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** Tariff No. Nos. YE-2010-0054 and YE-2010-0055

STAFF'S POSITION STATEMENTS

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and states its positions on the issues in the List of Issues 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?

The Staff's cost of service for AmerenUE reflects the appropriate revenue requirement for setting rates in this case.

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

A return on equity within the range of 9.00% to 9.70%, with a specific recommendation of 9.35%, is reasonable.

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

AmerenUE's capital structure as of the test year as reflected in AmerenUE witness Michael G. O'Bryan's Direct Testimony: 47.392% common equity, 1.600% preferred stock and 51.008% total debt. This may change in the true-up.

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

Flotation costs should be reflected in determining AmerenUE's revenue requirement as an amortized expense, not as an adjustment to rate of return.

3. **Vegetation Management Expense**:

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

The actual level of vegetation management expense AmerenUE incurred during the test year, as trued-up through January 31, 2010—$50.4 million.

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?

No. The tracker for vegetation management expense should be discontinued.

4. **Infrastructure Inspection Expense**:

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

The actual level of infrastructure inspection expense AmerenUE incurred during the test year, as trued-up through January 31, 2010—$7.6 million.

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?

No. The tracker for infrastructure inspections should be discontinued.

5. **Storm Expense**:

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

The appropriate level of storm expense to recognize in AmerenUE's revenue requirement is $6.4 million.

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?

No.

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?

Yes.

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?

Staff recommends normalization of the non-labor maintenance expense for AmerenUE's coal power plants based on a three-year average of non-labor expenses incurred from April 1, 2006 to March 31, 2009.

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

The level of rate case expense appropriate for recognition in AmerenUE's revenue requirement is $1 million.

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

The appropriate price to use as the nuclear fuel input for the production cost model is the trued-up fifteen-month average cost of the nuclear fuel actually burned by AmerenUE at Callaway I during the period beginning after the most current nuclear fuel reload in October 2008 through January 2010.

9. **Other Fuel Model Issues:**

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

The normalized hourly power prices Staff developed based on the most current three years of monthly data AmerenUE provided, including all of the hourly transactions made in the day ahead, real time and bilateral markets.

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

The appropriate Callaway refueling outage period to use as an input for the production cost model is 29 days.

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?

The Commission should modify AmerenUE's fuel adjustment clause.

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?

The Commission should continue the current 95/5 sharing.

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

Yes, in part. The energy revenues should, but the capacity revenues should not.

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

Staff has no position on this issue.

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?

The Commission should continue to use the mass property approach to establish deprecation rates for AmerenUE's steam production and hydroelectric power plants.

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

The rates shown in the column C of Schedule AWR-SUR-1-1 of Staff Witness Art Rice's Surrebuttal Testimony

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

Those indicated in the column labeled "Combined Deprec. Rate (%)" in Schedule AWR-5B of Staff Witness Art Rice's Surrebuttal Testimony.

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

No.

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

The appropriate depreciation rate for Account 356 is 1.85%.

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?

The net salvage method the Commission ordered in the case *In the Matter of the Tariff Filings of The Empire District Electric Company to Implement General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area*., 13 Mo. P.S.C. 3d 376-381, Case No. ER-2004-0570, Report and Order, page 54.

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

Yes, these retirements should be included in the life analysis; however they should not be included in the net salvage analysis.

13. **Union Issues**: The Unions support 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;

Staff has no position on this issue.

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;

Staff has no position on this issue.

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;

Staff has no position on this issue.

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?

Staff has no position on this issue.

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:

Yes, on an experimental basis, but not in this case.

a) What should components of the program be?

The program component should be a discount on the non-fuel portion of eligible customers' bills.

b) Which customers should be eligible?

Those customers with incomes 75% to 135% of the federal poverty guideline who are eligible for the LIHEAP or low-income weatherization programs.

c) What additional conditions or limitations, if any, should be established for participation?

None.

d) How should the program be administered?

By AmerenUE, and Community Action Agencies who also administer LIHEAP.

e) How should the program be evaluated?

The program should be evaluated by a qualified independent third party evaluator.

f) Who should bear the program costs and how should they be recovered?

A portion should be included in AmerenUE's revenue requirement in this case, and the Commission should establish a two-way tracker for recovery for ratepayers or shareholders of the difference between the amount built into rates and the amount actually expended.

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 be factored into the general level of rates paid by all customers

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

The 4 CP (Coincident Peak) methodology should be used

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

The class contribution to annual energy should be used.

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?

The peak demand data used should be the corrected data AmerenUE provided to Staff in its response to Staff data request 0178 in which it made corrections for customers who switched rate classes in 2008 and for having inadvertently used incorrect energy loss rates instead of system peak loss rates.

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

The 12 CP (Coincident Peak) methodology should be used.

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

The class contribution to annual energy should be used.

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

The 4 CP (Coincident Peak) methodology should be used.

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?

The class cost-of-service studies and the results from them should be used as general guides.

b. **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?

Rates should be adjusted so there is a revenue neutral adjustment to increase the residential class's revenue responsibility by $3.0 million (increase of 0.31%) and a revenue neutral adjustment to decrease the Large General Service class's revenue responsibility by $3.0 million (decrease of 0.46%). After making the revenue neutral adjustments, any overall revenue increase should be implemented in rates to cause an equal percentage increase to the revenue responsibility of each customer class, including the lighting class.

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

The residential class monthly customer charge should be changed from $7.25 to $8.50.

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

The small general service customer monthly charge for single-phase service should be $9.28 and the general service customer charge for three-phase service should be $18.56.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 10th day of March 2010.