

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

In the Matter of a Proposed Rule Regarding)
Electric Utility Fuel and Purchased Power Cost)
Recovery Mechanism)

Case No. EX-2006-0472

**STAFF TESTIMONY IN SUPPORT OF AND SUGGESTED CHANGES
TO 4 CSR 240-3.161 AND 4 CSR 240-20.090**

Comes now the Staff of the Missouri Public Service Commission (Staff) and files the testimony of Staff witness Warren Wood in support of proposed rules 4 CSR 240-3.161 and 4 CSR 240-20.090 and the Staff's suggested changes to these proposed rules of the Missouri Public Service Commission (Commission). Said testimony of Mr. Wood (Attachment A) was delivered in a hearing before the Commission this date, September 7, 2006.

At the hearing on September 7, 2006, several issues were addressed that are intertwined, in the Staff's view, involving proposals for soft caps, hard caps, x % in base rates and y % in a rate adjustment mechanism and the language of the proposed rule that permits a utility to withdraw its rate adjustment mechanism, if it chooses to do so. The view was expressed by Union Electric Company, d/b/a AmerenUE that the electric utilities need to protect themselves from the rate adjustment mechanism that the Commission might adopt the first time for an electric utility. Apparently contrary to many of the non-utility stakeholders, the Staff has a view that the Commission is limited in the type of rate adjustment mechanism that the Commission has the power to adopt, under Section 386.266. Therefore, the Staff believes that the concern of AmerenUE, which is the basis for AmerenUE's belief that the electric utilities require a veto power, is not well taken. There is provision for a soft cap in Section 386.266.2, but there is no such provision in Section 386.266.1. Also, the language in Section 386.266.1 states: "The

commission may, in accordance with existing law, include such rate schedules features designed to provide the electrical corporation with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased-power procurement activities.” (Regarding the “existing law”, which is very limited, see Re Southwestern Bell Telephone Company, Case No. TC-93-224, et al., Report And Order, 2 Mo.P.S.C.3d 479, 572, 585 (1993).). Furthermore, whether there is any indication that the Commission has the broad power under Section 386.266 by implication that certain stakeholders are now asserting regarding caps, “skin in the game,” and other scenarios, it should be noted, in addition to the above, that the Legislature passed Section 393.155 to specifically authorize the Commission to phase in rates for three nuclear generating stations, the Callaway Generating Station of AmerenUE, the Wolf Creek Generating Station of Kansas City Power & Light Company and the Grand Gulf Generating Station of Arkansas Power & Light Company, which at the time had service territory in Southeast Missouri.

Wherefore the Staff submits the attached testimony and suggested changes to proposed rules 4 CSR 240-3.161 and 4 SCR 240-20.090.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mail to all counsel of record this 7th day of September 2006.

/s/ Steven Dottheim