

In Re: Union Electric Company's)
2008 Utility Resource Filing pursu-) EO-2007-0409
ant to 4 CSR 240 - Chapter 22.)

Noranda understands that the purpose of the IRP Rule enshrined in Chapter 22 of the Commission's Rules is to ensure compliance with minimum standards for the planning process, expose a utility's resource planning process to public view, permit external scrutiny of the planning process, and thereby impose rigor on that process, all in the expectation that a resource plan that is more consistent with adequate service of the public interest. Although a specific plan outcome is not mandated by the IRP Rule, a rigorous, all-encompassing planning process is required. Noranda believes that the overall intent is to better assure that the plan that is adopted ("Preferred Plan") is cost effective and in the public interest.^{1/}

The commission's policy goal in promulgating this chapter is to set minimum standards to govern the scope
(continued...)

After the utility develops and submits its Preferred Plan, other parties are invited to review it, inspect the depth and rigor of the utility's planning process, and, through comments, identify areas that they consider to be deficient and non-compliant with particular aspects of the IRP Rule. Following that initial round of comments, interested parties are invited to submit a further cycle of comments directed to the earlier comments of the other parties. This additional comment opportunity is not limited to consumer interests; the utility may also submit its comments either better explaining its process, defending that process, or opposing the claims of deficiencies.

A continuing supply of reliable and economical electricity is extraordinarily important to Noranda. That is the lens through which Noranda reviews AmerenUE's IRP, the Preferred Plan in particular, and the planning process. Said another way, Noranda's review of the process begins and continues in consideration of the Preferred Plan and from a belief that the large goals of the IRP and the goals of Noranda are aligned in most, if not all, practical respects.

^{1/}(...continued)
and objectives of the resource planning process that is required of electric utilities subject to its jurisdiction ***in order to ensure that the public interest is adequately served.*** 4 C.S.R. 240.22.010(1) (emphasis added).

In this case, to its credit, AmerenUE allowed interested parties to remain apprised of the planning process through a series of up-front meetings.^{2/}

Although participating in some but not all of these meetings Noranda did not submit initial comments. After reviewing the comments and suggestions of others, Noranda offers these brief comments with respect to some of the possible deficiencies in the Preferred Plan that others have identified.^{3/}

Revenue Concerns.

In the sixth point of its initial report, the Office of the Public Counsel pointed out an inconsistency between the Preferred Plan adopted by AmerenUE and public statements about its future plans made by AmerenUE outside of the planning process. In its initial comments, Public Counsel noted that, on one hand, AmerenUE's public statements suggest that AmerenUE's financial condition and its perceived ability, or inability, to build a nuclear plant must be driving the planning process, while, on the other hand, those very considerations appear to have been given short shrift in the development of the formal resource plan AmerenUE filed.

^{2/} Even though this purpose and intent is clearly stated in the rule, some utilities have maintained that they are "compliant" as long as they adhere to the specific touchpoints of the Rule. While mechanical compliance may be acceptable internally, it overlooks its own intended purpose.

^{3/} On August 20, 2008, Noranda responded to the earlier Partial Non-unanimous Stipulation & Agreement. That Statement may have relevance here, so we incorporate it by reference.

The IRP Rule certainly identifies the inclusion of financial impacts in the resource planning process, and 4 CSR 240-22.060(4)(A) explicitly requires that the utility model the alternative resource plans in sufficient detail to provide comparative estimates of a minimum set of financial metrics concerning the alternative plans that were being considered. This information, points out Public Counsel, appears not to have been considered in AmerenUE's process of arriving at its Preferred Plan.

The rate impacts due to Callaway 2 and other capital activities combine to generate revenue requirements above and beyond those modeled under the Preferred Plan during the next 10 years. AmerenUE indicates other plans to seek a change in Missouri law pertaining to construction work in progress to accomplish just that. Whether because of a new law, a regulatory plan, or another approach, AmerenUE acknowledges that more revenue is needed than is modeled under its Preferred Plan. Hence, the planning process is insufficient and the resulting plan is most certainly called into question.

At best, this omission injects ambiguity into the process. At worst, it calls into doubt what is actually driving AmerenUE's planning process and whether the supposedly IRP Rule-guided planning process is actually the planning process that AmerenUE used in developing its Preferred Plan.

No one would seriously argue that preserving the utility's ability to borrow needed funds lacks significance as a

planning consideration. Indeed, AmerenUE's public statements certainly appear to confirm this view. Yet, as Public Counsel notes, and though required by the IRP Rule itself to take into account conditions that may constrain the utility's choice of plans, AmerenUE appears not to have done so.

Nor, we think, would anyone seriously question either Noranda's economic impact in the Southeast part of Missouri and, moreover, on the economic well-being of the entire State. Nor would they likely question Noranda's need for reliable and economical supplies of electric energy. Both are essential to the continuation of Noranda's operations. Noranda is intent on maintaining a sustainable platform for continuing economic growth. Accordingly, Noranda is vitally interested that our serving utility's future plans comfortably accommodate those objectives.

But once reasonable doubt is raised regarding the planning process and a result that is inconsistent with the subsequent public statements appears, one must look for any other AmerenUE decisions that would at first blush support this Preferred Plan.

Capacity Concerns Regarding Meramec Plant.

An obvious candidate is the apparent decision, made without a life extension study, to retire the Meramec Plant. This decision, which removes an 854 mW operating plant from AmerenUE's generation fleet and simultaneously proposes the

additiona of a 1600 mW nuclear plant as is suggested in the Preferred Plan, appears facially questionable.

Every effort should be made to economically extend the service life of the Meramec facilities. To that end, rule 4 CSR 240.22.040(4) requires AmerenUE to "analyze opportunities for life extension and refurbishment of existing generation plants, ... to the extent that it is significant in the planning process" that a retirement of Meramec is "significant" is beyond question, but it was not analyzed.^{4/}

Whether additional generation is needed is certainly an issue, but "creating" a need for new generation by retiring a sizeable existing plant without any apparent consideration of the costs of life extension for that plant, is certainly inconsistent with 4 C.S.R. 240.22.040(4).

Conclusion.

Noranda suggests that the points raised by Public Counsel have considerable merit and should result in the Commission rejecting this proposed Preferred Plan as non-compliant and directing its reformulation and, perhaps, significant revision. The planning process, once compromised by these two extraordinary

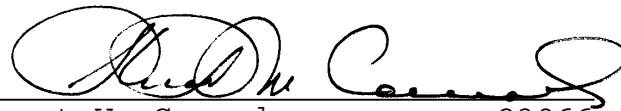
^{4/} In our August 20 Statement, we included charts illustrating the financial metrics. Capacity charts from AmerenUE's public website are attached to these comments illustrating the large capacity reduction on the heels of the hypothetical addition of Callaway 2. While the timing of the two capacity changes is certainly proximate, our earlier Statement may have incorrectly stated or implied that the Meramec retirement preceded Callaway 2.

deficiencies jeopardizes every decision that results in costs and rates. This includes comparisons of the cost of demand side management or efficiency measures. Certainly there can be no serious conclusions regarding CWIP or any other financial need when the plan is so deficient as to skew the timing of the need and ability to finance future base load capacity.

This plan needs repair. In an earlier submission responding to the Nonunanimous Stipulation & Agreement Noranda suggested the consideration of alternatives as an action plan for the Commission. Both should procede expeditiously.

Respectfully submitted,

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CERTIFICATE OF SERVICE

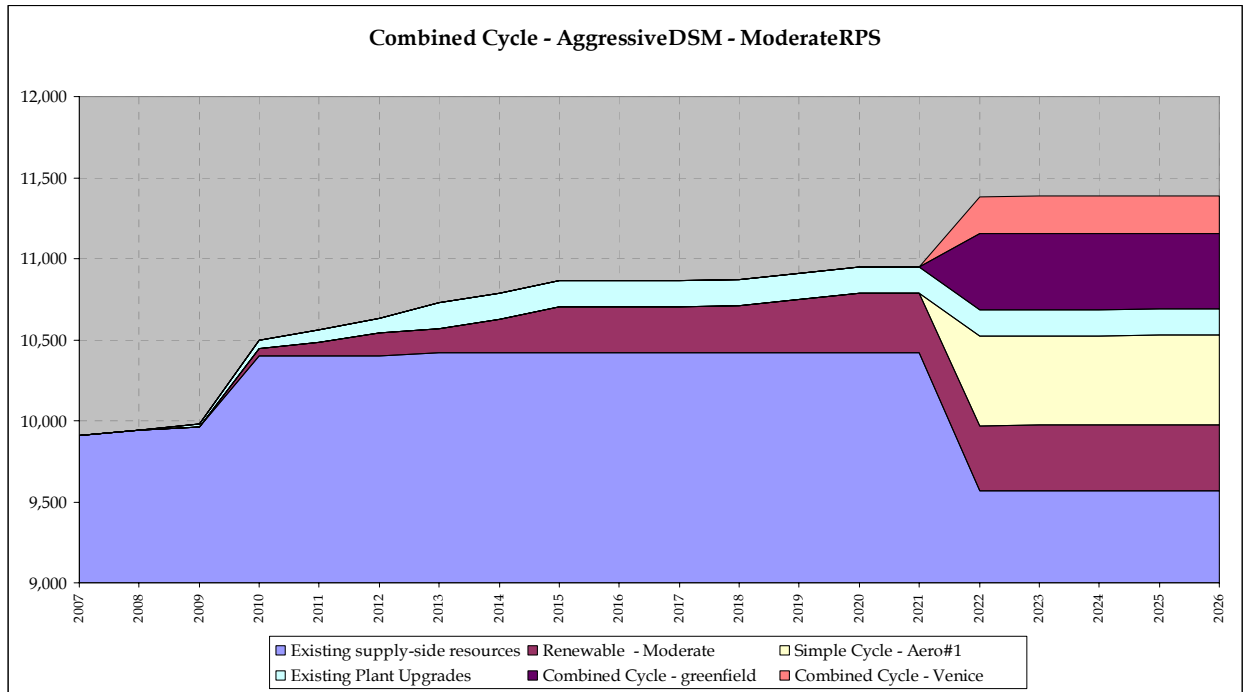
I HEREBY CERTIFY that I have this day served the foregoing pleading by electronic means or by U.S. mail, postage prepaid, addressed to all parties by their attorneys of record as disclosed by the pleadings and orders herein.



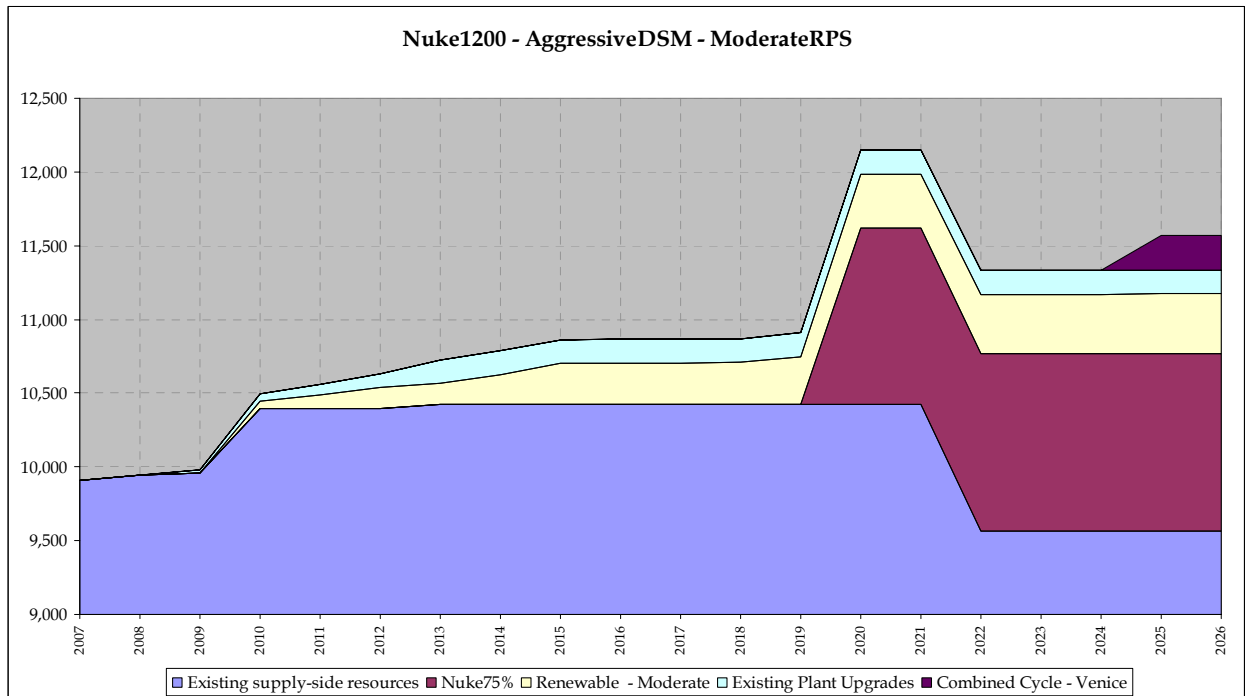
Stuart W. Conrad

Dated: September 12, 2008

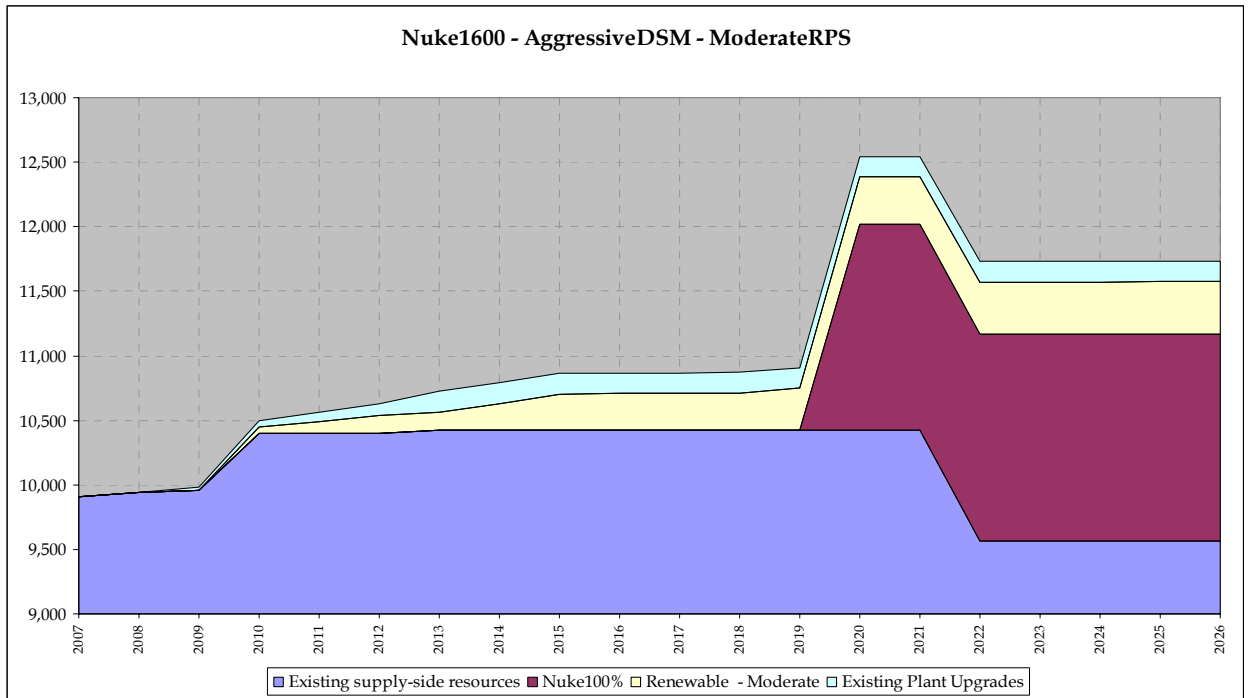
a. Combined Cycle, Aggressive DSM, Moderate RPS



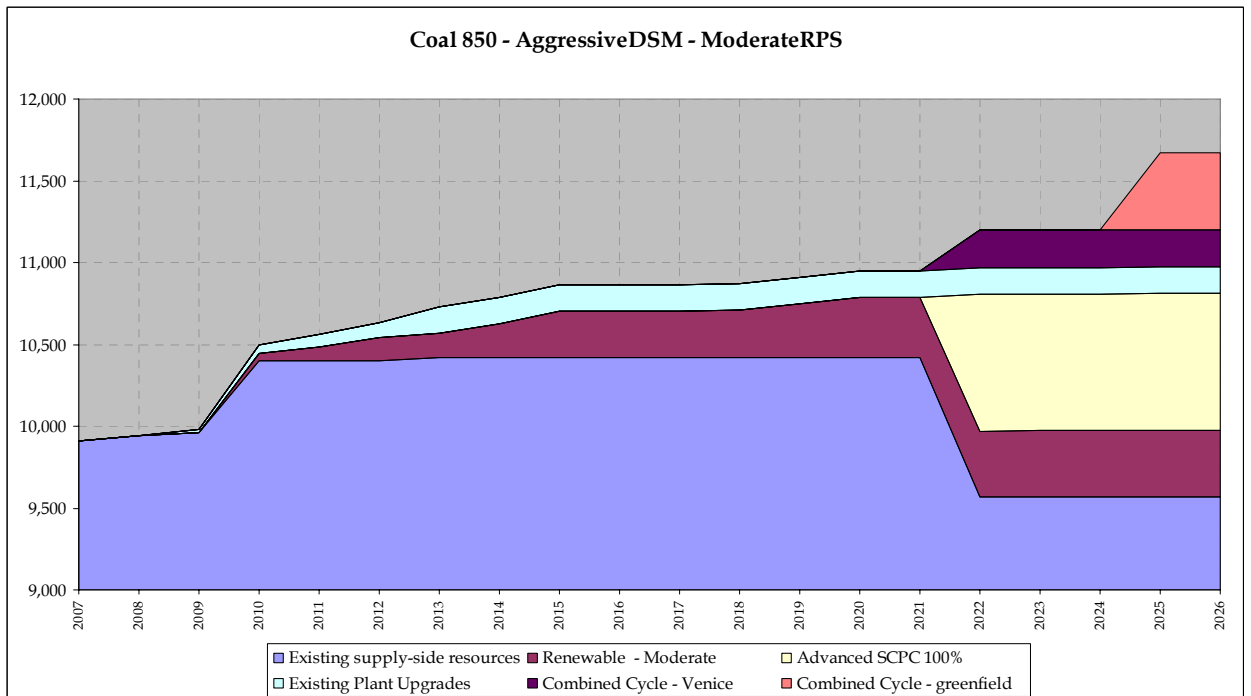
b. Nuke1200, Aggressive DSM, Moderate RPS



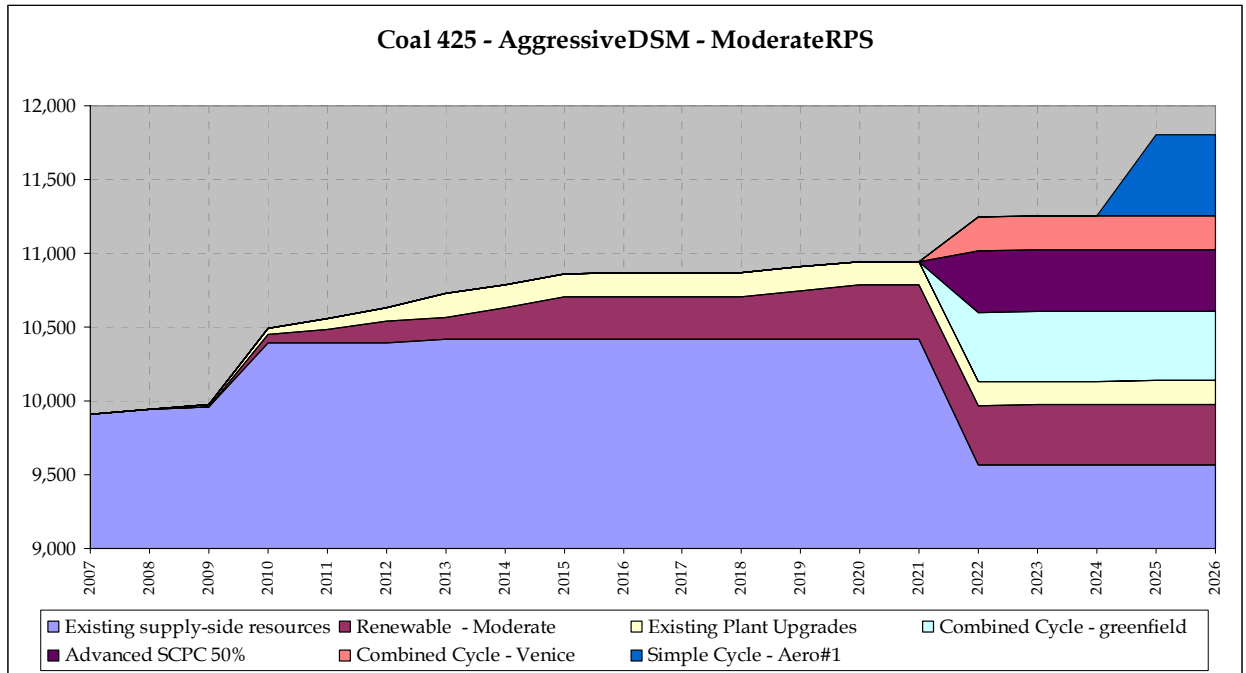
c. Nuke 1600, Aggressive DSM, Moderate RPS



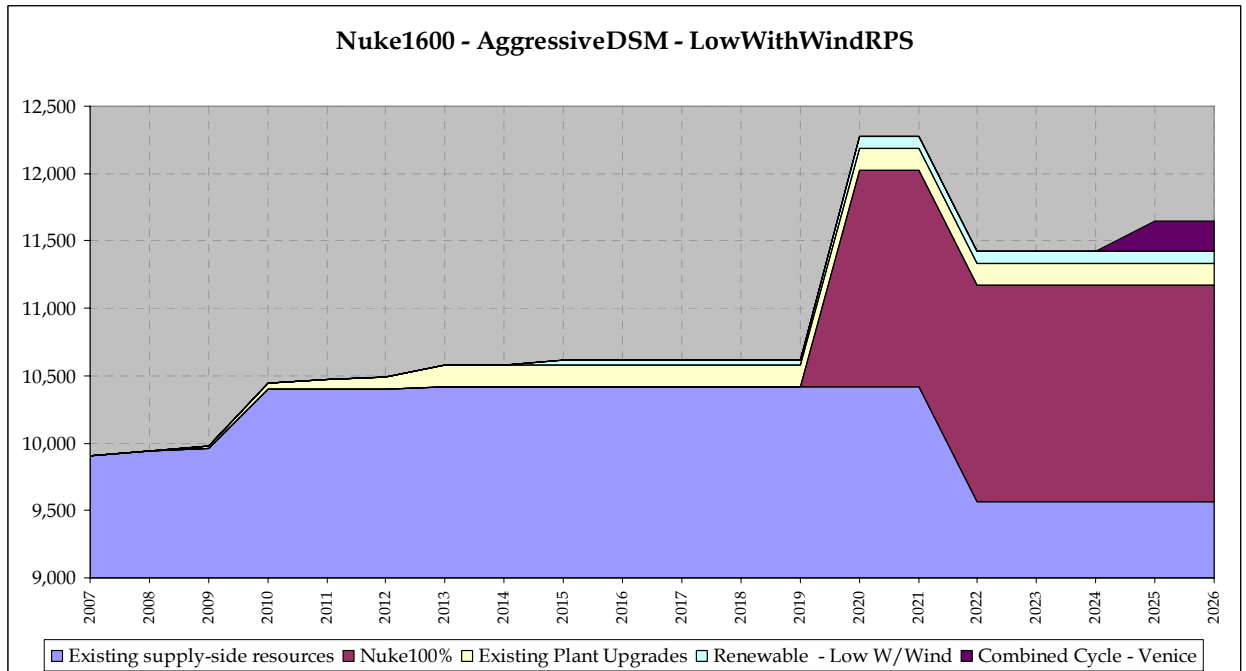
d. Coal 850, Aggressive DSM, Moderate RPS



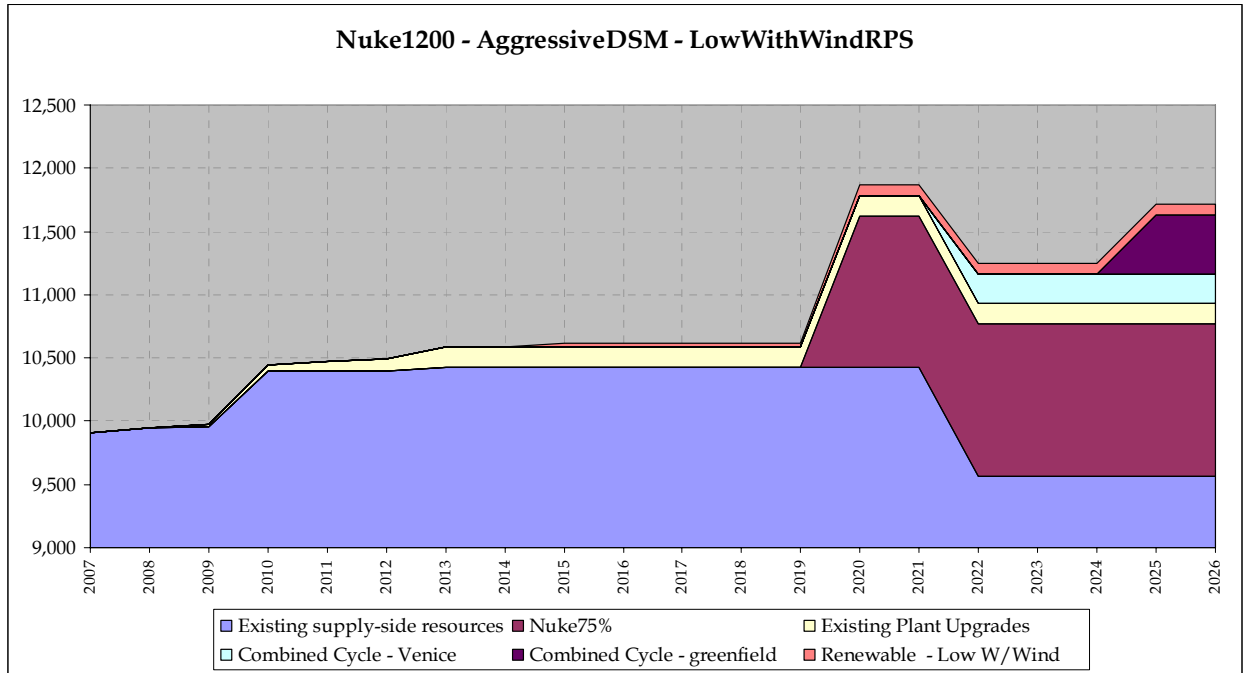
e. Coal 425, Aggressive DSM, Moderate RPS



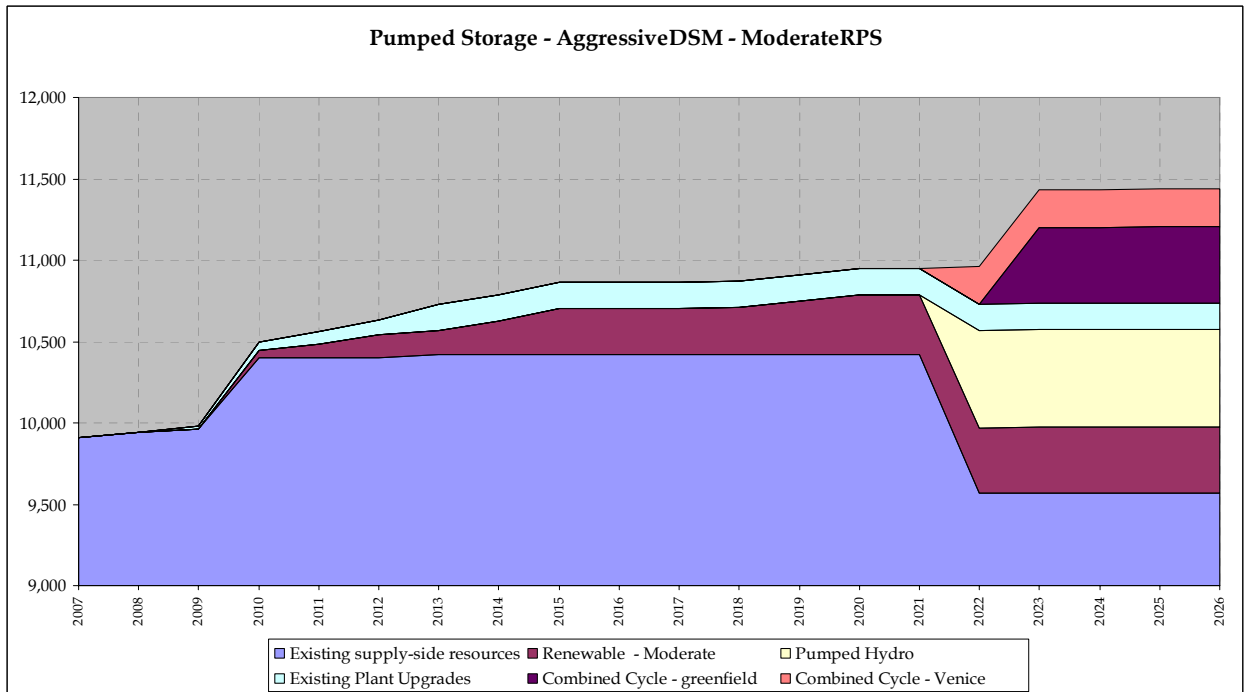
f. Nuke 1600, Aggressive DSM, LowWithWind RPS



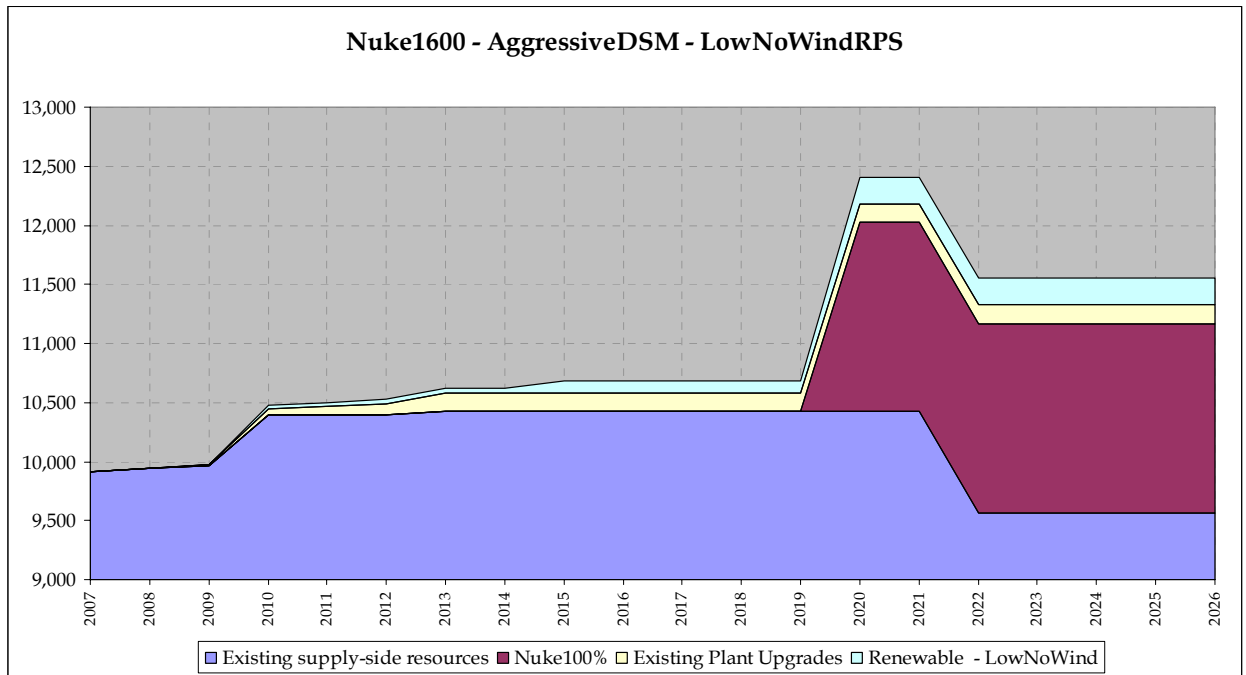
g. Nuke 1200, Aggressive DSM, LowWithWind RPS



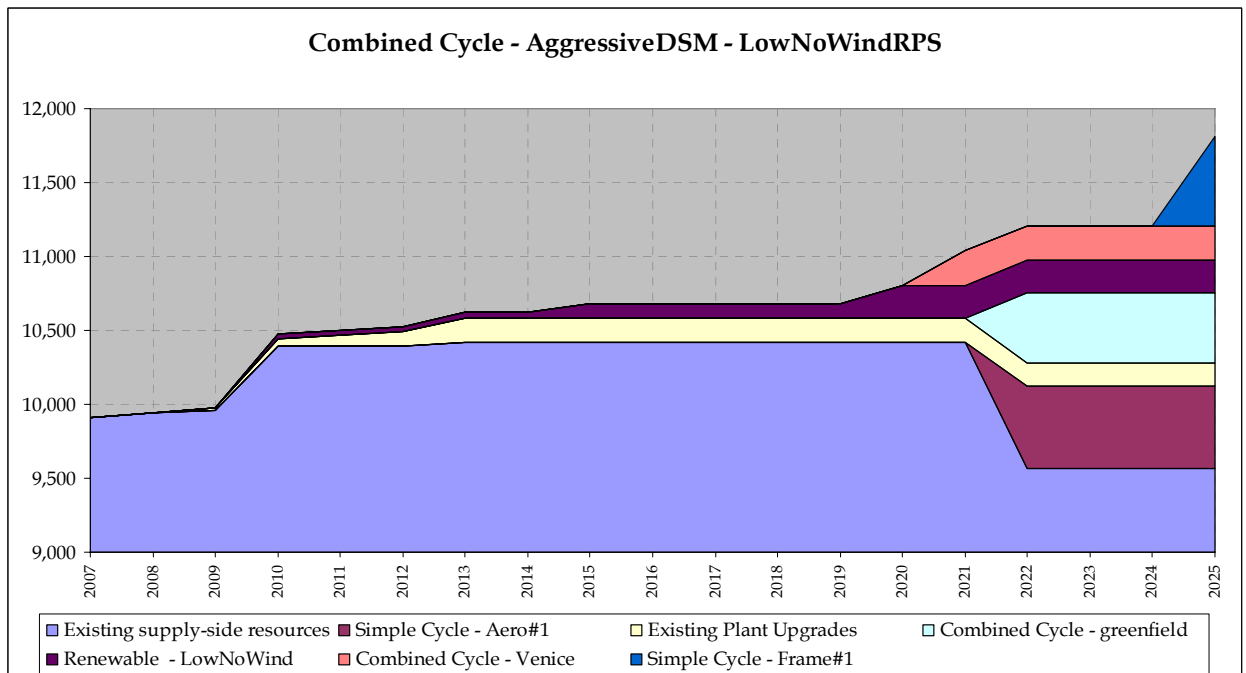
h. Pumped Storage, Aggressive DSM, Moderate RPS



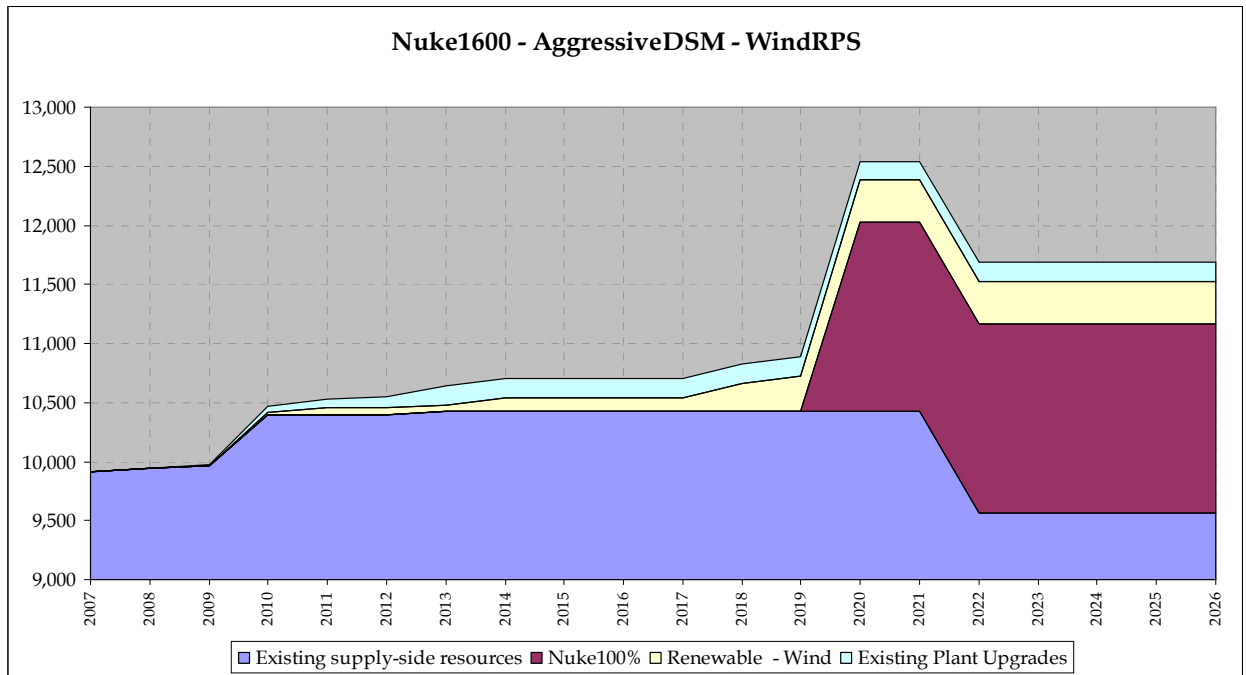
i. Nuke 1600, Aggressive DSM, LowNoWind RPS



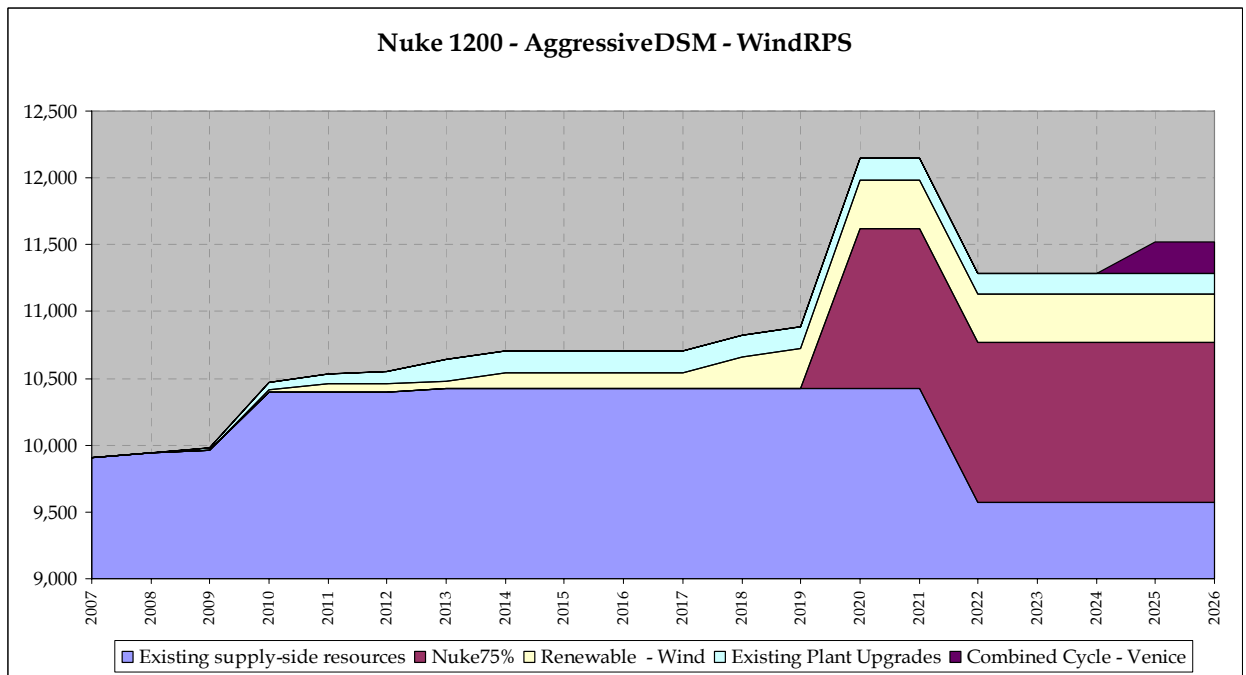
j. Combined Cycle, Aggressive DSM, LowNoWind RPS



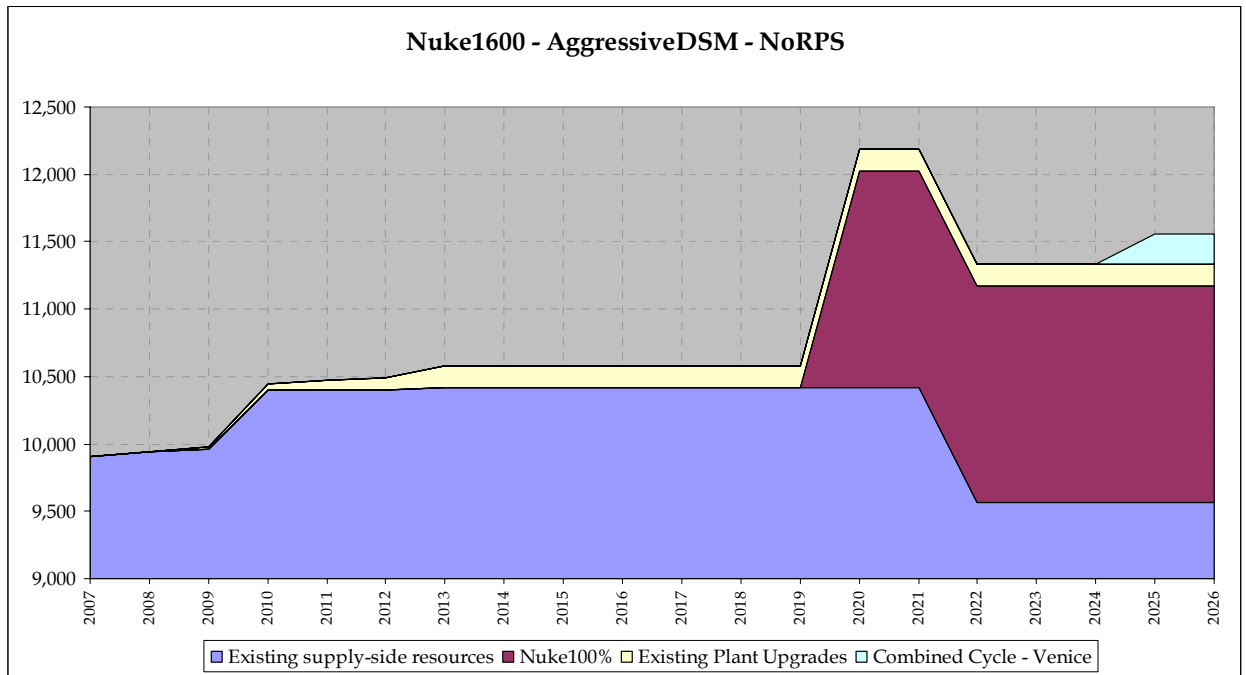
k. Nuke 1600, Aggressive DSM, Wind RPS



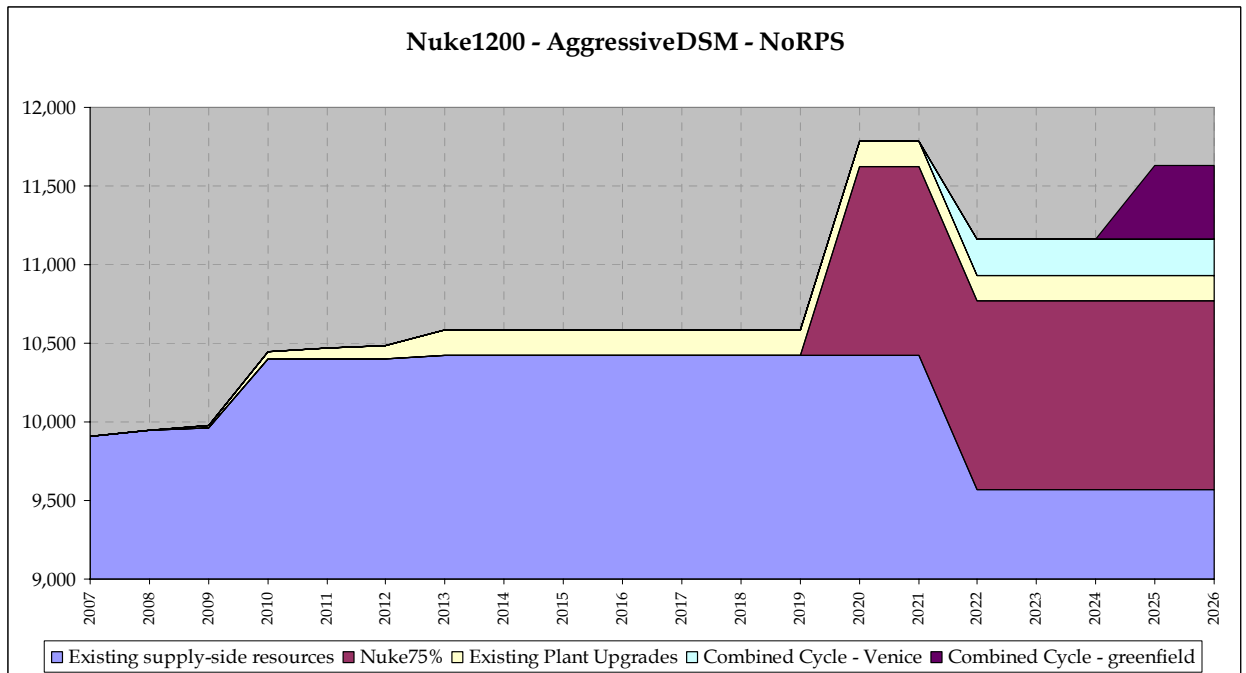
l. Nuke 1200, Aggressive DSM, Wind RPS



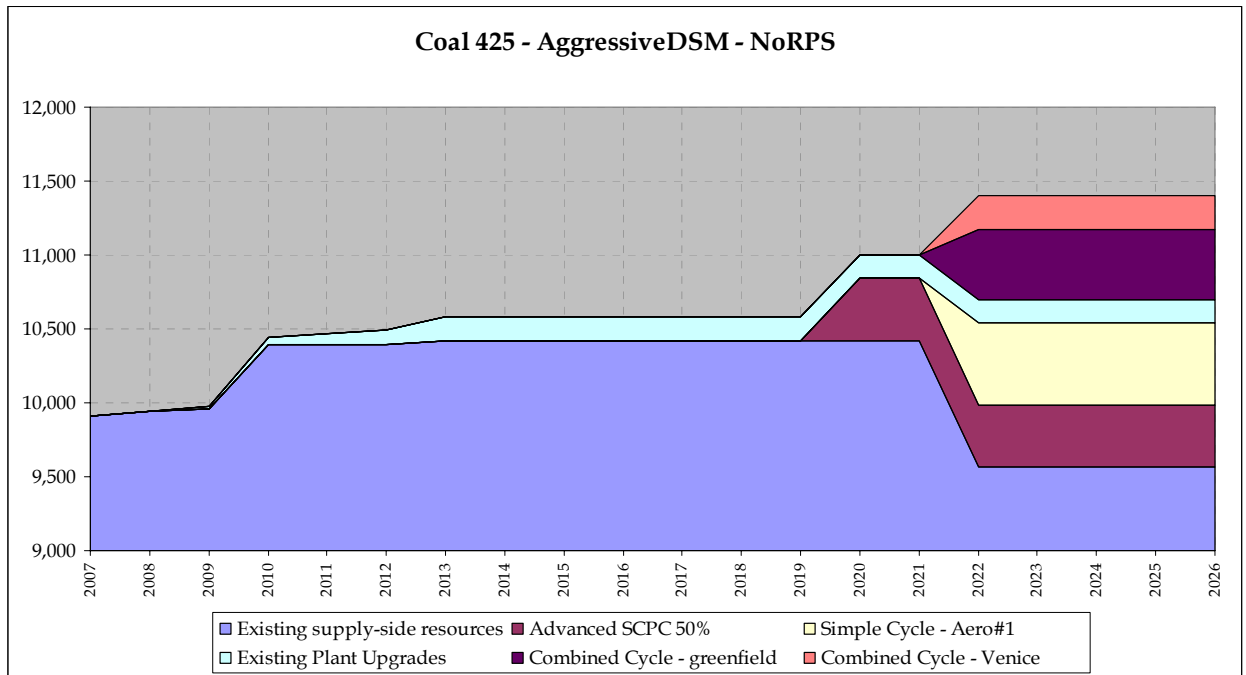
m. Nuke 1600, Aggressive DSM, No RPS



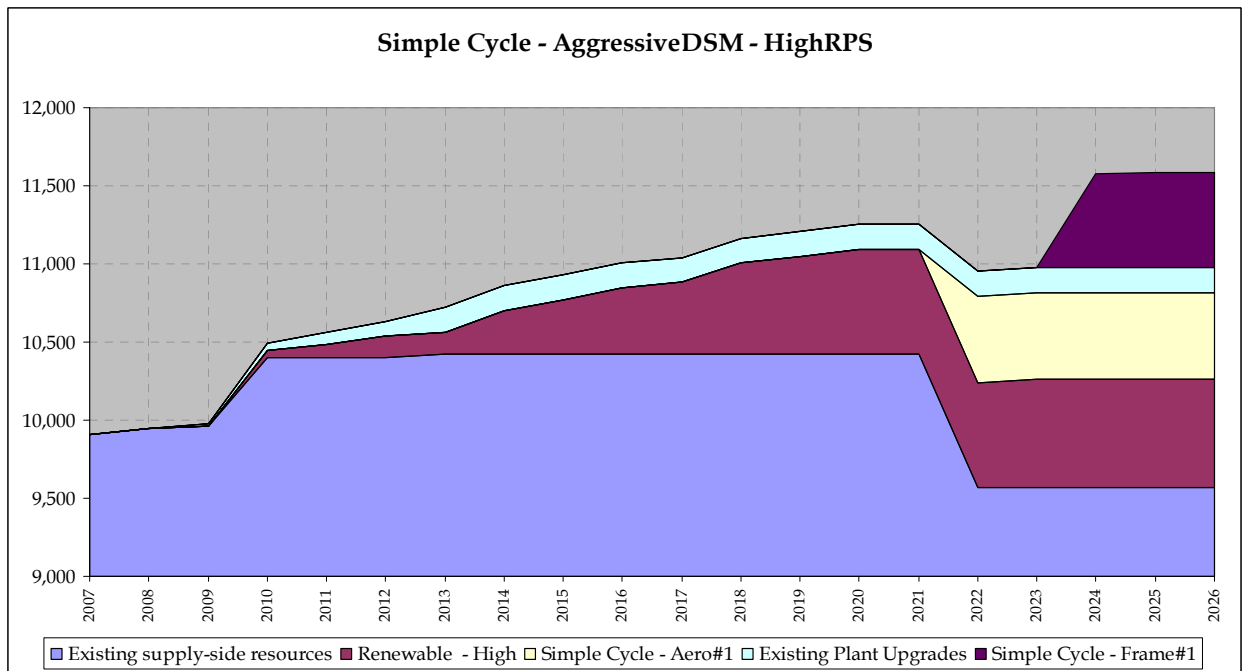
n. Nuke 1200, Aggressive DSM, No RPS



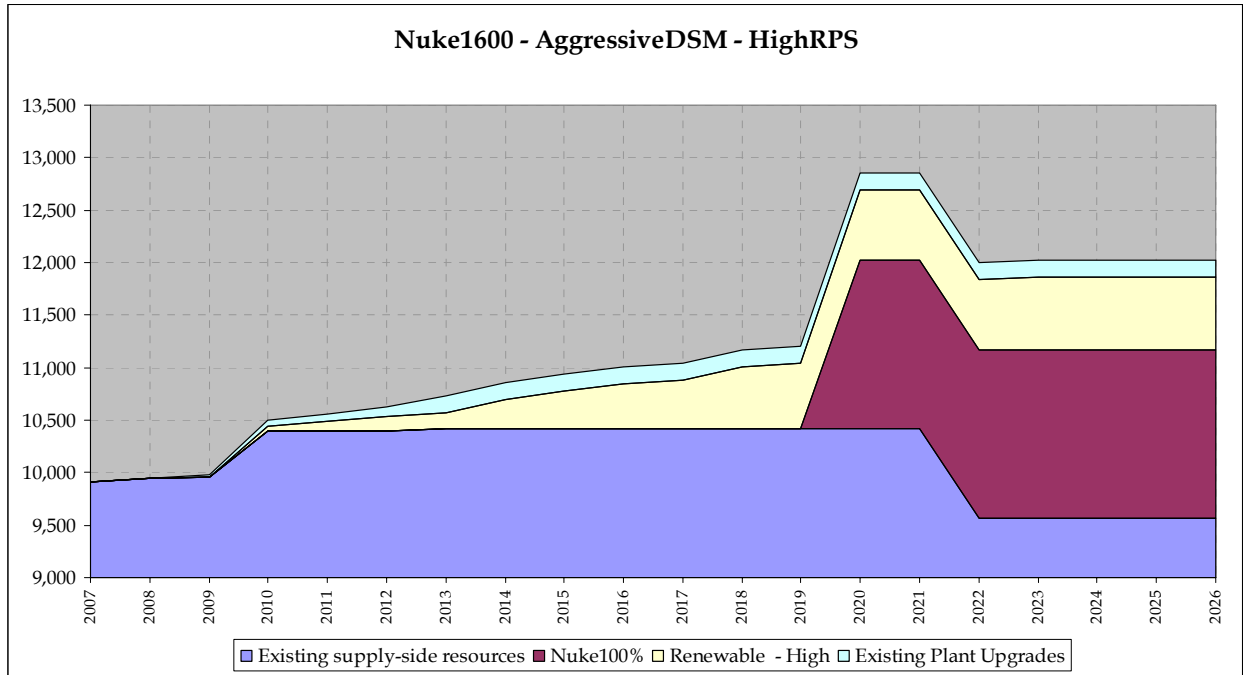
o. Coal 425, Aggressive DSM, No RPS



p. Simple Cycle, Aggressive DSM, High RPS



q. Nuke 1600, Aggressive DSM, High RPS



r. Nuke 1200, Aggressive DSM, High RPS

