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July 14, 2000

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FILED³

JUL 14 2000

Missouri Public
Service Commission

RE: Case No. EO-2000-580

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **STAFF'S RESPONSE AND PROPOSED PROCEDURAL SCHEDULE**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Dennis L. Frey
Associate General Counsel
(573) 751-8700
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DLF/lb
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

JUL 14 2000

Missouri Public
Service Commission

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

STAFF'S RESPONSE AND PROPOSED PROCEDURAL SCHEDULE

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), and respectfully states as follows:

1. On March 20, 2000, Holnam Inc., Lone Star Industries, Inc. and River Cement Company (collectively, "MEG Interruptibles") filed an Application requesting, *inter alia*, that the Commission open a case for consideration of an alternative rate option for interruptible customers of Union Electric Company, d/b/a AmerenUE ("UE" or "Company"), direct UE to prepare and file a proposed interruptible tariff incorporating the terms and conditions set forth in the Exhibit attached to said Application and approve such tariff to become effective on June 1, 2000, on an interim basis.

2. On March 23, 2000, the Commission, in its Notice Setting Time for Response, directed that responses to MEG Interruptibles pleading be filed by April 13, 2000. UE and the Staff filed responses on April 12th and April 13th respectively. Neither party objected, on procedural grounds, to the creation of an investigatory case. In its pleading the Staff requested that the Commission deny MEG Interruptibles' request for Commission approval of an interim

interruptible rate option, set an intervention period, and schedule an early prehearing conference concerning the matter.

3. On April 19, 2000, MEG Interruptibles filed a motion to consolidate this case with ET-2000-666. On May 18th, the Commission denied the motion on the ground that on April 27th it had denied MEG Interruptibles' motion to suspend the tariff in Case No. ET-2000-666, thereby rendering moot said motion to consolidate. Further, the Commission directed that a prehearing conference be held on June 21, 2000 "to allow the parties the opportunity to discuss the issues raised in Applicants' pleading and the responses thereto." The parties attended the scheduled conference and participated in discussions; however, they were unable to resolve the key issues in the case.

4. On July 5, 2000, MEG Interruptibles filed with the Commission the following four pleadings: a) a motion for an expedited schedule of the proceedings, b) suggestions in support thereof, c) a motion for oral argument, and d) suggestions in support of its aforementioned request for approval of an interim rate. On July 12, 2000, the Commission ordered that responses to these pleadings be filed no later than 3:00 p.m. on July 14, 2000. Staff's response to these pleadings is set forth in the following paragraphs.

5. The Staff is opposed to the motion for an expedited schedule of proceedings, the motion for oral argument, and MEG's original Application, filed March 20, 2000, for approval of an interim interruptible rate. Staff believes that MEG Interruptibles' case is fundamentally flawed; that no tariff implementing the proposed \$2.4 million rate reduction to MEG Interruptibles should be approved without evidence; that even with the extremely abbreviated procedural schedule proposed by MEG Industrials, if in fact reliability benefits would result from such a tariff, the reliability benefits would not begin to be realized until the summer of 2001; and

that the greatest potential for providing additional reliability benefits for the summer of 2000 would result from a prompt denial of MEG Interruptibles request for an interim rate reduction; and that approval of a \$2.4 million rate reduction for these three customers will harm all of the Company's other customers.

6. In essence, the Application filed by the MEG Interruptibles on March 20, 2000 amounts to a request that the Commission negate a key term of the Stipulation and Agreement that it approved in UE's recent rate design case (Case No. EO-96-15), by ordering a return to the Interruptible Power Rate that existed prior to that Stipulation and Agreement. In so ordering, the Commission would be reinstating the Service Classification 10(M)-Interruptible Power Rate that was in effect prior to that agreement, with a few modifications. The proposed modifications are all to the benefit of MEG Interruptibles, with no corresponding benefit to either the Company or other customers. The most significant modification is to further limit, if not eliminate, the Company's right to curtail its Interruptible Power Rate customers. Pursuant to the aforementioned Stipulation and Agreement, a new rate design has already been implemented based on the elimination of the Interruptible Power Rate, implementation of a voluntary curtailment rider for interruptible customers, and MEG Interruptibles sharing in an overall rate reduction.

7. MEG Interruptibles' original request for an interim tariff has arguably already been implicitly denied. The Commission's May 18, 2000 Order scheduled a prehearing conference as requested by Staff in its Staff Response To Application Of MEG Industrials filed on April 13, 2000, rather than "directing UE to prepare a proposed interim interruptible tariff incorporating the terms and conditions set forth in the Exhibit hereto, distribute same to the Commission and all parties within ten (10) days of entry of the Order and subject to the approval of such tariff by

the Commission file and cause same to be effective on and after June 1, 2000," as requested in MEG Interruptibles' Application.

8. Contrary to the MEG Interruptibles' claim, adoption of an expedited schedule will not avoid the purported harm or produce the purported benefits related to the issue of reliability or any other issue raised by the MEG Interruptibles. The Staff believes that the MEG Interruptibles have completely failed to show conditions that would warrant consideration of their requests. Indeed, the MEG Interruptibles themselves admit that it does not appear possible to implement its proposed tariff for this summer, even with an expedited schedule of proceedings. (See last paragraph of item 6., "Reliability Issues," in MEG Interruptibles' Suggestions in Support of Motion for Expedited Schedule of Proceedings.) In Paragraph 1 of its suggestions in support of its Application, the MEG Interruptibles state that "[o]f necessity, a customer served under the Tariff, must . . . be able to accept curtailments during peak load periods which occur primarily (but not always) in July and August of each year." It is highly unlikely that the outline and description of rate concepts provided by MEG Interruptibles in its Exhibit could actually be transformed into a tariff sheet format, reviewed by all parties, filed by the Company, approved by the Commission and become effective prior to the end of August. Thus, even if MEG Interruptibles' position had merit, approving MEG Interruptibles' request for an interruptible tariff on an interim basis for these three customers quite likely would not produce any reliability benefits to the Company and its customers prior to next summer; rather, the likely result would be a \$2.4 million windfall to the MEG Interruptibles.

9. Contrary to MEG's assertion, then, UE and its customers will not be harmed if an expedited procedural schedule is not adopted by the Commission. Further, MEG Interruptibles admit that the elimination of UE's Service Classification 10(M)-Interruptible Power Rate, under

which the MEG Interruptibles previously benefited by saving approximately \$2.4 million, was agreed to by them “[i]n connection with the settlement of issues in docket #EO-96-15 and execution of the related Stipulation and Agreement dated April 30, 1999 . . .” (Paragraph 3 of MEG Interruptibles’ Suggestions in Support of Application for Approval of an Interim Alternative Interruptible Rate) The alleged harm must have been at least offset by gains made with respect to other areas of their utility service, or why would they have signed the Stipulation and Agreement?

10. The MEG Interruptibles seem to believe, however, that reinstating the benefits they enjoyed under the tariff in existence prior to the Commission’s adoption of the Stipulation and Agreement in Case No. EO-96-15 is without a consequential detrimental impact on other customers. On the last page of their Suggestions in Support of their March 20, 2000 Application, the MEG Interruptibles claim that “no customer of UE will realize either a rate increase or in any way be adversely impacted by the granting of the Application of the MEG Interruptibles for an interim alternative rate . . .” However, MEG Interruptibles have not explained, nor can Staff imagine, how granting a \$2.4 million annual rate reduction to these three customers would not adversely impact all of Company’s other customers by reducing the amount of the sharing credits that would otherwise be received by all customers through the Company’s Second Experimental Alternative Regulation Plan. Also, MEG Interruptibles are among the customers who benefited from the rate design agreed to in Case No. EO-96-15 respecting the rate reduction after the First Experimental Alternative Regulation Plan.

11. MEG Interruptibles have failed to explain why there is any urgency for the Commission to hear any of the issues that MEG Interruptibles will file in their direct testimony or present in oral argument. Further, as noted earlier, the “proposed tariff” submitted by the

MEG Interruptibles is hardly fully developed; rather it currently takes the form of "guidelines" and "concepts." Under such circumstances, the need for the development of evidence, based on a true proposed tariff, is paramount in enabling the Commission to make an informed ruling in this matter. Staff submits that the normal procedural approach to resolution of the issues, including reasonable times for conducting discovery and preparing testimony, is therefore eminently appropriate.

12. Accordingly, the MEG Interruptibles' Application for the establishment of an alternative interim interruptible rate tariff should be denied. In fact, a prompt denial of same by the Commission, by providing clarity with respect to the issue of the interim tariff, may prompt the MEG Interruptibles to take advantage of Rider M, which is already available to them.

13. In light of the futility, as essentially acknowledged by the MEG Interruptibles themselves, of any attempt at this point to affect the peak cooling season this year, and the need for the MEG Interruptibles to more fully develop their proposal, oral argument would serve no useful purpose and in fact, may impede the efforts to fully develop MEG Interruptibles' proposed tariff. Accordingly, the MEG Interruptibles' Motion for Oral Argument should be denied.

14. Having recommended the denial of MEG Interruptibles' request for the ordering of an alternative interruptible tariff on an interim basis as well as their supporting motion for oral argument, the Staff hereby proposes the following Procedural Schedule, which, in light of the circumstances, is far more reasonable and realistic than that proposed by the MEG Interruptibles. Staff's proposed procedural schedule has the endorsement of the Company.

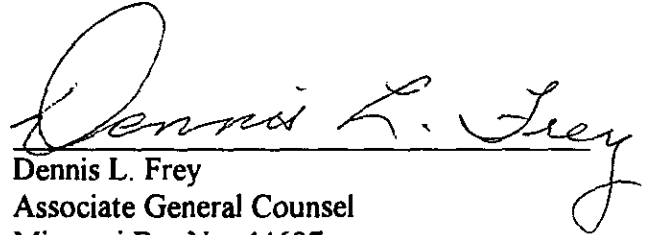
Procedural Schedule

Direct testimony - MEG Interruptibles	July 31, 2000
Rebuttal testimony – all other parties	September 14, 2000
List of Issues, order of witnesses, order of cross	September 28, 2000
Surrebuttal/cross-surrebuttal testimony – all parties	October 5, 2000
Statements of positions on the issues – all parties	October 11, 2000
Evidentiary Hearing	October 19-20, 2000 (10:00 a.m. – 1st day)

WHEREFORE, the Staff files this Response to the July 5, 2000 filings of MEG Interruptibles and requests that the Commission (1) deny MEG Interruptibles' request for approval of an interim alternative interruptible rate; (2) deny MEG Interruptibles' request for oral argument on the interim rate, (3) deny MEG Interruptibles' request for an expedited schedule of proceedings; and (4) instead adopt the above procedural schedule proposed by the Staff and supported by the Company.

Respectfully submitted,

DANA K. JOYCE
General Counsel

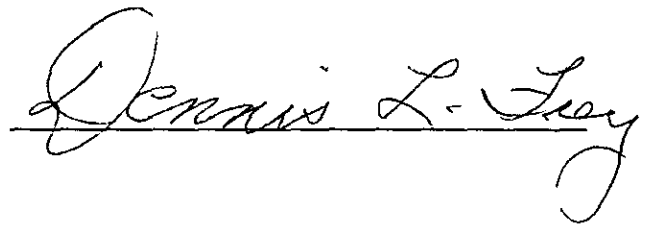


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 14th day of July 2000.



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Case No. EO-2000-580
July 14, 2000

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