BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filings of Union Electric Company, d/b/a AmerenUE, to Increase Its Revenues for Retail Electric Service.	))))	**Case No. ER-2010-0036**

MISSOURI INDUSTRIAL ENERGY CONSUMERS'
POSITION STATEMENT

Comes now the Missouri Industrial Energy Consumers ("MIEC") and provides its Position Statement on the rate request of Union Electric Company d/b/a AmerenUE ("AmerenUE") as follows:

1. **Overview and Policy**: Overview of "cost of service," and / or what policy considerations, if any, should guide the Commission in deciding this case?

2. **Return on Equity**: What return on equity should be used for determining AmerenUE's revenue requirement?

   A return on common equity of 10.0% should be used for determining AmerenUE's revenue requirement.

   Capital Structure: What capital structure should be used for determining AmerenUE's revenue requirement? (True-up Issue)

   AmerenUE's revenue requirement should be determined using the following capital structure:

Long-Term Debt	**47.308%**
Short-Term Debt	**0.000%**
Preferred Stock	**1.482%**
Common Equity	**51.212%**
Total Capital	**100.000%**

   For the purpose of calculating these percentages, we assume that AmerenUE's flotation costs will be properly included in common equity as set out below.

Flotation Costs: How should flotation costs be reflected in determining AmerenUE's revenue requirement?

Flotation costs in the amount of $13,703,966 should be included in the common equity balance of the capital structure used to determine AmerenUE's overall rate of return. This amount represents the flotation costs associated with the infusion of equity received by AmerenUE as a result of the issuance of common stock by Ameren Corporation in September 2009.

MIEC recommends no amount of these costs should be amortized.

3. **Vegetation Management Expense**:

i. What level of vegetation management expense is appropriate for recognition in AmerenUE's revenue requirement?

MIEC recommends that the level of expense incurred by AmerenUE for the twelve months ended January 31,2010 be recognized in the revenue requirement for vegetation management expense.

ii. Should a tracker continue to be implemented for AmerenUE's vegetation management expense that varies from the level of vegetation management expense the Commission recognizes in AmerenUE's revenue requirement?

MIEC recommends that the current tracker for vegetation management expense be discontinued.

4. **Infrastructure Inspection Expense**:

i. What level of infrastructure inspection expense is appropriate for recognition in AmerenUE's revenue requirement?

MIEC recommends that the level of expense incurred by AmerenUE for the twelve months ended January 31, 2010 be recognized in the revenue requirement for infrastructure inspection expense.

ii. Should a tracker continue to be implemented for AmerenUE's infrastructure inspection expense that varies from the level of infrastructure inspection expense the Commission recognizes in AmerenUE's revenue requirement?

MIEC recommends that the current tracker for infrastructure inspection expense be discontinued.

5. **Storm Expense**:

   i. What level of storm expense is appropriate for recognition in AmerenUE's revenue requirement?

      MIEC recommends that the level of storm expense included in current rates is a sufficient level for storm expense for determining AmerenUE's revenue requirement.

   ii. Should a tracker be implemented for storm expense that varies from the level of storm expense the Commission recognizes in AmerenUE's revenue requirement?

      MIEC recommends that a storm tracker not be implemented as a result of this rate case.

   iii. Should the amount incurred during the test-year, in excess of the level of storm expense that is appropriate for recognition in AmerenUE's revenue requirement be amortized?

      MIEC does not support an amortization of test year storm expense.

6. **Power Plant Maintenance Expense:** What level of plant maintenance expense for the coal-fired generating units is appropriate for recognition in AmerenUE's revenue requirement?

   MIEC recommends that the normalized level of coal-fired power plant maintenance expense should be $104.6 million dollars and this amount should be reflected in AmerenUE's revenue requirement.

7. **Rate Case Expense:** What level of rate case expense is appropriate for recognition in AmerenUE's revenue requirement?

8. **Callaway Fuel/Fuel Modeling Issues:** What is the appropriate nuclear fuel price input for the production cost model?

   The nuclear fuel price input for Callaway should not include the nuclear fuel being loaded during Callaway Refueling Outage Number 17 because that fuel will not be load until after the end of January 31, 2010 true up period in this proceeding. It is important that all known and measurable adjustments to the test year, including those to the Callaway nuclear fuel price input, be cut off on the same date, January 31, 2010, in order to assure the relationship between revenues, expenses and rate base remain in step with one another.

9. **Other Fuel Model Issues:**

i. What are the appropriate market energy prices to be used as inputs for the production cost model?

Subject to any remaining reasonable true up of inputs through January 30, 2010, the market energy prices proposed by Staff, as corrected by the Staff witness Maloney's Supplemental Rebuttal Testimony, should be used as inputs to the production cost model. In addition, since the Staff's market energy price already account for the net cost or credit associated with the Company's generation and load forecast error, the Company should not be allowed to include its proposed Net Load and Generation Forecast Cost amount line item within its Net Base Fuel Cost amount.

ii. What is the appropriate Callaway refueling outage period to be used as an input for the production cost model?

A normalized Callaway refueling outage length of 36 days (24 days on an annualized basis), which reflects the Company's average refueling outage length for Callaway over the past 14 years excluding Refueling Outages 8, 13, 14 and 16, should be used as an input for the production cost model. The normalized 44 day (29 day on a annualized basis) refueling outage length proposed by AmerenUE inappropriately includes the length of Callaway Refueling Outage Number 13, which was abnormally lengthy because it involved the replacement of the Callaway Main Condenser in preparation for the replacement of the Callaway Steam Generation in Refueling Outage Number 14. As with the length of Refueling Outage Number 14, the length of Refueling Outage Number 13 should be excluded from the determination of the normalized refueling outage length for Callaway. MIEC has also excluded the two shortest Callaway refueling outages of the past 14 years (Refueling Outage Numbers 8 and 16) from the normalized refueling outage length determination in order to conservatively remove the two shortest Callaway refueling outage lengths from the fourteen year period that MIEC's normalization is based upon.

10. **Fuel Adjustment Clause (FAC)**:

i. Should the Commission discontinue AmerenUE's fuel adjustment clause, or should the Commission modify AmerenUE's fuel adjustment clause?

MIEC has not taken a position on this issue.

ii. If the Commission modifies AmerenUE's fuel adjustment clause what percentage of the difference between actual fuel and purchased power costs, net of off-system sales and the cost included in base rates should the Commission adopt for recovery through the fuel adjustment clause?

MIEC continues to believe that the 20%/80% sharing mechanism, with an earnings impact cap equal to 50 basis points ROE that was proposed in Case No. ER-2008-0318 is appropriate.

iii. Should the revenues from long-term bilateral contract sales flow through AmerenUE's fuel adjustment clause? If so, how?

MIEC has not taken a position on this issue.

11. **Executive Compensation**: What level of executive compensation is appropriate for recognition in AmerenUE's revenue requirement?

MIEC recommends that the executive compensation for the top five AmerenUE executives be eliminated from AmerenUE's revenue requirement.

12. **Depreciation Expense**:

i. Should depreciation rates for the Company's steam production and hydroelectric power plants be established using the life span approach or the mass property approach?

MIEC supported the life span approach in the Docket No. 2007-0002. However, if the Missouri Public Service Commission determines that the conditions still exist today regarding the retirement dates of the existing generation fleet and elects to utilize the whole life method (mass property method) for developing the depreciation rates for the steam production plant accounts, it should utilize the life analysis that excludes the retirements of the units at Cahokia, Mound and Venice. These units are gas/oil-fired units and have heat rates that are two to three times greater than the heat rates of AmerenUE's existing coal-fired generation fleet. These units are not representative of the type of units that AmerenUE currently has in service. Therefore, relying on them for life estimations is inappropriate.

Without supporting the Staff's calculations, under the mass property approach, the Staff-proposed Steam Production depreciation rates must be adjusted because they include accruals for future terminal net salvage (however, the AmerenUE-proposed Steam Production depreciation rates do not). Including accruals

for future terminal net salvage is in conflict with Commission policy.

The future terminal net salvage costs which the Staff is proposing to charge current customers are unduly speculative. The net salvage data the Staff used to determine the Staff-recommended steam production net salvage factors contained historic data only about past interim retirements. The net salvage data contained no information about any terminal steam production net salvage. The interim net salvage factors that Staff calculated using interim retirement data are properly applied only to the interim retirements, but Staff also applied the interim net salvage factors to the terminal retirements. Terminal retirements have a different removal cost than interim retirements.

a. If the life span approach is used, what are the appropriate depreciation rates?

If the life span approach is used, the appropriate depreciation rates for the steam production units are shown on Schedule JTS-7 to the Selecky Direct.

b. If the mass property approach is used, what are the appropriate depreciation rates?

Those depreciation rates for the steam production units are shown on Schedule JTS-13 to the Selecky Direct.

c. Is special treatment required for retirement costs associated with the Venice plant?

Yes, to the extent that the terminal retirement costs have not been recovered.

ii. What are the appropriate depreciation rates for Account 356 (Overhead Conductors and Devices)?

MIEC takes no position.

iii. What approach should be used to determine the net salvage component of the depreciation rates for AmerenUE's transmission and distribution facilities and, therefore, the resultant depreciation rates for transmission and distribution facilities?

AmerenUE's current transmission and distribution (T&D) accumulated depreciation reserve has an excessive accrued amount of $582 million for the future net salvage cost. In addition, AmerenUE's and the Staff's

T&D proposed depreciation rates would collect approximately $55 million per year from customers just for T&D net salvage. However, in the recent past, AmerenUE has spent only an average of $12 million per year for T&D net salvage, and AmerenUE's expected T&D net salvage expense, as calculated by the Staff, is estimated to average approximately $19 million per year over the next 10 years. This is an over-collection of over $35 million per year. Because of the excessive accrual of net salvage that currently exists and because the depreciation rates will produce an annual net salvage component that greatly exceeds AmerenUE's actual experience, the Commission should create an offset of $25 million per year to the T&D depreciation expense.

iv. Should the retirement of the Callaway steam generators be included in the life and net salvage analysis?

No, the retirement of the Callaway steam generators should not be included in the life and net salvage analysis.

13. **Union Issues**: The Unions are in support of AmerenUE's proposed rate increase, but raise the following issues:

i. Should AmerenUE be required to expend a substantial portion of the rate increase investing in its employee infrastructure, in general, including recruitment and training, if the Commission has the authority to require AmerenUE to do so;

ii. Should AmerenUE be required to fully and permanently staff itself for its normal and sustained workload, thereby reducing the need for subcontracting and overtime, if the Commission has the authority to require AmerenUE to do so;

iii. Should AmerenUE be required to repair and rebuild components and equipment internally where prudent, if the Commission has the authority to require AmerenUE to do so;

iv. Should AmerenUE be required to make good faith efforts to hire first locally, then regionally and then nationally, both its internal and external workforces, if the Commission has the authority to require AmerenUE to do so?

The MIEC takes no position on these issues.

14. **Class Cost of Service and Rate Design**:

a. **Low-Income Residential Customers:**

i. Should the Commission establish a new customer class composed of very low-income residential customers? If so, how should it be defined?

No.

ii. Should the Commission approve a program to address the concerns of AmerenUE's very low-income residential customers? If so:

No. MIEC has not taken a position on items a) through e).

a) What should components of the program be?
b) Which customers should be eligible?
c) What additional conditions or limitations, if any, should be established for participation?
d) How should the program be administered?
e) How should the program be evaluated?
f) Who should bear the program costs and how should they be recovered?

If a program is established, the costs should be recovered from other customers within the residential class. If a program is established and recovery extends beyond the residential class, there should be established a maximum on the amount that any customer would be charged on a monthly bill (as is done in Illinois, Wisconsin and other states), in accordance with the direct testimony of MIEC witness Maurice Brubaker.

b. **Class Cost of Service**: How should class revenue responsibility be determined?

i. If there is a new AmerenUE customer class composed of low-income residential customers, how should the change in revenue responsibility of the members of that new class be shifted to the other customer classes?

It should not be.

ii. What allocation methodology should be used for determining the production capacity allocator?

Average and excess 4 NCP should be used.

iii. What allocation methodology should be used for determining the production cost allocator?

Annual energy costs, adjusted for losses.

iv. If the Commission relies on the Average & Peak 4 CP allocation method for determining the production cost allocator what peak demand data should it use?

MIEC has not taken a position on this issue.

v. What allocation methodology should be used for determining the transmission cost allocator?

Average and excess 4 NCP.

vi. What allocation methodology should be used for determining the fuel cost allocator?

See iii. above.

vii. What allocation methodology should be used to allocate net margins from off-system sales to the customer classes?

Margins should be allocated on annual energy.

viii. Should the revenue responsibility of the various customer classes be based in part on the class cost-of-service study results?

Yes.

ix. Should there be an increase or decrease in the revenue responsibility of the various customer classes?

Yes.

x. If the answer to "ix" above is "yes," what basis should be used to increase or decrease the revenue responsibility of the various classes?

See Schedule MEB-COS-7 attached to the revised direct testimony of MIEC witness Maurice Brubaker.

c. **Rate Design**:

i. In respect to the class cost-of-service determination, including the class cost-of-service study determination, how should the Commission change the level of the rates of each customer class that it orders in this case?

See response to (b)(x).

ii. At what level should the Commission set the residential class customer charge?

MIEC takes no position on this issue.

iii. At what levels should the Commission set the small general service class customer charge for single-phase and three-phase service, respectively?

MIEC takes no position on this issue.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail or mailed, First Class, postage prepaid, this 10th day of March, 2010, to all parties on the Commission's service list in this case.

/s/ Diana Vuylsteke