Exhibit No.:	
Issues:	Capital Structure and Bank Facility
Witness:	Michael G. O'Bryan
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

MICHAEL G. O'BRYAN

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
September, 2010

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DIRECT TESTIMONY

OF

MICHAEL G. O'BRYAN

CASE NO. ER-2011-0028

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael G. O'Bryan. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri.

Q. By whom are you employed and in what capacity?

A. I am employed by Ameren Services Company ("Ameren Services") as a Senior Capital Markets Specialist in Corporate Finance.

Q. Please summarize your educational background and professional experience.

A. I graduated *cum laude* with a Bachelor of Science degree in Business Administration with a concentration in Finance from the University of Missouri – Columbia in 1992. I later earned a Master of Business Administration degree from Saint Louis University's John Cook School of Business in 1998.

Prior to accepting my current position at Ameren Services, I was employed by A.G. Edwards in St. Louis, Missouri as a Vice President in Investment Banking. I focused on business development and transaction execution with both investor-owned utilities and public power entities. I was also involved in structuring and analyzing fixed-income transactions for clients.

Upon receiving my undergraduate degree, I took a position at A.G. Edwards in Investment Banking as a Research Assistant and then Analyst, focusing on the investor-owned utilities sector. I was responsible for transaction support and marketing as well as general financial analysis of clients, capital markets transactions and mergers and acquisitions. I was later promoted to Senior Analyst where I focused to a greater degree on business development and the execution of clients' transactions. I then moved into Debt Capital Markets concentrating solely on fixed-income execution and business development for clients in several different industries.

Q. What are your responsibilities in your current position with Ameren Services?

A. In my current position, I am involved in Ameren's corporate financing, cost of capital, financial analysis and modeling activities as well as monitoring capital markets and bank credit markets to stay current on rates, structures and opportunities. I communicate regularly with investment bankers and debt capital markets personnel to obtain market intelligence. I also closely follow the actions of the rating agencies for trends and changes in ratings methodology largely for internal ratings maintenance purposes.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my direct testimony is to recommend an overall fair rate of return for Union Electric Company d/b/a AmerenUE's ("AmerenUE" or "Company") electric utility business. In making this recommendation I determine AmerenUE's capital structure, embedded cost of long-term debt, cost of short-term debt and embedded cost of preferred stock. I also calculate the overall fair rate of return applied to rate base which is utilized in AmerenUE's filing in this case. I do so by using the fair rate of return applicable to the common equity component of AmerenUE's capital structure as developed by AmerenUE witness Robert Hevert in his direct testimony submitted in this case. I also address a new bank facility, which provides access for AmerenUE to short-term liquidity as needed.

Q. Are you sponsoring any schedules relating to the overall fair rate of return in this proceeding?

A. Yes, I am sponsoring Schedules MGO-E1 through MGO-E4 for that purpose. These schedules are based upon the twelve months ended March 31, 2010. The schedules are designated as follows:

Schedule MGO-E1	Capital Structure / Weighted Average Cost of Capital
Schedule MGO-E2	Embedded Cost of Long-Term Debt
Schedule MGO-E3	Cost of Short-Term Debt
Schedule MGO-E4	Embedded Cost of Preferred Stock

III. METHODOLOGY AND REASONING

Q. How did you calculate the overall fair rate of return or weighted average cost of capital for AmerenUE?

A. In order to derive AmerenUE's overall fair rate of return, I multiplied the relative weighting or proportion of each component of AmerenUE's capital structure by the cost developed for that component. I then summed these weighted costs by component to arrive at AmerenUE's overall fair rate of return or weighted average cost of capital.

Q. What is the primary standard for determining a fair rate of return?

A. The primary standard used in the determination of a fair rate of return is the cost of capital. This cost, the overall rate of return or weighted average cost of capital, must produce sufficient earnings/cash flow when applied to AmerenUE's rate base at book value to enable the Company to accomplish the following:

1) maintain the financial integrity of its existing invested capital;
2) maintain its creditworthiness; and
3) attract sufficient capital on competitive terms to continue to provide a source of funds for continued investment and enable the Company to meet the needs of its customers.

Q. Why must AmerenUE meet these requirements?

A. Beyond the fact that these three standards are effectively mandated by the landmark Bluefield and Hope U.S. Supreme Court decisions,[1] meeting these requirements is necessary in order for AmerenUE to effectively meet the electric utility services requirements of its customers and to provide an adequate and reasonable return to its investors, debt holders and equity holder alike. These assets exist and are available for this purpose only because investors have entrusted their funds with AmerenUE and deemed an investment in the securities issued by the Company to be sound and capable of providing a competitive return.

AmerenUE must maintain its creditworthiness in order to continue to attract capital on a competitive basis. This is important to assure future opportunities for AmerenUE to replace capital and various securities which must be refinanced in the

[1] Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) and Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 391 (1944).

future at reasonable cost. Also, the ability of AmerenUE to attract new capital on competitive terms is critical in order for the Company to continue to replace and upgrade facilities used to meet the electric utility services needs of its customers and finance investment related to meeting environmental compliance standards.

IV. CAPITAL STRUCTURE AND COSTS OF CAPITAL

Q. Please describe the capital structure of AmerenUE.

A. As outlined in Schedule MGO-E1, the capital structure of AmerenUE on March 31, 2010, consisted of 47.591% long-term debt, no short-term debt, 1.490% preferred stock and 50.919% common equity.

Q. How were the balances of the components of AmerenUE's capital structure determined?

A. The balance of long-term debt, $3,657,492,156, is the total carrying value of the Company's long-term debt using the net proceeds method. The net proceeds method calculates the carrying value by taking the indebtedness principal amount outstanding and subtracting the unamortized discount, issuance expenses and any loss on reacquired debt.

The zero balance of short-term debt is the last twelve-month average net short-term debt, which is shown in Schedule MGO-E3. This approach measures the average monthly short-term debt balance, less cash, cash equivalents and Construction Work in Progress ("CWIP"), over the twelve months ended March 31, 2010. It recognizes that short-term debt balances can fluctuate substantially during the year and includes in the Company's capital structure only that portion of short-term debt which may represent permanent capital, i.e., the extent to which short-term debt plays a continual role on the financing of long-term assets.

The balance of preferred stock, $114,502,040, is also the carrying value or net proceeds amount of AmerenUE's preferred stock, as found in the embedded cost calculation for this component of capitalization.

The balance of common equity, $3,913,191,356, represents AmerenUE's actual stated book value of common equity at March 31, 2010. This amount is typically adjusted for total other comprehensive income, which was zero as of March 31, 2010.

Q. What is the embedded cost of AmerenUE's long-term debt?

A. AmerenUE's embedded cost of long-term debt was 5.944% as of March 31, 2010. Schedule MGO-E2 provides the calculation of the embedded cost of long-term debt. AmerenUE has $207.5 million principal amount of variable rate environmental improvement indebtedness (in various series) outstanding under which the interest rates are reset by a "Dutch Auction" process every 35 days. The effective cost used for this indebtedness for purposes of this proceeding was derived using prevailing rates as of May 31, 2010 for these securities, including related auction broker/dealer fees.

Q. Did you make any adjustments to AmerenUE's long-term debt balance?

A. I did not include the Company's obligations under capital leases related to the Chapter 100 "financing" of its Peno Creek (City of Bowling Green) and Audrain County gas-fired generating facilities. These transactions and related capital leases did not generate any proceeds nor were they a source of new capital for the Company.

Q. What is the embedded cost of AmerenUE's preferred stock?

A. AmerenUE's embedded cost of preferred stock was 5.189% as of March 31, 2010. Schedule MGO-E4 provides the calculation of the embedded cost of preferred stock. Using the net proceeds method of calculating the balance of preferred stock, the balance outstanding as of March 31, 2010 was $114,502,040.

Q. Did you consider expenses associated with AmerenUE's issuance of preferred stock in developing the embedded cost of this component of the Company's capital structure?

A. Yes, I did. I included expenses associated with the issuance of preferred stock, including discount and premium, plus any loss incurred in acquiring/redeeming prior series, in the embedded cost calculation. These costs are illustrated in the cost calculations shown on Schedule MGO-E4. Unlike similar expenses incurred in connection with the issuance of long-term debt, for accounting purposes these expenses are not amortized over the life of the particular series of preferred stock due to the perpetual nature of this form of capitalization. Nonetheless, for economic purposes it is reasonable to recognize these costs in establishing an overall fair rate of return for the Company.

Q. In what manner will AmerenUE obtain debt and preferred stock capital in the future?

A. AmerenUE expects to continue to issue its own long-term debt and preferred stock securities in the external capital markets. Short-term borrowings can be obtained from the capital or bank markets, Ameren Corporation, through Ameren

Corporation's Utility Money Pool, or under the bank facility addressed below, depending on the best borrowing rates and availability.

Q. What is the cost of common equity for AmerenUE?

A. In his direct testimony in this case, Mr. Hevert develops and supports a fair rate of return on common equity for AmerenUE's electric utility operations of 10.9%. Therefore, for purposes of determining the overall fair rate of return for AmerenUE in this proceeding, I use 10.9% as the Company's cost of common equity.

V. FAIR RATE OF RETURN

Q. What is the overall fair rate of return for AmerenUE for this proceeding?

A. As shown on Schedule MGO-E1, as of March 31, 2010, the overall fair rate of return for AmerenUE is 8.456%. I derived this result by using the capital structure and embedded costs of long-term debt, short-term debt and preferred stock discussed above, as shown on the various schedules attached, along with the cost of common equity for AmerenUE developed by Mr. Hevert in his testimony.

VI. BANK FACILITY

Q. You earlier referred to bank facilities. What is a bank facility?

A. A bank facility is essentially a committed revolving bank credit line under which AmerenUE may borrow on a short-term basis – typically 30 days. These facilities are syndicated by a group of bank lenders (such as JPMorgan Chase, Barclays Bank, UBS, U.S. Bank, Commerce Bank and UMB Bank to name several) which lend by funding borrowing requests under the facility on a pro-rata basis. These short-term borrowings are very often priced at a pre-defined spread based on the borrower's credit ratings (in the pricing schedule contained in the underlying credit agreement) over LIBOR,[2] which is a widely used benchmark short-term interest rate.

For example, AmerenUE often needs to fund large cash requirements such as payments to equipment suppliers for components purchased for construction projects, payments to suppliers of coal, funding of payroll, making of tax payments, etc. On a given day, payments such as these or other large payments may need to be made, but the Company's incoming cash receipts, surplus cash and cash equivalents balances may be insufficient to provide the necessary funding. In those instances, AmerenUE could borrow under its bank facility to obtain the funds it needed to make the payments.

Q. How do bank facilities relate to this rate case?

A. AmerenUE's existing bank facility will expire on July 14, 2011. In anticipation of its expiration, a new bank facility is being put into place (and when it becomes effective it will replace the existing facility), and is expected to be in place and effective on or about September 10, 2010. In the Company's last rate case, the Commission approved a stipulation regarding how the fees under the Company's existing bank facility will be treated for accounting and ratemaking purposes. AmerenUE witness Gary S. Weiss describes that treatment in his direct testimony in this case. I mention the new bank facility here because the Company is proposing that the same accounting and ratemaking treatment be afforded the fees that will be incurred under the new and subsequent facilities.

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[2] "LIBOR" stands for the London Interbank Offered Rate.

Q. What are those fees and when will they be incurred?

A. The fees have not yet been finalized, but are expected to be significantly lower than under the existing facility because the capital market conditions at this time are substantially more stable than they were when the existing facility was put into place. I would expect AmerenUE to incur fees under the new facility as early as September, 2010.

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 MICHAEL G. O'BRYAN

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

Michael G. O'Bryan, being first duly sworn on his oath, states:

1. My name is Michael G. O'Bryan. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Senior Capital Markets Specialist.

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 10 pages, Schedules MGO-E1 through MGO-E4, 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.

Michael G. O'Bryan
Michael G. O'Bryan

Subscribed and sworn to before me this 3 day of September, 2010.

Amanda Tesdall
Notary Public

My commission expires:

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011

Union Electric Company d/b/a AmerenUE
Weighted Average Cost of Capital

at 3/31/2010:

CAPITAL COMPONENT	AMOUNT	PERCENT OF TOTAL	COST	WEIGHTED COST
Long-Term Debt	$3,657,492,156	47.591%	5.944%	2.829%
Short-Term Debt	$0	0.000%	0.000%	0.000%
Preferred Stock	$114,502,040	1.490%	5.189%	0.077%
Common Equity	$3,913,191,356	50.919%	10.900%	5.550%
TOTAL	**$7,685,185,552**	**100.000%**		**8.456%**

Union Electric Company d/b/a AmerenUE
Embedded Cost of Long-Term Debt

At March 31, 2010

SERIES	COUPON (a)	ISSUED	MATURITY	PRINCIPAL	FACE AMOUNT OUTSTANDING	UNAMORTIZED BALANCES DISC/(PREM)	UNAMORTIZED BALANCES ISSUE EXP.	UNAMORTIZED BALANCES LOSS	CARRYING VALUE	ANNUALIZED COUPON INT.	ANNUALIZED AMORTIZATION DISC/(PREM)	ANNUALIZED AMORTIZATION ISSUE EXP	ANNUALIZED AMORTIZATION LOSS	ANNUALIZED INT. EXP.	EMBEDDED COST
C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16
Senior Secured Notes	5.250%	22-Aug-02	01-Sep-12	$173,000,000	$173,000,000	$48,923	$296,003			$9,082,500	$20,244	$122,484			
Senior Secured Notes	4.650%	07-Oct-03	01-Oct-13	$200,000,000	$200,000,000	$139,062	$555,450			$9,300,000	$39,732	$158,700			
Senior Secured Notes	5.500%	18-May-04	15-May-14	$104,000,000	$104,000,000	$147,750	$311,100			$5,720,000	$35,460	$74,664			
Senior Secured Notes	4.750%	09-Apr-03	01-Apr-15	$114,000,000	$114,000,000	$77,460	$378,120			$5,415,000	$15,492	$75,624			
Senior Secured Notes	5.400%	08-Dec-05	01-Feb-16	$260,000,000	$260,000,000	$429,692	$1,117,327			$14,040,000	$72,624	$188,844			
Senior Secured Notes	6.400%	15-Jun-07	15-Jun-17	$425,000,000	$425,000,000	$271,092	$2,279,052			$27,200,000	$37,392	$314,352			
Senior Secured Notes	6.000%	08-Apr-08	01-Apr-18	$250,000,000	$250,000,000	$603,936	$1,487,328			$15,000,000	$75,492	$185,916			
Senior Secured Notes	5.100%	28-Jul-03	01-Aug-18	$200,000,000	$200,000,000	$58,900	$956,500			$10,200,000	$7,068	$114,780			
Senior Secured Notes	6.700%	19-Jun-08	01-Feb-19	$450,000,000	$450,000,000	$1,100,386	$2,782,606			$30,150,000	$124,572	$315,012			
Senior Secured Notes	5.100%	23-Sep-04	01-Oct-19	$300,000,000	$300,000,000	$81,624	$1,526,574			$15,300,000	$8,592	$160,692			
Senior Secured Notes	5.000%	27-Jan-05	01-Feb-20	$85,000,000	$85,000,000	$441,320	$468,578			$4,250,000	$44,880	$47,652			
First Mortgage Bonds	5.450%	15-Oct-93	01-Oct-28	$44,000,000	$44,000,000	$180,486	$331,446			$2,398,000	$9,756	$17,916			
Senior Secured Notes	5.500%	10-Mar-03	15-Mar-34	$184,000,000	$184,000,000	$1,586,880	$1,392,768			$10,120,000	$66,120	$58,032			
Senior Secured Notes	5.300%	21-Jul-05	01-Aug-37	$300,000,000	$300,000,000	$868,544	$2,546,920			$15,900,000	$31,776	$93,180			
Senior Secured Notes	8.450%	20-Mar-09	15-Mar-39	$350,000,000	$350,000,000	$1,126,476	$3,360,636			$29,575,000	$38,844	$115,884			
Subordinated Debentures	7.690%	16-Dec-96	15-Dec-36	$65,500,000	$65,500,000	$383,274	$88,596			$5,036,950	$14,328	$3,312			
Environmental Improvement, Series 1992	0.775%	01-Dec-92	01-Dec-22	$47,500,000	$47,500,000		$345,847			$368,125		$97,800			
Environmental Improvement, Series 1998 ABC	1.008%	04-Sep-98	01-Sep-33	$160,000,000	$160,000,000		$1,578,501			$1,613,300		$391,452			
TOTAL LONG-TERM DEBT				**$3,712,000,000**	**$3,712,000,000**	**$7,545,805**	**$21,803,352**	**$25,158,687**	**$3,657,492,156**	**$210,668,875**	**$642,372**	**$2,536,296**	**$3,548,280**	**$217,395,823**	**5.944%**

Carrying Value = Face Amount Outstanding less Unamortized Discount, Issuance Expenses, and Loss on Reacquired Debt
C10 = C6 - C7 - C8 - C9
Annualized Interest Expense = Annual Coupon Interest plus Annual Amortization of Discount, Issuance Expenses, and Loss on Reacquired Debt
C15 = C11 + C12 + C13 + C14
Embedded Cost = Annualized Interest Expense divided by Carrying Value
C16 = C15 / C10

(a) Coupon rate for variable rate auction securities reflects prevailing rates as of 5/31/10 and includes ongoing broker dealer fees.

Union Electric Company d/b/a AmerenUE
Cost of Short-term Debt

MONTH C1	BALANCE OF SHORT-TERM DEBT (a) C2	BALANCE OF TOTAL CWIP C3	BALANCE OF CWIP ACCRUING AFUDC C4	NET AMOUNT OUTSTANDING C5	INTEREST RATE C6
April 2009	$291,600,000	$1,005,301,389	$904,934,162	$0	1.050%
May	$377,000,000	$1,009,251,434	$942,616,402	$0	0.928%
June	$429,800,000	$994,051,873	$935,996,231	$0	5.118%
July	$319,800,000	$983,146,622	$938,371,524	$0	3.107%
August	$295,800,000	$1,019,542,409	$930,393,144	$0	3.081%
September	$0	$1,080,097,600	$968,836,847	$0	--
October	$0	$1,124,749,504	$965,154,859	$0	--
November	$0	$1,068,451,669	$931,233,564	$0	--
December	$0	$1,163,059,062	$933,442,289	$0	--
January 2010	$0	$1,137,667,477	$965,607,760	$0	--
February	$0	$1,149,786,391	$912,446,441	$0	--
March	$0	$1,200,927,798	$1,104,957,095	$0	--
AVERAGE	**$142,833,333**	**$1,078,002,769**	**$952,832,526**	**$0**	

C5 Net Amount Outstanding = Balance of Short-Term Debt less Balance of CWIP Accruing AFUDC
C5 = C2 - C4

(a) Short-term debt amounts are net of cash and short-term investments. Negative amounts are excluded.

Union Electric Company d/b/a AmerenUE
Embedded Cost of Preferred Stock

at March 31, 2010

SERIES, TYPE, PAR C1	DIVIDEND C2	ISSUED C3	MATURITY C4	SHARES OUTSTANDING C5	PAR ISSUED/ OUTSTANDING C6	PREMIUM C7	ISSUANCE EXPENSE/DISCOUNT C8	NET PROCEEDS C9	ANNUAL DIVIDEND C10	EMBEDDED COST C11
$4.50 Series, Perpetual, $100 par	$4.500	01-May-41	-	213,595	$21,359,500	($825,000)	$440,294	$21,744,206	$961,178	
$5.50 Series, Perpetual, $100 par	$5.500	01-Oct-41	-	14,000	$1,400,000			$1,400,000	$77,000	
$3.70 Series, Perpetual, $100 par	$3.700	01-Oct-45	-	40,000	$4,000,000	($70,000)	$69,396	$4,000,604	$148,000	
$3.50 Series, Perpetual, $100 par	$3.500	01-May-46	-	130,000	$13,000,000	($910,000)	$252,772	$13,657,228	$455,000	
$4.30 Series, Perpetual, $100 par	$4.300	01-Jul-46	-	40,000	$4,000,000			$4,000,000	$172,000	
$4.75 Series, Perpetual, $100 par	$4.750	01-Oct-49	-	20,000	$2,000,000			$2,000,000	$95,000	
$4.00 Series, Perpetual, $100 par	$4.000	01-Nov-49	-	150,000	$15,000,000	($384,000)	$326,896	$15,057,104	$600,000	
$4.56 Series, Perpetual, $100 par	$4.560	01-Nov-63	-	200,000	$20,000,000	($266,000)	$297,633	$19,968,367	$912,000	
$7.64 Series, Perpetual, $100 par	$7.640	01-Jan-93	-	330,000	$33,000,000		$325,469	$32,674,531	$2,521,200	
TOTAL PREFERRED STOCK					**$113,759,500**	**($2,455,000)**	**$1,712,460**	**$114,502,040**	**$5,941,378**	**5.189%**

Issuance expenses, discount/premium, and any loss incurred in acquiring/redeeming prior series are not amortized due to the perpetual nature of the company's preferred stock

Net Proceeds = Par Value Outstanding plus Premium less Issuance Expense and Discount
C9 = C6 + C7 - C8
Embedded Cost = Annual Dividend divided by Net Proceeds
C11 = C10 / C9