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Service Commission

Exhibit No.: 042
Issues: Economic Retention Rider;
Economic Redevelopment
and Retention Rider
Witness: Robert J. Mill
Sponsoring Party: Union Electric Company
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2007-0002
Date Testimony Prepared: February 27, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0002

SURREBUTTAL TESTIMONY

OF

ROBERT J. MILL

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
February, 2007

AmerenUE Exhibit No. 42
Case No(s). ER-2007-0002
Date 3/29/07 Rptr RF

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1 rate case when such discounts (or revenue deficiency) will be reflected in the proposed
2 revenue requirement and in the proposed rates for customers.

3 **Q. Why do you believe your proposed treatment of any discounts provided**
4 **to eligible customers pursuant to these Economic Development Tariffs is fair?**

5 A. The initial bearing of Economic Development discounts by shareholders and
6 subsequent reflection of these discounts in rates after the completion of the Company's next
7 rate case, as described in my previous answer, provides the proper balance that will guide
8 AmerenUE's economic development team to be prudent with the offering of any such
9 discounts or benefits so they fully comply with the terms of the Economic Development
10 Tariffs and are not excessive.

11 **Q. Is your proposed treatment of discounts consistent with the treatment**
12 **afforded the former AmerenUE Economic Development Rider?**

13 A. Yes. That is my understanding.

14 **Q. Do you believe customer additions and retentions occurring as a result of**
15 **the Economic Development Tariffs benefit other AmerenUE customers?**

16 A. Absolutely. AmerenUE customers as a whole benefit from economic
17 development successes to the extent that AmerenUE receives an amount above its short-run
18 marginal costs on sales of electricity to such new or expanding customers, thus providing a
19 contribution to fixed costs. However, absent these discounts affected customers may choose
20 to locate or relocate their facilities outside the Company's service territory and existing
21 customers would not receive the benefit of lower rates resulting from the previously
22 mentioned added contribution to fixed costs. Additionally, such customers are typically
23 making large investments and are expected to continue to provide benefits to the system well

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1 beyond the life of any temporary incentive program. Lastly, the communities in which such
2 development activities occur will see benefits by retaining or increasing jobs and tax base.
3 Because of the many system benefits that these discounts provide, it is completely
4 appropriate for them to be reflected in the calculation of future rates, as opposed to the
5 discounts from these Riders being borne or funded by shareholders.

6 **Q. Does this conclude your Surrebuttal Testimony?**

7 **A. Yes, it does.**

**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.)**

[illegible]

Robert J. Mill
Robert J. Mill

February, 2007.
Carlyne J. Woodstock
 Notary Public

My commission expires: May 19 2008

