

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Union Electric)	
Company d/b/a AmerenUE for Authori-)	
ty to File Tariffs Increasing Rates)	ER-2008-0318
for Electric Service Provided to)	
Customers in the Company's Missouri)	
Service Area.)	

STATEMENT OF SELECTED ISSUES
BY NORANDA ALUMINUM, INC.

COMES NOW Intervenor Noranda Aluminum Inc. (Noranda) and in response to Commission orders regarding the submission of statements of issues states the following:

1. Although Staff counsel has labored strenuously to develop language that all parties could accept regarding issue statements and no fault should be assigned to Staff counsel, Noranda finds that the statements concerning the critical fuel adjustment clause issue and the no-less critical class cost of service and rate design issue are not acceptable to Noranda as statements of those issues.

2. The following statements of those two issues is submitted by Noranda in response to the Commission's order:

Fuel Adjustment Clause (FAC):

- a. **Should the Commission approve AmerenUE's proposed fuel adjustment clause in the form proposed by AmerenUE, should the Commission approve a FAC with modifications, or should the Commission again reject the authorization of a FAC.** The Commission has the discretion to approve a FAC as proposed, modify the proposal, or reject the proposal pursuant to Section 386.266 [SB 179]. In prior cases the Commission has used a three part test to inform its decisions and parties address testimonies.

Martin J. Lyons, Jr. (AmerenUE)
Kenneth Gordon (AmerenUE)
Gary M. Rygh (AmerenUE)
Ajay K. Arora (AmerenUE)
Robert K. Neff (AmerenUE)
Scott A. Glaeser (AmerenUE)
Randall J. Irwin (AmerenUE)
Mark C. Birk (AmerenUE)
Paul W. Mertens (AmerenUE)
Lena Mantle (Staff)
Michael E. Taylor (Staff)
James C. Watkins (Staff)
Michael S. Proctor (Staff)
Ryan Kind (OPC)
Martin R. Cohen (State)
Maurice Brubaker (MIEC)
James R. Dauphinais (MIEC)
Donald E. Johnstone (Noranda)

- b. **FAC incentives and the extent of cost tracking.** If the Commission authorizes a FAC for AmerenUE, what should be the degree of continuing net fuel cost recovery by the use of base rate recovery for the purpose of maintaining an incentive to low costs and risk management versus tracking under the terms of a FAC? The Commission rules provide for the tracking of some or all of the net fuel costs in the FAC. Proposals range from 50% base rate recovery / 50% tracking [OPC position] to 5% base rate recovery / 95% tracking [AmerenUE proposal]. Variations based on 20% base rate recovery / 80% tracking are proposed by the State of Missouri and MIEC. Appropriate considerations include but are not limited to investor perceptions, the degree of base rate incentive to be preserved, the degree of fuel cost variability, comparisons to past Commission FAC decisions and a fair opportunity to earn an equitable return on equity.

Martin J. Lyons, Jr. (AmerenUE)
Ryan Kind (OPC)
Martin R. Cohen (State)
Maurice Brubaker (MIEC)

Donald E. Johnstone (Noranda)

- c. **FAC structure - accumulation periods per year.** If a FAC is to be approved, should there be a 4 month accumulation period (three per year) or 6 month accumulation periods (2 per year) during which the variations from the based fuel costs are accumulated for later recovery subject to the tracking provisions. Both proposals are within the parameters of the Commission's FAC rule. This question turns on stability in retail rate levels, the frequency of changes in retail rate levels, and the extent of lag between cost incurrence and cost recovery.

Martin J. Lyons, Jr. (AmerenUE)
James C. Watkins (Staff)
Donald E. Johnstone (Noranda)

- d. **FAC structure - length of recovery periods.** Should any cost variations under the FAC be recovered over a 12-month recovery period or a 6-month recovery period. Both proposals are within the parameters of the Commissions' FAC rule. The question turns on stability in retail rate levels, the frequency of changes in retail rate levels, and the extent of lag between cost incurrence and cost recovery.

Martin J. Lyons, Jr. (AmerenUE)
James C. Watkins (Staff)
Donald E. Johnstone (Noranda)

- e. **FAC structure - outage replacement power costs/risk management.** The question is whether the ratepayers should bear the unmanaged effects of the cost of replacement power in the event of a major unit outage. The issue is within the parameters of the Commissions' FAC rule. The issue is raised by Noranda, joined by the State of Missouri and responded to by AmerenUE and turns on risk management/shifts in risk from investors to ratepayers, the extent to which such costs are within the control of AmerenUE, the extent to which AmerenUE has managed such costs absent a FAC, investor perceptions, and the magnitude of the possible impact of such costs.

Donald E. Johnstone (Noranda)
Martin R. Cohen (State)
Martin J. Lyons, Jr. (AmerenUE)

Class Cost of Service and Rate Design:

- a. **Class Cost of Service:** How should class revenue responsibility be determined? Under Missouri Law, rates are to be just, reasonable and free from undue discrimination, and this has been interpreted to require that rates reasonably reflect the cost of the services provided. Commission interpretation of this legal requirement in past cases considers the precision of the class cost-of-service study and other matters in arriving at rates that are just and reasonable and not unduly discriminatory. Several parties have submitted class cost-of-service studies and this leads to three sub-questions.
- i. What is the cost of serving each customer class?
 - ii. On what basis should production capacity costs and transmission costs be allocated to the classes?
 - iii. On which class cost-of-service study should the Commission rely?

William M. Warwick (AmerenUE)
Maurice Brubaker (MIEC)
David Stowe (MIEC)
Donald E. Johnstone (Noranda)
Billie Sue LaConte (MEG)
Richard A. Baudino (TCG)
James C. Watkins (Staff)
David C. Roos (Staff)
Barbara A. Meisenheimer (OPC)
Ryan Kind (OPC)

- b. **Rate Design:** How should the Commission change or increase the level of the rates for each customer class it orders in this case? In consideration of the class cost-of-service study determination the Commission should determine the revenue responsibility of the customer classes and the change in the revenues to be obtained from each class. The alternative recommendations are to make adjustments on an equal percentage basis or to make changes based on either the AmerenUE class cost-of-service study or according to the MIEC recommendation.

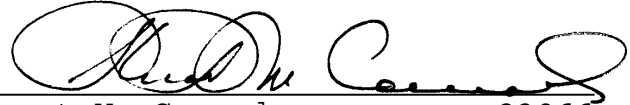
Wilbon L. Cooper (AmerenUE)
James C. Watkins (Staff)
Ryan Kind (OPC)
Barbara A. Meisenheimer (OPC)
Maurice Brubaker (MIEC)
Robert Mayer (Noranda)
Steve Hodges (Noranda)
Mark Baker (Noranda)
Harvey Cooper (Noranda)

Steve McPheeters (Noranda)
Donald E. Johnstone (Noranda)
Billie Sue LaConte (MEG)
Richard A. Baudino (TCG)

WHEREFORE, Noranda prays that its statement of selected issues be received and considered in this matter.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", is written over a horizontal line.

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ATTORNEY FOR NORANDA ALUMINUM, INC.

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: November 12, 2008