Exhibit No.:	
Issues:	Pension and OPEB Tracker
Witness:	Randall K. Lynn
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Direct Testimony
Case No.:	ER-2011-0028
Date Testimony Prepared:	September 3, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

DIRECT TESTIMONY

OF

RANDALL K. LYNN

On Behalf

Of

UNION ELECTRIC COMPANY

d/b/a AmerenUE

St. Louis, Missouri
September, 2010

DIRECT TESTIMONY

OF

RANDALL K. LYNN

CASE NO. ER-2011-0028

Q. Please state your name and business address.

A. My name is Randall K. Lynn. My business address is 101 South Hanley, Suite 900, St. Louis, Missouri 63105.

Q. What are your job title, duties and responsibilities?

A. I am a Consultant with Towers Watson. I serve as an actuary and retirement strategy advisor to a number of clients in the firm's St. Louis office.

Q. Please describe Towers Watson.

A. Towers Watson, a publicly traded professional services firm, is the leading provider of actuarial services to the regulated utility industry. We counsel organizations in performance improvement through effective people, risk and financial management. Our major areas of expertise are in program design, risk management, and actuarial consulting of retirement plans. Towers Watson provides consulting services to nearly 80% of the Fortune 1000 and is the actuary to over 30 regulated utility companies in the United States.

Q. Please describe your education and qualifications.

A. I received a Bachelor of Science degree in actuarial science from Drake University in 1977. I have completed all requirements to be a fully credentialed actuary. I completed the examination requirements for designation as a Fellow of the Society of Actuaries in May 1979. I also completed both the examination and experience requirements for designation as an Enrolled Actuary under the Employee Retirement Income Security Act of 1974 (ERISA) in January 1981. I have been employed with Towers Watson as an actuary since 1977. I currently lead the Saint Louis retirement practice. I have substantial technical and consulting experience with regard to employee benefit plans, including the design, funding, accounting, and communication of pension and Other Post-Employment Benefits ("OPEB") programs.

Q. What is the purpose of your direct testimony?

A. AmerenUE ("Company") is proposing to refine the Tracker for Pension and Other Post-Employment Benefits ("Tracker") to harmonize the treatment of contributions in excess of expense. The purpose of my testimony is to explain the recent changes to funding regulations, which created an additional possibility for a required contribution in excess of expense for pension plans.

Q. What is the current basis for reimbursement in the Tracker for Pension and Other Post-Employment Benefits?

A. The current Tracker for Pension and Other Post-Employment Benefits provides AmerenUE with reimbursement on an expense basis as defined by Accounting Standards Codification 715 (ASC 715, formerly FAS 87 and FAS 106). Per the Tracker approved by the Missouri Public Service Commission ("Commission"), this expense is then funded annually to pension and Voluntary Employee Beneficiary Association ("VEBA") trusts so that the reimbursement from ratepayers is set aside to pay for benefits of current and former employees of AmerenUE.

Q. What may cause cash funding to exceed expense as defined by ASC 715?

A. AmerenUE's pension plan is subject to federal regulations detailing required funding standards for pension plans. Cash contributions in excess of ASC 715 expense may be required for the following reasons:

- Legally required minimum contributions
- Contributions to avoid or reduce the imposition of Pension Benefit Guarantee Corporation ("PBGC") variable rate premiums
- Contributions to avoid benefit restrictions

Q. Is the basis for rate reimbursement the same for all contributions in excess of ASC 715 expense?

A. No.

Q. How are excess contributions treated under the current Tracker for Pension and Other Post-Employment Benefits?

A. Currently, legally required minimum contributions and contributions to avoid or reduce the imposition of PBGC variable rate premiums receive the same treatment. Specifically, a regulatory asset is established and included in the rate base if the Company is required to make an excess contribution for either of these two reasons. However, the Tracker currently states that contributions to avoid benefit restrictions will be examined in the context of future rate cases and a determination will be made at that time as to the appropriate and proper level recognized as a regulatory asset to be included in the rate base.

Q. How have funding requirements changed since the Tracker for Pension and Other Post-Employment Benefits was introduced?

A. Since the Tracker was originally proposed, there has been a significant overhaul to federal regulations on contributions to pension plans. Among the changes was the addition of benefit restrictions for underfunded plans. The regulations covering benefit restrictions apply to the Ameren Retirement Plan.

Q. What are the benefit restrictions and how do they impact participants of a pension plan?

A. Under the Pension Protection Act of 2006, underfunded plans may have restrictions that include a prohibition against the accrual of any future benefits by participants, restrictions on the payment of benefits as a lump sum to participants, limitations on amending the plan to increase participant benefits, and limitations on the payment of "unpredictable contingent event benefits," such as contingent payments due upon the shutdown of a facility.

Q. How may benefit restrictions be avoided?

A. Plan sponsors may make an additional contribution to improve the funded status of the plan to avoid the imposition of restrictions.

Q. In summary, how will the proposed change to the Tracker work?

A. Essentially the proposed procedure will:

- Ensure that the amount collected in the rates for pension and OPEB, based on the ASC 715 costs recognized by the Company for financial reporting purposes, will be funded to the trusts; and

- Ensure that all amounts contributed by the Company to the pension and VEBA trusts are recoverable in rates.

Q. Please provide the proposed Tracker for Pension and Other Post-Employment Benefits.

A. I have provided language for the proposed Tracker for Pension and Other Post-Employment Benefits as Schedule RKL-E1.

Q. Does this conclude your direct testimony?

A. Yes, it does

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.	)))))	Case No. ER-2011-0028

AFFIDAVIT OF RANDALL K. LYNN

STATE OF MISSOURI)
) ss
COUNTY OF ST. LOUIS)

Randall K. Lynn, being first duly sworn on his oath, states:

1. My name is Randall K. Lynn. I work in St. Louis, Missouri, and I am employed by Towers Watson as an Actuary and Retirement Strategy Advisor.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 5 pages, and Schedule RKL-E1, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Randall K. Lynn
Randall K. Lynn

Subscribed and sworn to before me this 1st day of September, 2010.

Diane M. Niemeyer
Notary Public
Diane M. Niemeyer

My commission expires: 4/25/13

DIANA M. NIEMEYER
Notary Public-Notary Seal
State of Missouri, Saint Louis City
Commission # 09701672
My Commission Expires Apr 25, 2013

Tracker For Pension and Other Post-Employment Benefits

Intent:

1. These provisions are intended to accomplish the following:

   a. To ensure that the amount collected in rates for pension and other post-employment benefit (OPEB) costs is based on the Accounting Standards Codification (ASC) 715-30 and ASC 715-60 (formerly FAS 87 and FAS 106) costs AmerenUE recognizes for financial reporting purposes; and

   b. To ensure AmerenUE recovers in rates certain contributions it makes to its pension and OPEB trusts; and

   c. To clarify, for ratemaking purposes, the accounting treatment of future charges AmerenUE would be required to record to equity (e.g., decreases to other comprehensive income) by ASC 715-20 (formerly FAS 158) or any other Financial Accounting Standards Board (FASB) codification relative to the recognition of pension and OPEB costs and / or liabilities.

Procedure:

2. The ASC 715-30 and ASC 715-60 costs AmerenUE recognizes for financial reporting purposes shall be recognized in rates. The calculation of these costs shall be, unless specifically changed by the issuance of new FASB codifications, based on the Market Related Value of Assets that reflects asset gains and losses over a 4 year period. Unrecognized gains and losses shall be, unless specifically changed by the issuance of new FASB codifications, amortized over a 10-year period. This calculation does not employ the corridor approach. AmerenUE will inform the Staff of the Missouri Public Service Commission and the Office of Public Counsel as soon as it becomes aware of a new FASB codification that would affect the calculation parameters discussed above.

3. Each year AmerenUE shall contribute to its pensions and VEBA trusts the amount of its ASC 715-30 and ASC 715-60 costs for that year, excluding any cost or credit triggered due to any special events as described in paragraph 9.

4. AmerenUE shall be allowed rate recovery for contributions it makes to its pension trust that exceed its ASC 715-30 cost for any of the following reasons: the minimum required contribution is greater than the ASC 715-30 cost, avoidance or reduction of Pension Benefit Guaranty Corporation (PBGC) variable premiums, and contributions necessary to avoid or lessen benefit restrictions as defined by Section 436 of the Internal Revenue Code. To track any such excess contributions, a regulatory asset will be established and will be included in rate base.

5. The difference between the level of pension (ASC 715-30) or OPEB (ASC 715-60) costs AmerenUE incurs and the level of those costs built into rates shall be tracked by means of regulatory assets and/or liabilities described in the following paragraphs.

6. Regulatory assets or liabilities shall be established on AmerenUE's books to track the difference between the level of ASC 715-30 and ASC 715-60 costs AmerenUE incurs during the period between general electric rate cases and the level of ASC 715-30 and ASC 715-60 costs built into rates for that period. If the ASC 715-30 or ASC 715-60 cost during the period is more than the ASC 715-30 or ASC 715-60 cost built into rates for the period, AmerenUE shall establish a regulatory asset which has been reduced by any existing regulatory liability for pensions, or OPEBs, maintained pursuant to the following paragraph. If the ASC 715-30 or ASC 715-60 cost during the period, adjusted for any amount of such expense used to reduce a regulatory liability maintained pursuant to the following paragraph, is less than the cost built into rates for the period, AmerenUE shall establish a regulatory liability. Since this is a cash item, the regulatory asset or liability will be included in rate base for purposes of setting new rates in the next rate case, and amortized over 5 years beginning with the effective date of the new rates.

7. If AmerenUE incurs negative ASC 715-30 or ASC 715-60 cost, AmerenUE shall set up a regulatory liability to offset the negative cost. The regulatory liability will increase by

the amount of negative cost, or decrease by the amount of positive cost, in each subsequent year. Positive cost in such subsequent year will be used to reduce this regulatory liability before being used to establish a regulatory asset pursuant to the preceding paragraph. Any existing regulatory liability related to prior negative ASC 715-30 or ASC 715-60 cost will reduce the ASC 715-30 or ASC 715-60 cost included in cost of service in AmerenUE's next rate case. This regulatory liability is a noncash item that AmerenUE shall exclude from its rate base in future rate cases.

8. The parties have designed this agreement so that AmerenUE will receive through rates reimbursement of its ASC 715-30 and ASC 715-60 costs. Therefore, AmerenUE shall set up a regulatory asset to offset any charges that would otherwise be recorded against equity (e.g., decreases to other comprehensive income) caused by applying the provisions of ASC 715-20 or any other FASB codification that requires accounting adjustments due to the funded status or other attributes of AmerenUE's Pension or OPEB plans. This regulatory asset shall not be amortized into rates or included in rate base because AmerenUE will recover for the amounts in this regulatory asset in rates through AmerenUE's ASC 715-30 or ASC 715-60 costs in future years. This regulatory asset will increase or decrease each year by the same amount that the equity charge increases or decreases.

9. If AmerenUE has a curtailment, settlement, or special termination cost or credit due to requirements of applicable accounting rules according to ASC 715-30 (formerly FAS 88) and ASC 715-60 (formerly FAS 106), the following procedure will be used to address such a cost or credit.

a. If the special event triggers a charge, then AmerenUE will establish an offsetting regulatory asset. This regulatory asset will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public

Service Commission. AmerenUE shall make additional contributions to the applicable pension or OPEB trust equal to the amount of the amortization.

b. If the special event triggers a credit, then AmerenUE shall establish an offsetting regulatory liability. This regulatory liability will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public Service Commission. Generally, AmerenUE will contribute to the applicable pension or OPEB trust an amount equivalent to its ASC 715-30/715-60 costs for the year less the amortization amount, subject to the following condition:

> If pension or OPEB cost becomes negative as a result of an ASC 715-30 or ASC 715-60 credit, the Parties agree AmerenUE shall set up an offsetting regulatory liability. This regulatory liability is a non-cash item which will not require rate base treatment. When ASC 715-30 or ASC 715-60 costs becomes positive again, the regulatory liability will be amortized over five years, or longer, if necessary to avoid the net of the ASC 715-30 or ASC 715-60 cost and the offsetting amortized regulatory liability yielding a result which is less than $0 in any year.