

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of Union Electric Company,)
d/b/a AmerenUE's Tariffs to Increase Its) Case No. ER-2011-0028
Annual Revenues for Electric Service)

MEUA STATEMENT OF POSITION

COMES NOW, the Midwest Energy Users Association and for its Statement of Position
on the following issues states as follows:

13. Rate Design/Class Cost of Service

A. Class Cost of Service:

(1) Which of the proposed class cost of service methodologies – the 4 NCP–A&E methodology, the Base Intermediate-Peak methodology, or the 4P-P&A methodology – should the Commission use in this case to allocate Ameren Missouri’s investment and costs among the Company’s various rate classes?

POSITION: MEUA supports that 4 NCP Average & Excess methodology advocated by both MIEC witness Brubaker (Brubaker Direct, page 27) and AmerenUE witness Cooper (Cooper Direct, page 13) for allocating production plant costs and investment. As detailed by Mr. Cooper, the use of the Average and Excess methodology is inherently logical.

Two major factors associated with generation capacity planning prompted the use of the A&E demand cost allocation methodology. Generally, system peak demands and, to a somewhat lesser extent, excess customer demands, are the motivating factors which influence the amount of capacity the Company must add to its generation system to provide for its customers' maximum demands. However, the type of capacity (base, intermediate or peaking) which the Company must add is not dictated by maximum customer demand alone, but also by the annual energy, or kilowatt-hours, which will be required to be generated by such capacity, i.e., the generation unit's utilization factor. **A cost allocation methodology that gives weight to both a) class peak demands and b) class energy consumption (average demands) is required to properly address both of the above considerations associated with capacity planning.** The A&E methodology gives weight to both of these considerations by its inclusion of both average class demands, which are kilowatt-hours divided by total hours in the year (8,760) and the excess NCP demands of each class. As indicated earlier, the

Company's A&E cost allocation study used both the 4 NCP and average class demands in the determination of class excess demands. (Cooper Direct, pages 13-14) (emphasis added).

Ultimately, the Commission also recognized the logic of the Average & Excess methodology when it expressly adopted use of the Ameren methodology in Case No. ER-2010-0036.

As a first step, the Commission will discard the Staff and Public Counsel studies that utilize a Peak and Average Demand production demand allocation method. . . The Peak and Average method double counts the average system usage, and for that reason is unreliable. (Report and Order, Case No. ER-2010-0036, at pages 84-85).

Given the “unreliable” nature of the Staff and Public Counsel methodologies, the Commission expressly adopted the Average and Excess Methodology advanced by AmerenUE as most reliable. “After carefully considering all the studies, the Commission finds that AmerenUE’s class cost of service study, modified to allocate revenues from off-system sales on the basis of class energy requirements, is the most reliable of the submitted studies.” (Id. at page 87). The same logic utilized by the Commission in the last AmerenUE rate case dictates that the Commission adopt either the 4 NCP A&E approach advanced by either AmerenUE or MIEC.

(2) What methodology should the Commission use in this case to allocate Ameren Missouri’s fixed production plant investment and operation and maintenance costs?

POSITION: See above. The Commission should adopt the 4 NCP A&E methodology advocated by either AmerenUE or MIEC.

B. Rate Design:

(1) To what extent should the Commission rely on the results of a class cost of service study in apportioning revenue responsibility among Ameren Missouri's customer classes in this case?

POSITION: The Commission should rely extensively on the results of the adopted class cost of service study. As MIEC witness Brubaker notes, "cost should be the primary factor" in establishing class revenue requirements. (Brubaker Direct, page 33). Cost based rates are consistent with notions of: (1) equity (each customer pays what it costs the utility to provide service); (2) conservation (only cost-based rates send the necessary price signals for customers to use electricity in an efficient manner); (3) developing effective DSM programs (cost-based rates encourage the customer to engage in effective DSM activities) and (4) cost minimization (customers are given proper incentives to minimize their costs, which in turn minimize the costs to the utility). (Brubaker Direct, pages 33-35).

(2) What amount of increase or decrease in the revenue responsibilities of Ameren Missouri's customer classes should the Commission order in this case?

POSITION: As MIEC witness Brubaker recommends, **EACH** class should be treated the same and moved from 25 - 50% of the way towards its actual class cost of service. (Brubaker Direct, Schedule MEB-COS-6). Mr. Brubaker's class cost of service study indicates that the Large General Service / Small Primary class is currently 10.4% above cost of service. (Brubaker Direct, Schedule MEB-COS-5). Therefore, Mr. Brubaker recommends a revenue neutral reduction for this class of \$18.6 - \$37.1 million. (Brubaker Direct, Schedule MEB-COS-6). Similarly, AmerenUE witness Cooper concludes that the Large General Service / Small Primary class is currently paying rates above cost of service. (Cooper Direct, page 16). Only slightly less

than the Mr. Brubaker's conclusion that rates for the LGS / SP are 10.4% above cost, AmerenUE concludes that this class is paying rates that are 8.9% above cost of service. The evidence will show that the LGE / SP class has long suffered from rates that are above cost of service. In fact, the Commission expressly recognized this subsidy in its Report and Order in the last AmerenUE rate case. (Report and Order, Case No. ER-2010-0035, at page 83). Given the continued subsidy built into rates for the Large General Service / Small Primary class, the Commission should move rates for this class 50% (the top end of Brubaker's recommendation) of the way towards actual cost of service.

Respectfully submitted,



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ATTORNEY FOR THE MIDWEST
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

A handwritten signature in black ink, appearing to read "David L. Woodsmall". The signature is written in a cursive style with a large initial "D".

David L. Woodsmall

Dated: April 22, 2011

