

**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.)	

ANSWER

Comes now Union Electric Company, d/b/a AmerenUE ("AmerenUE") to answer Staff's Overearnings Complaint filed in this Case (the "Complaint"), as follows:

With respect to that portion of the Complaint appearing before numbered paragraph 1, AmerenUE states that said portion of the Complaint contains legal conclusions rather than factual allegations and as such, no answer is required, but to the extent an answer is required, AmerenUE denies the same.

With respect to the numbered paragraphs of the Complaint, AmerenUE answers the same by correspondingly numbered paragraphs, as follows:

1. AmerenUE admits the allegations of Paragraph 1.
2. AmerenUE admits that the Commission has specifically authorized the filing of an over-earnings complaint by Staff in this Case in its Order of July 14, 2006: *Order Amending Suspension Order and Notice*, and admits that the Order specifically directed that such complaint be filed in this case. The remainder of Paragraph 2 states legal conclusions rather than factual allegations and, as such, no answer is required, but to the extent that an answer is required, AmerenUE admits that the General Counsel is authorized and required by § 386.071 to represent and appear for the Commission in all actions and proceedings as directed by the Commission, but AmerenUE denies that at Rule 4 CSR 240-2.070(1) the Commission has delegated to *General Counsel* its authority to bring a complaint on its own motion. AmerenUE respectfully refers the

Commission to the cited Rule for a full and complete statement of its contents, including the delegation by the Commission to *Staff* of the Commission's authority to bring a complaint "on its own motion" which complaint shall be brought "*through the general counsel.*"

3. AmerenUE admits all the allegations of Paragraph 3, except that it is subject to jurisdiction under the entirety of Chapter 393, RSMo, and states that it is subject to jurisdiction under those provisions of Chapter 393, RSMo. applicable to electrical corporations, as defined in Chapter 386, RSMo.

4. AmerenUE admits the allegations of Paragraph 4.

5. AmerenUE admits that Staff audited the books and records of AmerenUE, and filed results in Case No. ER-2007-0002 as Staff's Accounting Schedules, item 185 (Sch. 1) in the Commission's EFIS system. As to the statement in Paragraph 5 that Staff's audit, as described in the Direct Testimony of Greg Meyer filed in the Case, "revealed" that normalized revenues are "excessive," AmerenUE answers that the statement is Staff's characterization of the testimony, which itself characterizes Staff's Accounting Schedules, which speak for themselves, rather than allegations of fact to which an answer is required, but to the extent an answer is required, AmerenUE denies the same. As to the remainder of paragraph 5, in which Staff incorporates by reference its Accounting Schedules and the direct testimony of a number of witnesses, AmerenUE admits that the same have been filed by Staff in this Case, but states that said filings speak for themselves, and further answers that incorporating the same in their entirety into Paragraph 5 without reference to any specific portion or portions thereof does not constitute allegations of fact by Staff, and as such, no answer is required, but to the extent that an answer is required, AmerenUE denies the same and, moreover, AmerenUE hereby incorporates herein by this reference all of AmerenUE's testimony filed in this case.

6. Paragraph 6 contains legal conclusions rather than factual allegations and as such, no answer is required, but to the extent an answer is required, AmerenUE denies the same.

7. Paragraph 7 contains partial quotations of a statute rather than allegations of fact and as such, no answer is required, but to the extent that an answer is required AmerenUE admits that the portions of the statute cited are cited accurately. AmerenUE respectfully refers the Commission to the cited statutory provision for a full and complete statement of its contents.

AFFIRMATIVE DEFENSES

FIRST DEFENSE

The Complaint fails to state a claim upon which relief can be granted.

SECOND DEFENSE

The rates proposed by the Complaint are not just and reasonable.

THIRD DEFENSE

The rates proposed by the Complaint are unsupported by competent and substantial evidence.

FOURTH DEFENSE

The rates proposed by the Complaint are produced by calculations and accounting adjustments manipulated solely to reduce AmerenUE's rates, and so are the result of improper, arbitrary, and unlawful regulatory opportunism.

FIFTH DEFENSE

The rates proposed by the Complaint cannot reasonably be expected to maintain the financial integrity of AmerenUE, attract necessary capital to AmerenUE, fairly compensate investors in AmerenUE for the risks they assume, and protect the public interest.

SIXTH DEFENSE

The rates proposed by the Complaint are not based on any competent, fair, or rational evaluation of the results of Staff's audit of AmerenUE's books and records, and so the rates proposed by the Complaint are arbitrary, capricious, and unreasonable.

SEVENTH DEFENSE

The rates proposed by AmerenUE in its rate increase request in this Case are just and reasonable and the change in rates proposed by Staff in the Complaint is unsupported by competent and substantial evidence, and is arbitrary, capricious, and unreasonable.

EIGHTH DEFENSE

The adoption of rates proposed by AmerenUE in its rate increase request in this case, rather than the adoption of the rates proposed by Staff in the Complaint, will result in just and reasonable rates, will ensure a return of, and a fair return on, all of AmerenUE's prudently incurred investments and costs, will continue to provide incentives for the efficient operation of AmerenUE, maximizing the productivity of its assets for the benefit of its customers and stockholders, and will help to establish a responsible and reliable energy policy for Missouri's future.

NINTH DEFENSE

The rates proposed in Staff's Complaint, by denying AmerenUE the opportunity to earn a return of, and a fair return on, all of its prudently incurred investments and costs, are confiscatory, and so would effect a taking of AmerenUE's property without just compensation, in violation of the Fifth and Fourteenth Amendments to the United States Constitution.

TENTH DEFENSE

The rates proposed in Staff's Complaint, by denying AmerenUE the opportunity to earn a return of, and a fair return on, all of its prudently incurred investments and costs, are confiscatory,

and so would effect a taking of AmerenUE's property without just compensation, in violation of Article 1, Section 26, of the Missouri Constitution.

ELEVENTH DEFENSE

The rates proposed in Staff's Complaint deny AmerenUE the opportunity to earn a return of, and a fair return on, all of its prudently incurred investments and costs undertaken to fulfill AmerenUE's obligations under its regulatory compact with the government, and so effect a taking of AmerenUE's property without just compensation, in violation of the Fifth and Fourteenth Amendments to the United States Constitution.

TWELFTH DEFENSE

The rates proposed in Staff's Complaint deny AmerenUE the opportunity to earn a return of, and a fair return on, all of its prudently incurred investments and costs undertaken to fulfill AmerenUE's obligations under its regulatory compact with the government, and so effect a taking of AmerenUE's property without just compensation, in violation of Article 1, Section 26, of the Missouri Constitution.

THIRTEENTH DEFENSE

The rates proposed in Staff's Complaint result in an arbitrary and irrational denial of AmerenUE's right to a reasonable opportunity to earn a return of, and a fair return on, all of its prudently incurred investments and costs, and thereby deprive AmerenUE of its property without due process of law in violation of the Fifth and Fourteenth Amendment to the United States Constitution.

FOURTEENTH DEFENSE

The rates proposed in Staff's Complaint result in an arbitrary and irrational denial of AmerenUE's right to a reasonable opportunity to earn a return of, and a fair return on, all of its

prudently incurred investments and costs, and thereby deprive AmerenUE of its property without due process of law in violation of Article 1, Section 10, of the Missouri Constitution.

FIFTEENTH DEFENSE

The Complaint, by effectively using the revenues AmerenUE will earn in the interstate transmission of electricity to subsidize in part the rates it proposes, deprives AmerenUE of the benefit of those revenues, and in other ways interferes with the exclusive jurisdiction of the Federal Energy Regulatory Commission over the interstate transmission of electricity, and so is preempted by federal law.

SIXTEENTH DEFENSE

The rates proposed by the Complaint are in part subsidized by the revenues AmerenUE will earn in transactions not within the regulatory authority of the Missouri Public Service Commission, and so are beyond the jurisdiction of the Commission and, moreover, such subsidization is otherwise unlawful or is accomplished via unlawful means contrary to controlling principles of law.

SEVENTEENTH DEFENSE

The rates proposed by the Complaint are in part subsidized by the revenues AmerenUE will earn in transactions not within the regulatory authority of the Missouri Public Service Commission, and so effect a taking of AmerenUE's property without just compensation in violation of the Fifth and Fourteenth Amendments to the United States Constitution.

EIGHTEENTH DEFENSE

The rates proposed by the Complaint are in part subsidized by the revenues AmerenUE will earn in transactions not within the regulatory authority of the Missouri Public Service Commission, and so effect a taking of AmerenUE's property without just compensation in violation of Article 1, Section 26, of the Missouri Constitution.

NINETEENTH DEFENSE

The rates proposed by the Complaint would deprive AmerenUE of the rights, privileges and immunities secured by the Constitution and laws of the United States.

TWENTIETH DEFENSE

The rates proposed by the Complaint would interfere with interstate commerce.

WHEREFORE, having fully answered, AmerenUE requests that the Commission dismiss the Complaint with prejudice and approve the tariffs filed by AmerenUE in this case.

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Answer was served via e-mail, to the following parties on the 2nd day of February, 2007.

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