any, in this case?**

MEG POSITION: The MEG takes no position on this issue at this time

- 24(a). Legal Fees: What amount for legal fees expense should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 25. Rate Case Expense: What amount for rate case expense should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 26. Post test-year security costs. Should amounts for security costs incurred after September 30, 2001 be included in this case? If yes, then what amount should be included in the cost of service**

MEG POSITION: The MEG takes no position on this issue at this time

- 27. Cash Working Capital: What amount for cash working capital should be included in rate base?**

MEG POSITION: The MEG takes no position on this issue at this time

- 28. Low-Income Customer Weatherization and Assistance Programs: Should an amount for low-income customer weatherization and assistance programs be included in cost of service? If so, what amount should be included?**

MEG POSITION: The MEG takes no position on this issue at this time

- 29. Energy Efficiency Services To Residential and Commercial Customers: Should an amount for energy efficiency services to residential and commercial customers be included in cost of service? If so, what amount should be included?**

MEG POSITION: The MEG takes no position on this issue at this time

- 30. Injuries and Damages: What amount for injuries and damages should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 31. Automated Meter Reading Expenses: What amount for expenses related to automated meter reading should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 32. Advertising: What amount for advertising expenses should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 33. Territorial Agreements: What adjustment to cost of service, if any, should be made to reflect the impacts of territorial agreements?**

MEG POSITION: The MEG takes no position on this issue at this time

- 34. Midwest Independent System Operator: Should the exit fee Union Electric Company paid for withdrawing its membership in the Midwest System Operator be recovered from Missouri consumers? If so, what amount should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 35. Tree Trimming Expense: What amount for trimming trees should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 36. Dues & Donations: What amount for dues and donations should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 37. Uncollectibles: What allowance for uncollectible debt should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 38. Environmental Expense: What amount for environmental expense should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 39. Coal Inventory: Should the coal inventory allowed at the UE generation plants be determined by the generation needed to meet the Joint Dispatch Agreement or UE's load and what amount for coal inventory costs should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 40. Lobbying Expense: Should lobbying expense be included in cost of service? If so, how much?**

MEG POSITION: The MEG takes no position on this issue at this time

- 41. Missouri Public Service Commission Assessment: What amount for the Missouri Public Service Commission's annual assessment should be included in cost of service?**

MEG POSITION: The MEG takes no position on this issue at this time

- 42. What applicability do Generally Accepted Accounting Principles (GAAP) have to (1) the use of cash v. accrual accounting, (2) the application of cost averaging and normalization practices, and (3) the exclusion of non-recurring items?**

MEG POSITION: The MEG takes no position on this issue at this time

- 43. Class Cost of Service: How should UE's cost of service be assigned to the customer classes?**

MEG POSITION: An updated cost of service study, based on test year revenues and costs, should be used, using an appropriate non-coincidental peak methodology

- 44. Rate Design: How should the Commission implement any revenue change it orders in this case and address proposed revisions to existing tariff riders?**

MEG Position: An updated cost of service study, based on test year revenues and costs, should be the basis for spreading any changes in revenue requirements among rate classes. UE should implement services (and corresponding cost-based rates) that reduce the need to install capacity, including more price-responsive load, interruptible load, and customer-owned generation. Rider E should be modified as recommended in the rebuttal and surrebuttal testimony of Mark Drazen.

- 45. How could this complaint adversely affect the Company's union employees?**

MEG POSITION: The MEG takes no position on this issue at this time

- 46. Time of Use Program: Should the Commission establish a collaborative committee to design and evaluate an experimental residential Time of Use ("TOU") program?**

MEG POSITION: As noted in issue 44, the MEG supports service/rate initiatives that can reduce UE's peak demand.

47. UE VERSION:

Policy: In addition to "cost of service," what policy considerations should guide the Commission in deciding this case?

- A. Benefits of rate stability and reasonableness of UE's current rates compared to other utilities.
- B. Financial impact on UE of Staff's rate proposal.
- C. Implications of UE's infrastructure investment requirements.
- D. The adequacy of the traditional regulatory model in light of changing industry and economic conditions, and its ability to provide the flexibility and incentives to facilitate increases in operational efficiency.
- E. The reasonableness of Staff's rate of return and depreciation proposal compared to that which regulators have allowed in other jurisdictions.

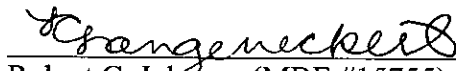
47. STAFF VERSION:

UE's Alternative Regulation Plan: Should the Commission adopt UE's alternative regulation plan in lieu of establishing rates by traditional ratemaking principles and regulating UE on a traditional cost-of-service basis, as proposed by the Staff and Public Counsel?

MEG Position: The MEG supports implementation of an "Alt Reg" plan in principle. For implementation, the Commission should adopt the concepts recommended by MEG witness Mark Drazen in his rebuttal testimony.

- E. The MEG reserves the right to cross examine any witness to this case.

Respectfully Submitted,



Robert C. Johnson (MBE #15755)

(314) 345-6436

bjohnson@blackwellsanders.com

Lisa C. Langeneckert (MBE #49781)

(314) 345-6441

llangeneckert@blackwellsanders.com

720 Olive Street, 24th Floor

St. Louis, MO 63101-2313

(314) 588-0638 (fax)

Attorneys for Missouri Energy Group

CERTIFICATE OF SERVICE

Pursuant to 4 CSR 240-2.080 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day caused a copy of the foregoing to be served on all persons on the official service list in Case No.: EC-2002-1.

Dated at St. Louis, Missouri this 2nd day of July 2002:

John Coffman, Esq.
Deputy Public Counsel
Office of Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Steve Dottheim, Esq.
Chief Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Robin E. Fulton, Esq.
Schnapp, Fulton, Fall, Silver & Reid, L.L.C.
135 East Main Street
P.O. Box 151
Fredericktown, MO 63645

Samuel E. Overfelt, Esq.
Law Office of Samuel E. Overfelt
P.O. Box 1336
Jefferson City, MO 65102

Tim Rush, Esq.
Kansas City Power & Light Company
1201 Walnut
Kansas City, MO 64141

James J. Cook, Esq.
AmerenUE
1901 Chouteau Avenue
P.O. Box 66149 (MC 1310)
St. Louis, MO 63166-6149

James M. Fisher, Esq.
Fischer & Dority, P.C.
101 Madison, Suite 400
Jefferson City, MO 65101

Ronald Molteni, Esq.
Assistant Attorney General
Supreme Court Building
221 West High Street
P.O. Box 899
Jefferson City, MO 65102

Michael C. Pendergast, Esq.
Assistant Vice President &
Associate General Counsel
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101

Diana M. Vuylsteke, Esq.
Bryan Cave, LLP
One Metropolitan Square
211 N. Broadway, Suite 3600
St. Louis, MO 63102



Lisa C. Langeneckert