

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)
AmerenUE for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to Customers in) Case No. ER-2008-0318
the Company's Missouri Service Area)

STATEMENT OF POSITION OF THE COMMERCIAL GROUP

The Commercial Group respectfully submits its Statement Of Position in accordance with the Commission's Order Adopting Procedural Schedule And Establishing Test Year issued May 29, 2008. Although The Commercial Group addresses only certain issues herein, it reserves the right to address any issues arising in this case including, but not limited to, other issues set out in the issues list. The Commercial Group's silence on a particular issue should not necessarily be construed as agreement with any particular party's position.

I. TESTIMONY OF THE COMMERCIAL GROUP

The Commercial Group submitted the following prefiled testimony by its expert, Richard A. Baudino:

1. Direct Testimony and Exhibit of Richard A. Baudino on Cost Allocation and Rate Design (Sep. 11, 2008).
2. Rebuttal Testimony of Richard A. Baudino on Cost Allocation and Rate Design (Oct. 14, 2009).
3. Surrebuttal Testimony of Richard A. Baudino on Cost Allocation and Rate Design (Nov. 5, 2008).

The positions advocated by Mr. Baudino on behalf of The Commercial Group are set forth below.

II. **STATEMENT OF POSITION**

Class Cost of Service and Rate Design:

A. AmerenUE's Class Cost of Service Study and Recommendation

AmerenUE's witness William M. Warwick submitted the Company's class cost of service study ("CCOSS"). Mr. Baudino reviewed the methodology and results of the Company's CCOSS and concluded that it provides a reasonable basis for the allocation of costs and of the revenue increase to the various customer classes in this proceeding.

The CCOSS results presented by Mr. Warwick indicate that the Residential and Large Primary classes are paying less for electricity than their respective class costs of service. This means that the Residential and Large Primary classes are receiving subsidies from the other classes.

Thus, based on the Company's own CCOSS, the Small General Service, Large General Service/Small Primary and Large Transmission classes should receive increases in this proceeding that are smaller than the system average increase, while the Residential and Large Primary classes should receive increases that are larger than the system average increase.

Despite the results of its CCOSS, AmerenUE's witness Wilbon L. Cooper did not follow the results of the CCOSS. Instead, Mr. Cooper recommended an across-the-board or equal percentage increase for all customer classes instead of the relative increases and decreases supported by AmerenUE's CCOSS.

In Mr. Baudino's opinion, an equal percentage increase for all customer classes is unreasonable and should be rejected by the Commission.

Mr. Cooper's proposal would perpetuate the interclass subsidies shown to exist by the Company's own CCOSS. It is both economically inefficient and unfair to purposely build subsidies into rates. Rates that are based on the cost to serve provide the best price signals to customers and furnish incentives for the most efficient use of electricity. In addition, it is simply unfair for one customer class to pay more than its fair share of costs while another class pays less.

Instead of the equal percentage increase proposed by AmerenUE, Mr. Baudino recommends that the Commission allocate any revenue increase in this proceeding on the basis of the Company's CCOSS. If the Commission grants the entire increase being requested by AmerenUE, the Large General Service/Small Primary Service classes should receive a 3% rather than the 12% increase proposed by the Company. If the Commission grants a smaller increase than AmerenUE is requesting, Mr. Baudino recommends that the class increase be reduced proportionately by the same percentage that the overall system increase is reduced.

B. Commission Staff's Class Cost of Service Study and Recommendation

In his rebuttal testimony Mr. Baudino addressed the class cost of service studies and revenue requirement increase recommendations of the Commission's Staff and the Office of Public Counsel ("OPC").

Mr. Baudino disagrees with the Staff's CCOSS methodology. However, even with its faulty methodology, Staff's CCOSS indicates that the Large General Service/Small

Primary Service customers should receive a rate *decrease* relatively to the other classes.

Staff nevertheless recommends implementation of an across-the-board or equal percentage increase to all customer classes. Mr. Baudino recommends that the Commission reject Staff's proposed across-the-board increase because it would simply perpetuate the significant interclass subsidies that currently exist.

C. Office of Public Counsel's Class Cost of Service Studies and Recommendation

Mr. Baudino also disagrees with the methodologies used in the two OPC CCOSSs. He notes, however, that even with the faulty methodologies, both of the OPC CCOSSs show that the Large General Service/Small Primary Service class is paying more than its fair share of costs and should receive an increase that is less than the system average increase. Neither of the CCOSSs sponsored by the OPC support the equal percentage increases being supported by the OPC. Therefore, Mr. Baudino recommends that the Commission reject the OPC's recommendation.

D. The Commercial Group's Recommendation

The equal percentage increases being recommended by AmerenUE, the Staff and the OPC should be rejected. Instead, any revenue increases should be allocated among the classes on the basis of AmerenUE's CCOSS.

If the Commission grants the full increase being requested by AmerenUE, Mr. Baudino recommends that the revenue increase be allocated among the classes on the basis of the CCOSS presented by the AmerenUE witnesses Mr. Warwick and Mr.

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Cooper. If the Commission grants a smaller increase that the Company is requesting, Mr. Baudino recommends that the class increases in AmerenUE's CCROSS be scaled back proportionately by the same percentage that the overall system increase request is reduced.

III. CONCLUSION

WHEREFORE, for all the above and foregoing reasons, The Commercial Group respectfully requests that the Commission adopt the positions set forth herein.

Dated this 13th day of November, 2008.

Respectfully submitted,

By 

Rick D. Chamberlain, OBA # 11255
BEHRENS, TAYLOR, WHEELER
& CHAMBERLAIN
6 N.E. 63rd, Suite 400
Oklahoma City, OK 73102
Tel.: (405) 848-1014
Fax: (405) 848-3155

- and -

Koriambanya S. Carew, MO #53174
BAKER STERCHI COWDEN & RICE, LLC
2400 Pershing Road, Suite 500
Kansas City, MO 64108
Tel.: (816) 471-2121
Fax: (816) 472-0288

ATTORNEYS FOR THE COMMERCIAL
GROUP

CERTIFICATE OF SERVICE

The undersigned certifies that on November 13, 2008, a true and correct copy of the foregoing Prehearing Brief Of The Commercial Group was served by U.S. mail, postage prepaid, or by electronic mail addressed to all parties by their attorneys of record as provided by the Secretary of the Commission.


