BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

Application of Union Electric Company for a Certificate of Public Convenience and necessity authorizing it to construct, install own, operate, control, manage and maintain electric plant, as defined in §386.020(14) RSMo. to provide electric service in a portion of New Madrid County, Missouri, as an extension of its existing certificated area	))))))))	Case No. EA-2005-0180

PRE-HEARING BRIEF OF MISSOURI ENERGY GROUP

COMES NOW the Missouri Energy Group ("MEG"), and respectfully submits its prehearing brief regarding issues in this matter.

At the outset, MEG states that the parties in this matter have stated the sole issue in this case to be: **SHALL THE LTS TARIFF AS PROPOSED BE APPROVED?** The LTS tariff–comprising the rate (demand and energy charges) and the terms and conditions–does not need to be approved under the applicable legislation. AmerenUE has the right to serve Noranda on those terms without PSC approval. However, Ameren has created a need for PSC approval by couching its proposal in the form of an extension of its service territory and, as a result, placing the Noranda rate under PSC jurisdiction. Ameren also states that the addition of the Noranda load will require construction of new peaking capacity, the cost of which may be allocated to other customers of AmerenUE. Therefore, before the MEG can answer the issue as AmerenUE has presented it, it needs to determine the answer to two related issues as listed below:

1. **<u>Is it in the best interest of the customers in AmerenUE's existing service territory to have AmerenUE serve Noranda as a non regulated or as a regulated customer?</u>**

Based on the present record, the answer to this is unknown. Section 91.026.2 RSMo Supp 2004 Noranda the option to purchase electric power from any service provider, whether Noranda is within said provider's service territory or not. AmerenUE and Noranda have instead chosen to apply to extend the AmerenUE service territory to include the Noranda facility and provide service that is regulated by this Commission. AmerenUE has not explained why the same benefits could not be achieved by serving Noranda as a non-regulated customer pursuant to §91.026 RSMo Supp. 2004. As stated by MEG Witness LaConte in her rebuttal testimony:

> If the sale for Noranda were "non-jursidictional,". . . Missouri retail customers would retain the benefit of all the lowest-cost power and receive the benefit, if any, of off-system sales, of which Noranda would be one. To the extent that off-system sales were made at a price below incremental costs, Missouri customers would be shielded from any such loss. As a regulated customer, it is not clear that the same benefit would apply.

LaConte Rebuttal at 5.

The answer to this question also depends on incorporating certain conditions that protect customers in AmerenUE's existing territory. For example, the capacity costs incurred to serve Noranda may not be covered if the actual load is lower than the forecast load.

It is the MEG position that a full and complete record with respect to both options needs to be developed in this case so that the Commission can make an informed decision.

2. **<u>Would the additional capacity needs required to serve Noranda be more economically satisfied by reinstituting an appropriate capacity interruptible rate?</u>**

Most likely. AmerenUE is proposing to build 600 MW of gas-fired peaking generation at an average cost of $471/kW to meet its capacity requirements to serve Noranda. According to AmerenUE, the annual carrying cost rate of the investment is 14.34 percent, producing an annual carrying cost of $67.5/kW. The administration and general costs associated with the new capacity are estimated by AmerenUE as $20/kW/year. This produces an annual cost of $87.5/kW for the new capacity. Because AmerenUE requires a reserve margin, the alternative to adding 600 MW of peaking capacity is converting less than 550 MW of firm load to interruptible. AmerenUE previously offered a capacity interruptible rate to its customers that only cost AmerenUE $60/kW/year, a significant savings compared to new peaking generation. AmerenUE currently does not have an interruptible rate that reduces peak load. AmerenUE has resisted instituting one, despite signing a Stipulation in Mo. PSC Case EC-2002-1 stating that it would "make its best efforts to increase the amount of demand response options (including interruptible load) by 200 megawatts . . ." (Stipulation and Agreement, EC-2002-1, Section 9, Page 9).

It is the MEG position that this option should be seriously considered and a record developed. Clearly capacity needs (and related costs) can be significantly reduced if an appropriate interruptible rate is implemented.

Respectfully submitted,

THE STOLAR PARTNERSHIP LLP

LCLangeneckert

Lisa C. Langeneckert #49781
911 Washington Avenue
St. Louis, MO 63101-1290
314 641-5158 (Direct Phone)
314 641-8158 (Direct FAX)
llangeneckert@stolarlaw.com

Attorney for the Missouri Energy Group

CERTIFICATE OF SERVICE

Pursuant to 4 CSR 240-2.080 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this 18th day of February, 2005 caused a copy of the foregoing to be served on all persons on the official service list in Case No. EA-2005-0180.

L. Langeneckert

Lisa C. Langeneckert