



Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102

573-751-3234
573-751-1847 (Fax Number)
http://www.psc.state.mo.us

December 1, 2000

- BRIAN D. KINKADE
Executive Director
GORDON L. PERSINGER
Director, Research and Public Affairs
WESS A. HENDERSON
Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
DONNA M. KOLILIS
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

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KELVIN L. SIMMONS

FILED 2

DEC 1 2000

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. EM-96-149 - In the Matter of the Application of Union Electric Company
for an Order Authorizing: (1) Certain Merger Transactions Involving Union
Electric Company; (2) The Transfer of Certain Assets, Real Estate, Leased
Property, Easements and Contractual Agreements to Central Illinois Public Service
Company; and (3) In Connection Therewith, Certain Other Related Transactions.

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed
copies of STAFF REPORT RESPECTING SECOND SHARING PERIOD OF SECOND
UNION ELECTRIC COMPANY EXPERIMENTAL ALTERNATIVE REGULATION
PLAN.

This filing has been mailed, hand-delivered or sent by facsimile transmission this date to
all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Steven Dottheim

Steven Dottheim
Chief Deputy General Counsel
(573) 751-7489
(573) 751-9285 (Fax)

Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
DEC 1 2000

Missouri Public
Service Commission

In the Matter of the Application of Union Electric Company)
for an Order Authorizing: (1) Certain Merger Transactions)
Involving Union Electric Company; (2) The Transfer of)
Certain Assets, Real Estate, Leased Property, Easements)
and Contractual Agreements to Central Illinois Public)
Service Company; and (3) In Connection Therewith,)
Certain Other Related Transactions.)

Case No. EM-96-149

**STAFF REPORT RESPECTING SECOND SHARING PERIOD OF SECOND UNION
ELECTRIC COMPANY EXPERIMENTAL ALTERNATIVE REGULATION PLAN**

Comes now the Missouri Public Service Commission Staff (Staff) pursuant to Section 7.f.x of the July 12, 1996 Stipulation And Agreement in the instant case, which was approved by the Commission in a Report And Order that was issued on February 21, 1997, and states as follows:

1. Section 7.f.iv of the July 12, 1996 Stipulation And Agreement provides that within 90 days after the conclusion of a sharing period, a preliminary earnings report, along with a proposed sharing report will be submitted by Union Electric Company (UE), and a final earnings report and proposed sharing report will be filed within 105 days after the end of the sharing period. Section 7.f.x states that signatories to the July 12, 1996 Stipulation And Agreement will have 30 days after a final report is filed to provide notice that there may be areas of disagreement not previously brought to the attention of the Commission that need to be resolved.

2. On October 12, 2000, UE filed its final earnings report for the second sharing period, i.e., the period July 1, 1999 to June 30, 2000, of the second experimental alternative regulation plan (EARP). On November 9, 2000, the Staff and the Office of the Public Counsel

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(Public Counsel) filed with the Commission a Joint Motion For Extension Of Deadline To File Notice Of Areas Of Disagreement, requesting until December 1, 2000 to file said notice of areas of disagreement.

3. As of the date of the filing of this report, the Staff characterizes as areas of disagreement between the Staff and UE the following:

- Advertising
- Environmental Expenses
- Territorial Agreements
- Legal Expenses
- Coal Inventory
- Capital Structure
- Income Taxes
- Other Specific Expense Categories
 - Meter Reading – Automated
 - Professional Services & Information System Consulting
 - Rentals
 - Research & Development
 - Transformer Repairs
 - Tree Trimming / Right Of Way Clearing

The Staff is aware that Public Counsel also is filing this date its notice of areas of disagreement. The Staff has been working independent of Public Counsel, and will examine the areas of disagreement brought forward by Public Counsel.

Based upon the Staff's review to date, and the Commission's determinations respecting the third period sharing credits of the first EARP, the Staff believes that the areas of disagreement that the Staff has identified fall within the parameters of Section 7.f of the July 12, 1996 Stipulation And Agreement in the instant case, and thus are proper items to be brought to the Commission for determination, if necessary.

4. The Staff does not seek to create any unusual concern by the particular items or number of items on this list, and would note that some items are on the list because the Staff has


not completed its review of the subject mater, information still is being exchanged between UE and the Staff, and/or UE and the Staff are, or will be, engaged in discussions about these items.

Such discussions and exchanges will continue, but so as to move matters along, given other activity in this and other cases, the Staff would propose that the Commission schedule an early prehearing conference for December 20, 2000 for the purpose of the parties submitting a procedural schedule, should a procedural schedule be necessary. This timing for an early prehearing conference should permit opportunity for the Staff and UE to continue discussions and to continue to exchange information.

Wherefore for the reasons stated above, the Staff files the instant notice of areas of disagreement not previously brought to the attention of the Commission, pursuant to the terms of the July 12, 1996 Stipulation And Agreement, approved by the Commission on February 21, 1997, respecting the second sharing period of the second experimental alternative regulation plan; and the Staff requests that the Commission schedule December 20, 2000 for an early prehearing conference for the purpose of the parties submitting a procedural schedule to the Commission, should a procedural schedule be necessary.

Respectfully submitted,

DANA K. JOYCE
General Counsel


Steven Dottheim (Mo. Bar No. 29149)
Chief Deputy General Counsel

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
Telephone: (573) 751-7489
Facsimile: (573) 751-9285
sdotthei@mail.state.mo.us

CERTIFICATE OF SERVICE

I hereby certify that the foregoing document has been faxed, mailed, or hand-delivered to the following counsel for the parties of record on this 1st day of December 2000.

James J. Cook
Ameren Services Corporation
1901 Chouteau Avenue
P. O. Box 66149
St. Louis, MO 63166-6149

Charles Brent Stewart
Stewart & Keevil
1001 E. Cherry Street
Suite 302
Columbia MO 65201

James C. Swearngen, P.C.
Brydon, Swearngen & England
P. O. Box 456
Jefferson City, MO 65102-0456

Michael C. Pendergast
Laclede Gas Company
720 Olive Street, Room 1530
St. Louis, MO 63101

Robert C. Johnson
720 Olive Street, 24th Floor
St. Louis, MO 63101

Robin E. Fulton
135 East Main Street
Fredericktown, MO 63645

Diana M. Vuylsteke
Bryan Cave, LLP
One Metropolitan Square, Suite 3600
211 North Broadway
St. Louis, MO 63102-2750

Richard S. Brownlee
Hendren & Andrae
235 E. High Street
P. O. Box 1069
Jefferson City, MO 65102-1069

Paul S. DeFord
Lathrop & Gage, L.C.
2345 Grand Avenue, Suite 2800
Kansas City, MO 64108

Paul H. Gardner
Goller, Gardner & Feather, P.C.
131 East High Street
Jefferson City, MO 65101

Ronald Molteni
Assistant Attorney General
Office of the Attorney General
P.O. Box 899
Jefferson city, MO 65102

James M. Fischer
Fischer & Dority, P.C.
101 W. McCarty, Suite 215
Jefferson City, MO 65101

Marilyn S. Teitelbaum
Schuchat, Cook & Werner
1221 Locust St., 2nd Floor
St. Louis, MO 63103-2364

Gary W. Duffy
Brydon, Swearngen & England. P.C.
P. O. Box 456
Jefferson City, MO 65102-0456

John B. Coffman
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

