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Missouri Public
Service Commission

VIA FEDERAL EXPRESS

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
Governor Office Building
Jefferson City, MO 65101

Re: MPSC Case No. GT-2001-329

Dear Mr. Roberts:

Enclosed for filing on behalf of Union Electric Company, d/b/a AmerenUE, in the above matter, please find an original and eight (8) copies of its Reply Brief.

Kindly acknowledge receipt of this filing by stamping a copy of the enclosed letter and returning it to me in the enclosed self-addressed envelope.

Very truly yours,

Thomas M. Byrne

Thomas M. Byrne
Associate General Counsel

TMB/dla
Enclosures

cc: MPSC General Counsel
Office of the Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariff Filing to Implement an Experimental Fixed Price Plan and Other Modifications to its Gas Supply Incentive Plan.	))))	Case No. GT-2001-329

REPLY BRIEF OF AMERENUE

COMES NOW Union Electric Company d/b/a AmerenUE ("AmerenUE") and for its reply brief in this proceeding states as follows:

As AmerenUE stated in its Initial Brief, it is not taking any position on the particular provisions of Laclede Gas Company's ("Laclede") proposed Gas Supply Incentive Plan ("GSIP"), so it will not respond to the portions of the other parties' initial briefs which address those particular provisions. However, one general issue that is addressed in the initial briefs of other parties merits a response. Specifically, Laclede argues that one of the reasons the Commission should authorize its GSIP is that it affords the company at least "a fighting chance" to earn its authorized return and protect its ability to pay its dividend. (Laclede's Initial Brief, p. 2.) The Staff and the Office of the Public Counsel ("Public Counsel"), on the other hand, believe that this consideration should not weigh in favor of approval of the GSIP. Public Counsel argues that the effect of GSIP earnings on Laclede's financial condition "should not even be an issue in this proceeding" (Public Counsel's Initial Brief, p. 4), whereas the Staff appears to be arguing that the favorable impact of the GSIP on Laclede's financial condition may be contrary to the public interest, because "if resources were limited, the available resources would be routed toward this potential money-making enterprise rather than other areas that could benefit the consumer more and the company less." (Staff's Initial Brief, p. 4.)

AmerenUE believes that having financially sound and viable public utilities is critically important for the State of Missouri and its citizens. Of course consumers of utility services want to pay low rates. But even more important, from the consumer's perspective, is ensuring that public utilities have sufficient resources and adequate financial integrity to continue to provide service which is vitally necessary to their life and health. As both California and Georgia have recently discovered, financial problems for providers of utility services can translate into rolling blackouts and service interruptions that directly and adversely affect consumers and damage the prospects for future economic development in the state. *See In Re: Atlanta Gas Light Company's Notice of Election and Application to Establish Rates,* Georgia Public Service Commission Docket No. 8390-U, *Order Designating Interim Pooler, slip op.* (November 4, 1999); *Re Southern California Edison Company,* 207 P.U.R. 4th 261 (March 27, 2001). Consequently, considering the effect of any action it may take on a utility's financial condition is <u>always</u> an appropriate consideration for the Commission. Financial incentives, such as those under consideration in this proceeding, afford the Commission a unique opportunity to provide increased financial stability to utilities, while also encouraging them to reduce costs for their ratepayers—a very favorable combination.

It is unclear to AmerenUE why the Staff and the Public Counsel have so little concern for the financial integrity of Laclede in this proceeding. Perhaps they believe that it is the responsibility of the company's lawyers and witnesses to adequately protect the company's financial integrity in regulatory proceedings. Perhaps they believe that the

Commission can ensure that the utilities will have adequate financial resources to do their jobs without any input from them. In any event, in AmerenUE's view, the Commission should not casually dismiss this consideration in deciding this case. Regardless of whether any or all of the specific terms of Laclede's proposed GSIP are approved in this proceeding, the Commission should recognize the general principle that the ability of incentive plans to enhance the financial stability and integrity of utilities is a factor which militates in favor of the adoption of incentives.

Respectfully submitted,

UNION ELECTRIC COMPANY
d/b/a AmerenUE

By Thomas M Byrne

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Dated: July 31, 2001

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via first-class, U.S. mail, postage prepaid, on this 31st day of July 2001, upon the General Counsel of the Staff of the Public Service Commission, Office of the Public Counsel and all parties of record.

Thomas M. Byrne

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