

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-2007-0002
for Electric Service Provided to)
Customers in the Company's Missouri)
Service Area.)

**NONUNANIMOUS STIPULATION AND AGREEMENT
CONCERNING CLASS COST OF SERVICE
AND CERTAIN RATE DESIGN ISSUES**

COME NOW the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), the Missouri Department of Natural Resources ("DNR"), Missouri Department of Economic Development ("DED"), the State of Missouri ("State"), AARP, Consumers Council of Missouri ("CCM"), Missouri Association for Social Welfare ("MASW"), Missouri Energy Group ("MEG"), Missouri Industrial Energy Consumers ("MIEC"), Missouri Retailers Association ("MRA"), Noranda Aluminum, Inc. ("Noranda"), and The Commercial Group ("TCG") (collectively, the "Parties") and respectfully state to the Missouri Public Service Commission ("Commission") that, as a result of negotiations, the undersigned parties ("Parties") have reached the stipulations and agreements contained herein in order to settle the certain issues/items specified below.

1. **Issues/Items Settled.** This Stipulation and Agreement is intended to settle the following issues/items

previously identified by some or all of the Parties through testimony and/or schedules.

2. **Resolution of class cost-of-service issue.**

a. The class cost-of-service issue is resolved as follows: The rates shall be designed to produce class revenues according to the following class revenue "targets." The "targets" are the intended result and any variation therefrom shall be only de minimus amounts occasioned by unavoidable rounding as the rates to implement the targets are designed.

b. Class Revenue Targets:

(1) Class revenue targets (the total revenues that new rates will be designed to collect) shall be calculated in accordance with the formulas embodied in and set forth on Attachment A under one of three distinct scenarios:

- An Overall Revenue Requirement Reduction
- An Overall Revenue Requirement Increase Up to \$200 Million
- An Overall Revenue Requirement Increase Greater than \$200 Million

c. These three scenarios are distinct and, once the change in AmerenUE's jurisdictional revenue requirement is known, only one of the three scenarios will be applicable. In case of any conflict between this document and Attachment A, Attachment A shall control.

d. Scenario: An Overall Revenue Requirement

Reduction:

(1) The revenue requirement reduction scenario consists of a two-block approach. The first block applies to the reduction in revenue requirement up to \$20,150,000. The second block applies to any reduction in revenue requirement in excess of \$20,150,000.

(2) Any jurisdictional revenue requirement reduction up to \$20,150,000 shall be spread among Large General Service ("LGS"), Large Transmission Service ("LTS"), Lighting and Other classes according to the allocation factors set forth on line 3 of Attachment A.

(3) Any revenue requirement reduction in excess of \$20,150,000 shall be spread among the classes according to the allocation factors set forth on line 5 of Attachment A.

(4) The class revenue targets shall be equal to the sum of the trued-up revenues by customer class and the decrease adjustments by customer class.

e. Scenario: An Overall Revenue Requirement

Increase Up to \$200 Million:

(1) Under this revenue requirement increase scenario, class revenue targets shall be determined by a three-step process. The first step determines adjustments in the revenues of the customer classes. These adjustments shall be revenue neutral overall. In the second step the approved increase (up to \$200,000,000) is allocated among the customer classes. As the third step, the target revenues for each class shall be computed. These three steps are set forth in Attachment A on lines 8 through 12 and the operation of the agreement is shown by example for an assumed increase of \$90,000,000.

(2) Step one. The dollar value of the revenue-neutral adjustments to the trued-up revenues of each customer class shall be determined as follows: The Residential class adjustment is an increase of \$ \$9,338,792. The LGS class adjustment is a decrease equal to 1% of the LGS class trued-up revenue times the quantity (1 minus (overall increase divided by \$310,000,000)). The adjustment to the SGS class shall be an increase equal in magnitude to the LGS class adjustment times the ratio of SGS class trued-up revenue to the sum of the SGS, SPS and LPS trued-up class revenues. The adjustment to the SPS class shall be an increase equal in magnitude to \$600,000 plus an amount equal to the LGS class adjustment times the ratio of SPS class trued-up revenue to the sum of the SGS, SPS and LPS trued-up class revenues. The adjustment to the LPS class shall be an increase equal in magnitude to the LGS class adjustment times the ratio of LPS trued-up class revenue to the sum of the SGS, SPS

and LPS trued-up class revenues. The LTS adjustment is a decrease of \$9,938,792. The Lighting and Other class adjustment is zero. The adjusted class revenues shall be the sum of the class trued-up revenues and the step one adjustments as set forth in this paragraph.

(3) Step two. The second step is the allocation of the overall increase amount among the classes in proportion to the adjusted class revenues as computed in step one.

(4) Step three. The class revenue targets shall be the sum of the adjusted class revenues as computed in step one of this scenario and the class increases as determined pursuant to step two of this scenario.

f. Scenario: An Overall Revenue Requirement Increase Greater than \$200 Million:

(1) Under this revenue requirement increase scenario, class revenue targets shall be determined by a three-step process. The first step determines adjustments in the revenues of the customer classes. These adjustments shall be revenue neutral overall. In the second step the approved increase is allocated among the customer classes. As the third step, the target revenues for each class shall be computed. These three steps are set forth in Attachment A on lines 13

through 17 and the operation of the agreement is shown by example for an assumed increase of \$210,000,000.

(2) Step one. The dollar value of the revenue-neutral adjustments to the trued-up revenues by customer class shall be determined as follows: The Residential adjustment is an increase of \$4,350,000. The LGS class adjustment is a decrease equal to 1% of the LGS class trued-up revenue times the quantity $(1 \text{ minus } (\text{overall increase divided by } \$310,000,000))$; provided, however, that the LGS class adjustment shall be zero in the event of an overall increase equal to or greater than \$310,000,000. The adjustment to the SGS class shall be an increase equal in magnitude to the LGS class adjustment times the ratio of SGS class trued-up revenue to the sum of the SGS, SPS and LPS trued-up class revenues. The adjustment to the SPS class shall be an increase in an amount equal to the LGS class adjustment times the ratio of SPS trued-up class revenue to the sum of the SGS, SPS and LPS trued-up class revenues. The adjustment to the LPS class shall be an increase equal in magnitude to the LGS adjustment times the ratio of LPS trued-up revenue to the sum of the SGS, SPS and LPS trued-up class revenues. The LTS class adjustment is a decrease of \$4,350,000. The Lighting and Other class adjustment is zero. The adjusted class revenues shall be the sum of the class trued-up revenues and the step one adjustments as set forth in this paragraph.

(3) Step two. The second step is the allocation of the overall increase amount among the classes in proportion to the adjusted class revenues as computed in step one.

(4) Step three. The class revenue targets shall be the sum of the adjusted class revenues as computed in step one of this scenario and the class increases as determined pursuant to step two of this scenario.

3. Rate Design Changes.

a. For the computation of Class Rate Levels:

(1) Within each rate schedule, all rate elements shall be increased or decreased by the same percentage as the overall increase or decrease for the class, except in the following cases:

(a) The customer charge on the residential rate schedule shall not be changed under any of the scenarios. Any increase or decrease in residential class revenues shall be accomplished by factoring only the energy charges.

(b) The customer charges on the non-residential rate schedules shall increase if AmerenUE's overall revenue requirement increases. They will remain at current levels (i.e. not decrease) if there is an overall reduction.

(c) The demand and energy rates on the LGS and SPS rate schedules shall be adjusted, subject to class revenue constraints, in such a way as to better align the implicit voltage differentials between the two.

(d) The adjustment to the Large Transmission Service rate schedule shall be accomplished first by eliminating the Annual Contribution Factor. If there is a revenue neutral reduction of less than \$9.1 million to the LTS class, there shall be a fixed annual contribution factor in an amount equal to \$9.1 million less the amount of the LTS class revenue neutral adjustment.

b. The following current rate design features of the AmerenUE rate schedules shall be maintained, to the extent possible:

(1) The customer charges on the SPS, LPS, and LTS rate schedules shall be the same.

(2) The rates (\$ per kW) for Rider B voltage credits shall be the same under all applicable rate schedules.

(3) The rate (\$ per billed kVar) associated with the Reactive Charge shall be the same under all applicable rate schedules.

(4) The rate (\$ per month) associated with the Time-of-Day meter charge shall be the same under all applicable rate schedules.

(5) The Time-of-Day energy charge adjustments shall be the same on the LPS and LTS rate schedules.

c. The following Rate Design and Miscellaneous Tariff Issues are not resolved:

(1) AmerenUE's proposal to implement economic development and retention riders (Rider EDRR, Rider EDR)

(2) AmerenUE's proposed Industrial Response Pilot (Rider DRP).

(3) The "SafetyNet" proposal that customers be provided credits of \$25 per day for electric outages that extend beyond 48 hours.

d. The parties agree that the following proposals shall be approved by the Commission.

(1) AmerenUE's proposed changes to its Reserve Distribution Capacity Rider (Rider RDC) and the format changes to Rider B.

(2) AmerenUE's proposed Service Call Charge.

(3) AmerenUE's proposed clarification of Rider B and Rider C.

(4) [Paragraph Intentionally Omitted]

(5) AmerenUE's proposal to require customer, or developer, contributions when AmerenUE makes line extension into subdivisions having lots which exceed 100,000 square feet (approximately 2.3 acres) and where the lot frontage footage exceeds 500 feet and/or the overhead service is longer than a single span or the underground service is longer than 250 feet.

(6) AmerenUE's proposal to delete "seasonal revenue" as an offset to the costs of relocating distribution facilities for non-residential customers (tariff sheet 160).

(7) AmerenUE's proposal to delete the following sentence from section "C. Multiple Metered Account Billing" on tariff sheet 165:

Alternatively, at customer's request and expense, Company will install special demand metering equipment to obtain a single simultaneous demand for the billing of customer's

account, provided it is feasible to do so and that Company is not precluded from doing so by any other sections of these rules and regulations.

(8) AmerenUE's proposed changes to the number of billing periods for which AmerenUE will make billing adjustments.

e. The parties agree that all remaining rate design and miscellaneous tariff proposals shall be rejected by the Commission. These proposals include, but are not limited to, the following:

(1) AmerenUE's proposal for a 10% discount for "high" load factor customers served on the Large Primary Rate.

(2) AmerenUE's proposed changes to its Municipal Underground Cost Recovery Rider.

(3) AmerenUE's proposal to require a customer with a demand of 5,000 kW to be billed on the Large Primary Rate.

(4) AmerenUE's proposed change in the definition of residential customer in its tariff.

(5) AmerenUE's proposed change to its Guarantee Agreements for customers served by Cooperative and Municipal utilities, unless the guarantee agreement payment period is extended to three years for all new customers.

(6) AmerenUE's proposed changes to the Multiple Occupancy Building Metering section of its electric tariff on Sheet No. 166

(7) AmerenUE's proposed addition of a seasonal service disconnect charge.

4. This Stipulation and Agreement is being entered into solely for the purpose of settling the identified issues/items, in this case alone, that are listed above. Unless otherwise explicitly provided herein, none of the Parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any other method of cost determination or

cost allocation or revenue-related methodology. Other than as explicitly provided herein, none of the Parties shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding regardless of whether this Stipulation and Agreement is approved.

5. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

6. If the Commission unconditionally accepts the specific terms of this Agreement without modification, the Signatories waive, with respect to the issues resolved herein: their respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2000; (3) their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; (4) their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000 and (5) their respective rights to judicial review pursuant to Section 386.510, RSMo 2000. These waivers apply only to a Commission order respecting this Agreement issued in this above-captioned proceeding, and do not apply to any matters raised in any prior

or subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement. In particular, with respect to the issues resolved herein, they waive their rights to call, examine and cross-examine the following witnesses:

Albert Owen (MIEC)
Barbara A. Meisenheimer (OPC)
Billie S. LaConte (MEG)
David C. Roos (Staff)
Donald Johnstone (Noranda)
Gareth R. Kajander (MIEC)
George Swogger (Noranda)
Harvey Cooper (Noranda)
James A. Busch (Staff)
James C. Watkins (Staff)
James A. Busch (Staff)
Kevin C. Higgins (TCG)
Mark Baker (Noranda)
Maurice Brubaker (MIEC)
Nancy Brockway (AARP) and adopted witness testimony of Ron Binz
Robert Quinn ((MASW)
Robert Quinn (MASW)
Ryan Kind (OPC)
Steve McPheeters (Noranda)
William L. McDuffey (Staff)

William Hinckley (MIEC)

7. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding the provision herein that it shall become void, neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with § 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

8. In the event the Commission unconditionally accepts the specific terms of this Stipulation and Agreement without modification, the Parties waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §536.500 RSMo 2000; and their respective rights to judicial

review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order respecting this Stipulation and Agreement issued in this proceeding and only to the issues/items that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding or any matters not explicitly addressed by this Stipulation and Agreement.8. This Stipulation and Agreement contains the entire agreement of the Signatories concerning the issues/items addressed herein.

9. Should the Commission have questions about this Stipulation and Agreement, the Signatories will make available their witnesses and attorneys on the issues/items resolved by this Stipulation and Agreement. If the Commission has questions for the Signatories' witnesses or Signatories, the Signatories will make available at any on-the-record session, their witnesses and attorneys on the issues/items resolved by this Stipulation and Agreement, so long as all the Parties have had adequate notice of that session. The Signatories agree to cooperate in presenting this Stipulation and Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Stipulation and Agreement.

10. This Stipulation and Agreement does not constitute a contract with the Commission. Acceptance of this Stipulation and Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commis-

sion presently has. Thus, nothing in this Stipulation and Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement.

Respectfully submitted,

UNION ELECTRIC COMPANY
d/b/a AmerenUE

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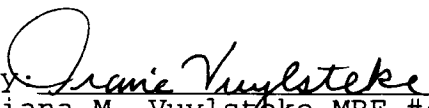
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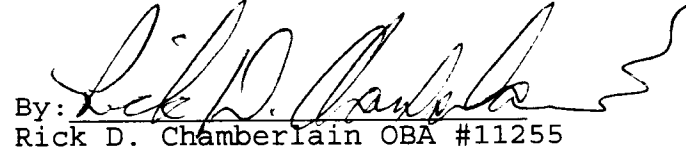
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Appendix A
Class Revenue Targets

3/20/2007 1 pm

Line	TOTAL	RESIDENTIAL	SMALL GEN SERV	LARGE GEN SERV	SMALL PRIMARY	LARGE PRIMARY	LARGE TRANSMISSION	LIGHTING & OTHER	check	
1	True Up Revenue	\$2,015,626,284	\$855,465,244	\$230,284,507	\$425,281,208	\$181,098,048	\$160,594,741	\$135,652,313	\$27,250,223	-
<u>Overall Revenue Requirement Reduction</u>										
2	First 20.15 Million Decrease - design basis	(20,150,000)			(9,938,791)		(9,938,791)	(272,418)		-
3	Allocation Factor up to \$20.15 M	100.0000%			49.3240%		49.3240%	1.3520%		-
4	Additional Decrease - design basis	(91,712,099)	(8,554,650)	(9,521,820)	(34,815,777)	(18,608,880)	(1,605,950)	(17,365,799)	(1,239,223)	-
5	Allocation Factor for additional	100.0000%	9.3277%	10.3823%	37.9620%	20.2905%	1.7511%	18.9351%	1.3512%	-
6	Example	\$ (50,000,000)	(2,784,325)	(3,099,115)	(21,270,458)	(6,056,726)	(522,697)	(15,590,925)	(675,754)	-
7	Percent Change	-2.48%	-0.33%	-1.35%	-5.00%	-3.34%	-0.33%	-11.49%	-2.48%	-
<u>Overall Increase Up To \$200 M</u>										
Adjustments to Revenue at example overall										
8	increase level (see notes 2 & 3)	\$0	9,338,792	1,215,131	(3,018,125)	1,555,591	847,402	(9,938,792)	-	-
9	Adjusted Revenues	\$2,015,626,284	864,804,036	231,499,638	422,263,083	182,653,639	161,442,143	125,713,521	27,250,223	-
10	Allocation Factor	100.0000%	42.9050%	11.4852%	20.9495%	9.0619%	8.0095%	6.2369%	1.3519%	-
11	Example	\$ 90,000,000	47,953,273	11,551,852	15,836,401	9,711,283	8,055,977	(4,325,541)	1,216,753	-
12	Percent Change	4.47%	5.61%	5.02%	3.72%	5.36%	5.02%	-3.19%	4.47%	-
<u>Overall Increase Greater Than \$200 M</u>										
Adjustments to Revenue at example overall										
13	increase level (see notes 2 & 3)	\$0	4,350,000	552,332	(1,371,875)	434,360	385,183	(4,350,000)	-	-
14	Adjusted Revenues	\$2,015,626,284	859,815,244	230,836,839	423,909,333	181,532,408	160,979,924	131,302,313	27,250,223	-
15	Allocation Factor	100.0000%	42.6575%	11.4524%	21.0311%	9.0063%	7.9866%	6.5142%	1.3519%	-
16	Example	\$ 210,000,000	93,930,694	24,602,295	42,793,534	19,347,491	17,157,034	9,329,860	2,839,091	-
17	Percent Change	10.42%	10.98%	10.68%	10.06%	10.68%	10.68%	6.88%	10.42%	-

Note 1. The allocation of any increase or decrease will be according to this mechanism. Adjustments on lines 8 and 13 vary depending on the amount of the approved increase.

Note 2. In the increase scenarios the LGS adjustment = $-\$425,281,208 * 1\% * (1 - (\text{increase amount}/\$310 \text{ million}))$. The offset is spread among SGS, SPS, and LPS as an equal % of the True-up Revenue applicable to each of these classes.

Note 3. In the zero to \$200 million increase range there is a an adjustment to SPS of + \$600 thousand in addition to the note 2 adjustment.

Note 4. In the above \$200 million increase range the Note 2 adjustment is zero at increase levels greater than \$310,000,000.