

**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	)	Case No. ER-2007-0002
the Company's Missouri Service Area.	)	

**STAFF RESPONSE TO COMMISSION ORDER ISSUED APRIL 5, 2007**

Comes now the Staff of the Missouri Public Service Commission (Staff) in response to the April 5, 2007 Order Directing Staff To Explain Portions Of The Tier I And Tier II Stipulations And Agreements. In support thereof, the Staff states as follows:

1. The Commission's April 5, 2007, Order states that "the Commission would like to know the amount of rate case expense that was included in the test year, the amount of rate case expense that the parties agreed should be included in the revenue requirement for this case, and how that amount is to be amortized and recovered in rates."

2. The test year, July 1, 2005 to June 30, 2006, included approximately \$1,000,000 in rate case expense from the Staff's excess earnings/revenues complaint case, Case No. EC-2002-1. The Staff eliminated that expense from AmerenUE's cost of service, which is the (\$1,011,000) shown in Attachment A to the Tier I Stipulation and Agreement As To Certain Issues/Items. Rate case expense is part of the Tier I Stipulation and Agreement As To Certain Issues/Items because of this adjustment, which is a correction to the Staff's Direct case.

3. The Staff included in its revenue requirement cost of service for its Direct case, the amount of rate case expense that AmerenUE incurred up to June 30, 2006. That amount for AmerenUE's electric rate increase case was approximately \$555,000, which is shown in the

Staff's Accounting Schedules on Accounting Schedule 10-4 as Staff Adjustment S-17.18 Began \$554,513. The Staff did not propose an amortization period.

4. AmerenUE's electric revenue requirement included approximately \$4.5 million in rate case expense, which it proposed to amortize over three years. In its Rebuttal case, AmerenUE contended that it incurred through December 31, 2006, \$1,871,498 in rate case expense and during the first quarter of 2007 its rate case expense would increase greatly.

5. The Tier II Stipulation and Agreement As To Certain Issues/Items is comprised of several separate components. Rate case expense is part of one of these components. Rate case expense is one of several issues/items, which was settled by AmerenUE agreeing to the Staff's positions for revenue requirement calculations for these issues/items in exchange for an additional \$5,500,000 of revenue requirement to be imputed into the Staff's revenue requirement calculations. In addition to rate case expense, the issues/items covered by the additional \$5,500,000 of revenue requirement are Dues and Donations, Ameren Services Company allocations, Osage Relicensing and Headwater Expense, Storm Costs, and Cash Working Capital. Other than for Storm Costs (five year amortization of \$800,000 per year), the Stipulation And Agreement does not specify a dollar value for any of the individual issues/items of this component of the settlement.

6. Any dollar value that the Staff would suggest for the rate case expense issue/item as part of its rationale for reaching an agreement on rate case expense would be solely the Staff's rationale. Rate case expense is one of several issues/items that comprise what is often referred to as a "black box" settlement. As a consequence, there is no agreement regarding "the amount of rate case expense that the parties agreed should be included in the revenue requirement for this case," and there is no agreement as to "how that amount is to be amortized and recovered in

rates” since, among other things, there is no provision in the agreement for an amortization of rate case expense.

7. As the undersigned counsel indicated at the on the record presentation on March 28, 2007, the Staff sought to make a very large and unwieldy case more manageable by settling certain issues. The major issues remain for resolution by the Commission. When the Staff says that it sought to make the case more manageable, the Staff sought to do so for the benefit of this particular case, the ratemaking process, the Commission, and all the parties involved in this proceeding. The Staff was not taking a narrow view in this case by proceeding in this manner.

WHEREFORE, the Staff submits its response to the April 5, 2007 Order Directing Staff To Explain Portions Of The Tier I And Tier II Stipulations And Agreements.

Respectfully submitted,

**/s/ Steven Dottheim**

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 10th day of April 2007.

**/s/ Steven Dottheim**