

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

JUL 5 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 Ameren UE)

Case No. EO-2000-580

**SUGGESTIONS IN SUPPORT OF APPLICATION FOR APPROVAL OF AN
INTERIM ALTERNATIVE INTERRUPTIBLE RATE**

Holnam Inc., Lone Star Industries, Inc., and River Cement Company ("MEG Interruptibles") in support of their Application for Approval of an Interim Alternative Interruptible rate previously filed with and now pending before this Commission, state as follows:

I. BACKGROUND

1. For approximately thirty (30) years Union Electric Company ("UE") has had in place an interruptible tariff ("Tariff") which enabled eligible large use customers to receive a monthly billing credit in exchange for their agreement to curtail electric service at times of system stress upon request of the utility and after notice from the utility. Of necessity, a customer served under the Tariff, must conduct its manufacturing processes so as to be able to accept curtailments during peak load periods which occur primarily (but not always) in July and August of each year. The purpose of the Tariff and other traditional tariffs in effect at numerous other utilities throughout the country was, and is to protect system reliability.

The MEG Interruptibles have been served under this Tariff for more than eighteen (18) years. This Tariff has proved beneficial to both the MEG Interruptibles, UE, and all other UE customers. The MEG Interruptibles have benefited by saving approximately \$2.4 million dollars in electric costs as a result of the credits received under the Tariff. While these customers save in electric costs, they may lose profit from lost production of product. UE customers on firm service have benefited by being better able to maintain a constant flow of electricity at times of peak usage, as a direct result of the reduction in service to the MEG Interruptibles, who together have an interruptible load of approximately 60 mega-watts. Finally, UE has also benefited from the Tariff, by its ability to maintain system reliability.

2. The MEG Interruptibles are all engaged in the manufacturing of cement at various locations in Eastern Missouri. Furthermore, they are all customers of Union Electric, and have been taking service under the Tariff for many years. In reliance on the Tariff, MEG Interruptibles operate their businesses on a basis that permits electric power interruption when necessitated by utility reliability concerns. However, the MEG Interruptibles right to take service under this Tariff along with their right to its benefits, has been terminated effective June 1, 2000.

3. In connection with the settlement of issues in docket #EO-96-15 and execution of the related Stipulation and Agreement dated April 30, 1999 ("Stipulation"), UE insisted on implementation of a new voluntary curtailment tariff to replace its traditional interruptible tariff. Under this curtailment tariff, curtailments were voluntary and were based upon economic conditions rather than reliability concerns. Under the Stipulation, the MEG Interruptibles retained the right to initiate a proceeding to consider

an alternative rate option for interruptible customers of US. After unsuccessful negotiations with UE during 1999 and the first quarter of 2000, the MEG Interruptibles exercised such right and on March 20, 2000 filed their application to initiate this docket and for approval of an alternative interruptible rate ("Application").

4. On or about April 6, 2000 UE filed yet another interruptible Tariff designated Rider M . Under the terms of this new tariff, a customer taking service under said tariff agrees to curtail its electric service in exchange for an agreement of UE to "purchase" the power (which would ordinarily have been delivered to the customer) at a price to be determined by UE based upon market pricing and other considerations. This tariff was dramatically different from the traditional tariffs, which had been in place at this utility for many years. Furthermore, this new tariff is substantially different from the voluntary curtailment tariff filed pursuant to the terms of the Stipulation. Ultimately the Commission approved this tariff which went into affect on or about June 6, 2000, without hearing or evidence of any kind offered by the utility, or any other party.

5. After reviewing Rider M, the MEG Interruptible concluded it would not be beneficial to elect service under Rider M and have not contracted for interruptible service under that Rider.

II. SUGGESTIONS

6. Reliability Issue

UE does not have 60 mega-watts of curtailable power available if reliability is threatened because of heavy demands upon the system. Accordingly this issue affects all customers of UE and is not limited to the MEG Interruptibles. Under the voluntary curtailment tariff now in effect, if the amount offered to purchase power that the utility

would otherwise deliver to these customers is considered insufficient or inadequate these customers may remain on the system and continue as firm customers. There is no obligation on the part of the customer to curtail. At this time there is great demand for the products manufactured by industrial customers and it may well be that the incentives would encourage a firm customer to stay on the system and continue its manufacturing activities.

Under the proposal of the MEG interruptibles, UE would have available to it 60 mega-watts of power that would be curtailable during times of system stress. This ability to curtail this significant amount of electric power clearly enhances the reliability of the UE system.

7. Preservation of Status Quo

The MEG Interruptibles under the prior UE interruptible tariff were realizing annual savings when compared to the firm rate charges of approximately \$2.4 million. Under the terms of the Stipulation these savings terminated June 1, 2000. As noted above, the MEG Interruptibles concluded that service under that tariff would not be beneficial or in their best economic interest and therefore have elected not to take service thereunder. Accordingly approximately 60 mega watts of power is not available for interruption this summer, indications are that there is little customer interest in Rider M.

Accordingly, preservation of the status quo can best be accomplished by implementing the tariff proposal of the MEG Interruptibles. This proposal incorporates features that were intended to address the concerns of UE and at the same time preserve some of the benefits achieved under former UE interruptible tariffs. Clearly this is a

compromise proposal that was prepared and offered for the purpose of achieving a settlement of the issues herein.

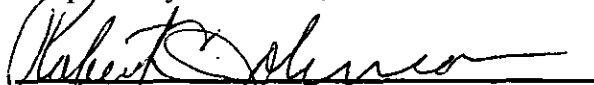
8. No Customer Will Be Adversely Affected

Implementation of the MEG Interruptibles tariff proposal will not adversely affect any customer. However, the impact of the termination of participation under the former UE interruptible tariff, will be an increase in the cost of electricity to the MEG Interruptibles of approximately \$2.4 million. In any event 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 interruptible rate as proposed in the Application previously filed herein. On the other hand the MEG Interruptibles will be severely and adversely affected for at least one year and possibly longer if said Application is not granted by this Commission.

WHEREFORE the MEG Interruptibles request that the Commission grant their Application for approval and implementation of an interim alternative interruptible rate incorporating the terms and conditions described in the attachment to the Application previously filed herein.

Dated at St. Louis Missouri this 3rd day of July, 2000.

Respectfully Submitted,



Robert C. Johnson #15755
720 Olive St. Suite 2400
St. Louis, MO 63101
(314) 345-6436
(314) 588-0638 (fax)

CERTIFICATE OF SERVICE

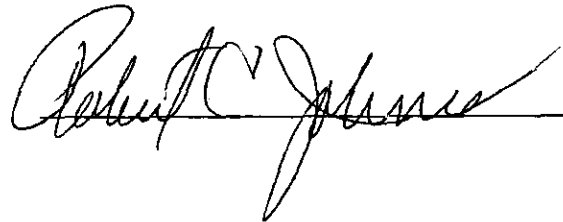
I hereby certify that a true and correct copy of the foregoing has been mailed or hand delivered to the following on this 3rd day of July 2000.

James J. Cook
Ameren Services Company
One Ameren Plaza
1901 Chouteau Ave.
P.O. Box 66149 (MC 1310)
St. Louis, MO 63146-6149

Dennis Frey
Office of the General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Steven Dottheim
Deputy General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Office of the Public Counsel
Truman Building
P.O. Box 7800
Jefferson City, MO 65102

A handwritten signature in black ink, appearing to read "Robert C. Johnson", is written over a horizontal line.