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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of an Investigation Into an Alternative Rate Option for Interruptible Customers of Union Electric Company d/b/a AmerenUE	))))	**Case No. EO-2000-580**

RESPONSE OF UNION ELECTRIC COMPANY TO REQUEST TO ESTABLISH A DOCKET CONCERNING "INTERRUPTIBLE CUSTOMERS"

On March 20, 2000, Holnam, Inc, Lone Star Industries, Inc, and River Cement Company (Applicants) filed a pleading requesting that the Commission establish a docket to investigate the establishment of an additional alternative rate option for interruptible customers of Union Electric Company d/b/a AmerenUE. On March 23, 2000, the Commission issued a Notice Setting Time for Response. Union Electric Company ("the Company") hereby submits its response to the Applicant's filing:

1. The Stipulation in the Rate Design Case No. EO-96-15 ("Stipulation") provided for the elimination of the Company's then current Interruptible Power Rate 10(M) after the May 2000 billing period and that a new tariff, the Voluntary Curtailment Rider would become effective by June 1, 1999. That Stipulation also provided that no party would object, on procedural grounds, to any party's filed application to initiate a docket for the Commission's consideration of an additional alternative rate option for interruptible customers to be available no sooner than June 1, 2000. The Company's response to the Application of the MEG Interruptibles is not an objection on procedural grounds, but is an explanation as to why the Company feels that the initiation of a proceeding for such a purpose is currently unnecessary.

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2. The Stipulation provided for the Company and the Industrials to enter into good faith discussions regarding alternative rate options. As MEG points out, numerous discussions have taken place between various Company representatives (including Senior Management, Customer Service personnel and others) and its three largest interruptible cement plant customers commencing in the fall of 1999 and continuing on into spring 2000. The Company participated in those discussions in good faith; however, the Customers' position was, and remained, one of resistance to the elimination of the old Interruptible Rate 10 (M). The Customers proposed some changes to the old rate, but left the main components intact. The Company, however, offered a new and additional alternative interruptible rate option during such discussions. As discussed below, the Company could not agree to the customers' requests.

3. In response to some of the more specific points raised in the Customers' pleading: The term "differential" in the "grandfathered" rates currently being paid by MEG and their applicable firm rate is misleading. There is and was no "grandfathering" of the current Interruptible 10(M) Rate. The $ 2.5 million reference by MEG is in the ballpark as to the calculated difference between the 10(M) and Large Primary 11(M) Rates for such customers. However, it is totally unrealistic to assume that such customers would not act in some manner to reduce this differential by participating in either the totally voluntary Rider VCR, which provides more operating flexibility to both the customers and the Company, or in the Company's new Option Based Curtailment Rider - Rider M, which is discussed below. Moreover, as provided in Rider M, such customers may participate in <u>both</u> Riders during various portions of the year. It is also misleading to describe the Company's most recent discussions with these customers as a "black box" approach to pricing. To the contrary, the Company's discussions with the MEG representatives covered a wide range of customer

options for curtailment, with specific examples of what the Company would pay to such customers during the summer of 2000 billing season, based upon various selected options.

4. The Company has planned for the elimination of the 10(M) Rate for the 2000 summer period and anticipates no adverse affect on system reliability.

5. The Attachment to the MEG Application is a combination of several of the features of the Interruptible 10(M) Rate which is slated for elimination by the terms of the Stipulation in Case No. EO-96-15. Alternative interruptible/curtailment tariffs, offered by the Company, include the Voluntary Curtailment Rider, which is currently in effect, and the Option Based Curtailment Rider, which the Company filed with the Commission on April 6, 2000. The provisions of the MEG attachment are exactly the same as those discussed extensively, both internally and with the MEG customers and their representatives, over the past several months and found to be unacceptable to the Company. The Company's general objections to the customers' proposal were that it is overly restrictive and administratively burdensome to the Company, and that it does not provide the Company with a cost-effective way of managing system resources to meet its system loads.

6. In addition to the Voluntary Curtailment Rider, on April 6, 2000, the Company filed for Commission approval an Option Based Curtailment Rider – Rider M. This Rider will provide for both a summer month premium to be paid to customers and a per kilowatthour payment premium to customers, for all kilowatt-hours curtailed, based upon a customer elected and optional strike price, curtailment frequency and duration. As indicated earlier, customers may elect to be served under both Rider M and Rider VCR subject to the terms and conditions contained therein.

7. The Company anticipates the availability of both Rider VCR and Rider M for the summer months of 2000. Both of these are customer elected curtailment tariffs involving

various customer options and the receipt of market based payments from the Company. A considerable amount of resources has been expended by the Company in the development of these tariffs, and the Company has filed to make some minor revisions to Rider VCR since its initial period of application during the summer of 1999. The Company believes that the customers who filed this request will, after leaving the 10 (M) Rate, have more options than they had in the past, and that those options will be very advantageous to these customers, in terms of the added operational flexibility of their plant facilities. The new Riders give the customer the option to curtail, as opposed to the old Interruptible rate, which allowed the Company to make that decision, and which often resulted in various requests for waivers of certain tariff provisions when a curtailment was initiated. Both of the Company's interruptible/curtailment Riders referred to herein offer significantly enhanced customer options, choices and flexibility as compared to the 10 (M) Rate being eliminated. For example, individual customers electing to curtail more frequently will receive greater payments from the Company than those electing to curtail less frequently will. This option and flexibility is not contained in the 10 (M) Rate.

For the above reasons, the Company suggests to the Commission that the initiation of a docket for yet another interruptible or curtailment tariff is totally unnecessary at this time.

Respectfully submitted,

AmerenUE

Dated: 4-11-00

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CERTIFICATE OF SERVICE

Case No. EO-2000-580

I hereby certify that a copy of the foregoing was served via Federal Express on this 11th day of April, 2000, on the following parties of record:

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