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November 24, 1998

FILED

NOV 24 1998

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: **Monitoring of the Experimental Alternative Regulation Plan Of U.E.**
Case No.: EO-96-14; and, Union Electric for Order Authorizing Merger
Transactions With Central Illinois Public Service
Case No.: EM-96-149

Dear Mr. Roberts:

Enclosed for filing, in the above referenced case, please find the original and 14 copies (NP) of the **Office of the Public Counsel's Notice**. Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,

John B. Coffman
Deputy Public Counsel

JBC:rjr

cc: Counsel of Record

Enclosure

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Monitoring of the)
Experimental Alternative Regulation Plan)
of Union Electric Company.)

Case No. EO-96-14

In the Matter of the Application of)
Union Electric Company for an Order)
Authorizing: (1) Certain Merger)
Transactions Involving Union Electric)
Company; (2) The Transfer of Certain)
Assets, Real Estate, Leased Property,)
Easements and Contractual Agreements)
to Central Illinois Public Service Company;)
and (3) In Connection Therewith, Certain)
Other Related Transactions.)

Case No. EM-96-149

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Missouri Public
Service Commission

NOTICE

COMES NOW the Office of the Public Counsel ("Public Counsel") and submits this Notice pursuant to paragraph 3.f.x. of the Stipulation and Agreement approved by the Missouri Public Service Commission ("Commission") in Case No. ER-95-411 and the extension granted by the Commission last week.

1. On October 14, 1998, AmerenUE ("Company") submitted to the Commission its final earnings report and proposed sharing report ("Company's report") for the third sharing period (July 1, 1997 through June 30, 1998). Public Counsel has since been investigating and reviewing the methods used by Company to calculate the information contained on this report. The following is a list of potential areas of disagreement for which the Commission should be aware:

A. Software.

For the reporting period, the Company has expensed most of the costs associated with the following software items:

- a. Y2K (year 2000 date recognition);
- b. Customer Service System (CSS);
- c. EMPRV - a plant operating/maintenance database;
- d. AMRAPs - a human resource system.

Public Counsel believes that a portion, if not all, of the costs associated with these items should have been capitalized as an investment rather than treated as an expense for the reporting period. Public Counsel continues to investigate whether the costs associated with these items have been reported accurately by Company and treated properly under generally accepted accounting principles.

B. Consultant Costs.

Public Counsel is investigating whether Company has properly accounted for the costs of outside consultants.

C. Dues and Donations.

Public Counsel is investigating whether Company has properly accounted for dues, donations, fees, and lobbying costs. Edison Electric Institute ("EEI") fees are also being investigated. Furthermore, Public Counsel is investigating whether all lobbying/legislative expenses have been properly identified.

D. Merger and Acquisition Costs.

Public Counsel believes that Company's report is based on a position contrary to the Stipulation and Agreement regarding the annual amortization of

merger and acquisition costs. Public Counsel is also investigating the accuracy of the merger and acquisition costs identified by Company.

E. Advertising Costs.

Public Counsel is investigating whether Company has properly accounted for its advertising costs.

F. Decommissioning Deposits.

Public Counsel disagrees with Company's accounting for decommissioning deposits which were due in 1997, but which were not deposited until 1998. During this time, Company had use of this money and thus should reimburse ratepayers for the interest lost as a result of late deposits.

G. Plant Held For Future Use.

Public Counsel disagrees with Company's method of accounting for property taxes associated with plant held for future use ("PHFU"). Company removed PHFU from rate base, but allowed property taxes on such PHFU to remain as an expense on the income statement for the reporting period.

2. Public Counsel did not receive responsive answers to many of the questions contained in its first set of data requests issued in response to Company's report. Public Counsel is still in the process of attempting to obtain the information it needs to sufficiently narrow the areas of disagreement it has with Company. Further discovery will possibly increase or decrease the areas of disagreement listed above.


3. Public Counsel respectfully requests that the Commission set a prehearing conference where the parties can further discuss the areas of disagreement and potential areas of disagreement with the goal of narrowing the issues that the Commission may need to resolve and

for the purpose of establishing a procedural schedule that would ultimately determine the appropriate amount that should be shared with ratepayers as a result of the reporting period in question.

WHEREFORE, the Office of the Public Counsel respectfully requests that the Commission establish a prehearing conference in this case.

Respectfully submitted,
OFFICE OF THE PUBLIC COUNSEL

BY:


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CERTIFICATE OF SERVICE

I hereby certify that the foregoing document has been either faxed, mailed, or hand-delivered to the following counsel of record on this 24th day of November, 1998:

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