

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

In the Matter of Union Electric Company    )  
d/b/a AmerenUE's Tariffs To Increase Its    )  
Annual Revenues for Electric Service        )                    Case No. ER-2008-0318

POST-HEARING BRIEF OF  
THE MISSOURI ENERGY GROUP

On April 4, 2008, Union Electric Company, d/b/a AmerenUE (“AmerenUE” or “Company”) submitted to the Missouri Public Service Commission (“Commission”) certain proposed tariff sheets to implement a general rate increase for retail electric service to customers in its Missouri service area. The Commission suspended those tariffs on April 7, 2008. Hearings in the case started on November 20 and ended on December 12, 2008.

This brief is intended to focus on integral points brought out during the evidentiary hearing. This brief will only address Return on Equity—the only unresolved issue for which the Missouri Energy Group (“MEG”) sponsored testimony.

**Return on Equity**

**1. What return on equity should be used in determining revenue requirement?**

After reviewing several regulated electric companies that are comparable in risk to Ameren, MEG contends that the Commission should allow AmerenUE a 10 percent ROE if it grants AmerenUE a Fuel Adjustment Charge (“FAC”) and a 10.2 percent ROE if it does not grant a FAC to AmerenUE (Ex. 650;Tr. 13, p. 271).

It has been frequently said in this case that intelligent minds can differ on how to calculate the appropriate ROE for a utility with regard to the assumptions made, the inputs to use and the appropriate formulas in which to insert those inputs. Despite all those variables, with the exception of the Staff of the Missouri Public Service Commission (“Staff”) and AmerenUE, every party that either sponsored testimony on ROE or took a position on the issue, agreed that an ROE in the lower 10 point range (with an average of 10.2) was appropriate for AmerenUE in the case when no FAC is allowed (Public Counsel State of Position filed 11/13/08, State of Missouri Statement of Position filed 11/13/08; Tr. 13, p.277, Tr. 15, pp. 341, 344, 548). MEG witness Ms. LaConte suggests a 20 basis point reduction in the ROE for allowing a FAC and AmerenUE Witness Morin, Staff Witness Hill, and MIEC Witness Gorman recommend that a FAC is worth a 25 basis point reduction in the ROE (Tr. 15, pp. 362, 401, 486, 548).

Conversely, AmerenUE’s recommendation of an ROE of 10.9 with a FAC and 11.15 without a FAC is partially based on a market risk premium analysis method that is less common than traditionally used. While most Capital Asset Pricing Models (“CAPM”) use historical numbers based on over eighty years of market performance, AmerenUE witness Morin uses a forecast method (Ex. 650, p.5; Tr.281-283). In addition, the utilities used in AmerenUE’s beta are ones that have more risk than AmerenUE, thereby inflating the ROE necessary. (Ex 650, p.8). Furthermore, AmerenUE’s witness Morin uses the Empirical Capital Asset Pricing Model (“ECAPM”) which gives more weight to the total market risk premium, unnecessarily increasing the ROE (Ex. 204, p. 16; Ex. 601, p. 9; Ex. 650, p. 8).

The Capital Asset Pricing Model (“CAPM”) and Discounted Cash Flow (DCF) methods are more appropriate to use for a utility such as AmerenUE

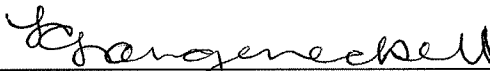
**2. Should the Commission consider holding a generic return on equity proceeding?**

The MEG suggests that the Commission consider a generic cost of capital approach (Ex. 650, pp 27-28; Ex 652, pp 4-5; Tr. 291-294). This approach reduces the cost of regulation, provides more certainty and simplifies the regulatory process and has been used in several states in the United States and in Canada with good success. Each party who was asked at the hearing indicated a desire to have greater efficiency in the ratemaking process as it related to determining utilities' ROEs (Tr. 352-355, 416-420, 436, 583).

For the foregoing reasons, the MEG respectfully asks the Commission to grant AmerenUE an ROE of 10.2 if no FAC is allowed and an ROE of 10.0 if a FAC is allowed. Further, MEG asks the Commission to consider the use of a generic ROE proceeding in future rate cases.

Respectfully submitted,

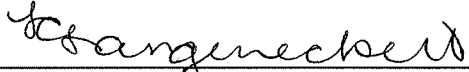
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CERTIFICATE OF SERVICE

Pursuant to 4 CSR 240-2.080 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day caused a copy of the foregoing to be served on all persons on the official service list in Docket No. ER-2008-0318 by electronic means or by U.S. mail, postage prepaid.

Dated at St. Louis, Missouri this 8th day of January, 2009.

  
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Lisa C. Langeneckert