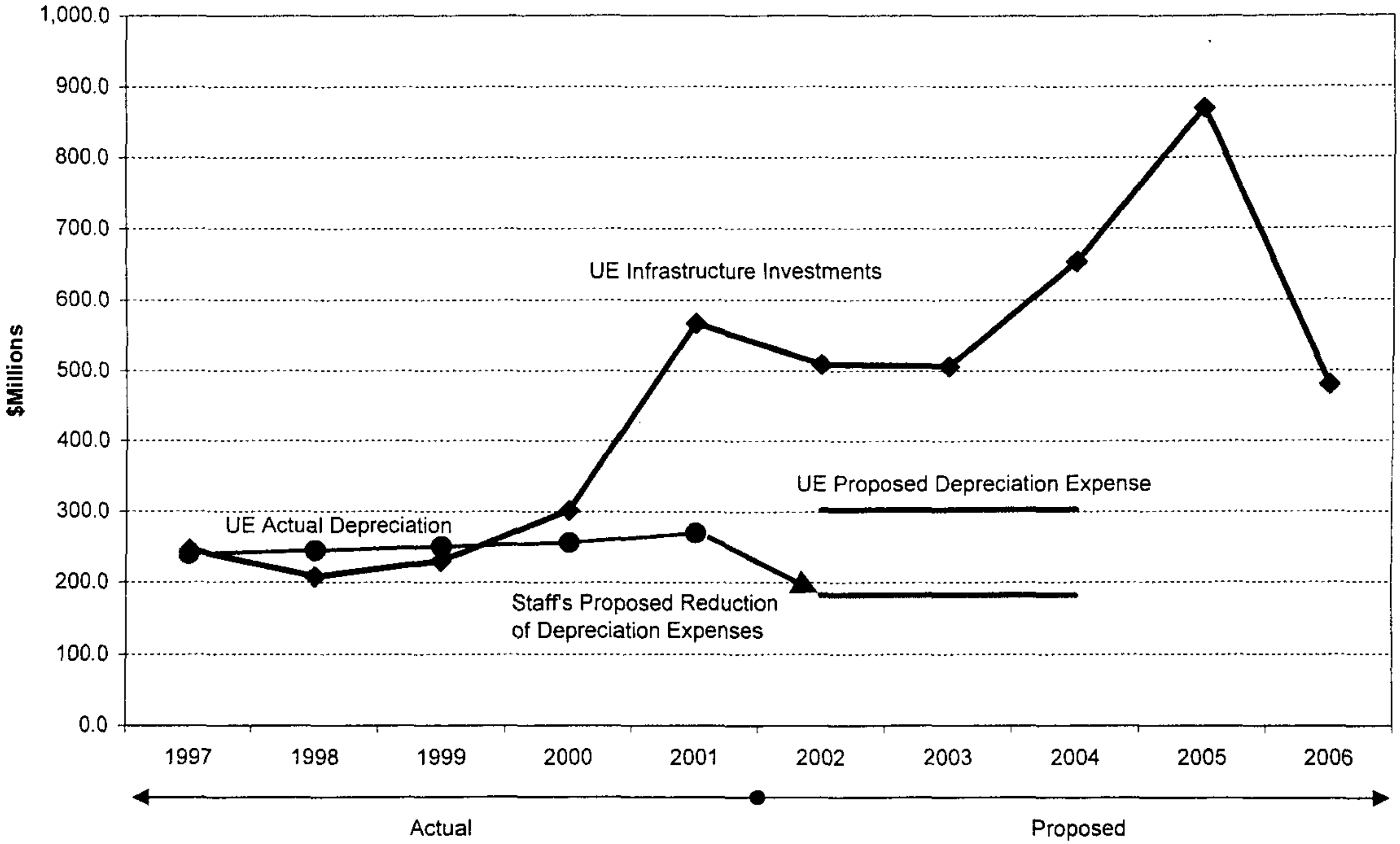
Schedule 7-1: AmerenUE Infrastructure Investment vs. Depreciation & Amortization Expense Total

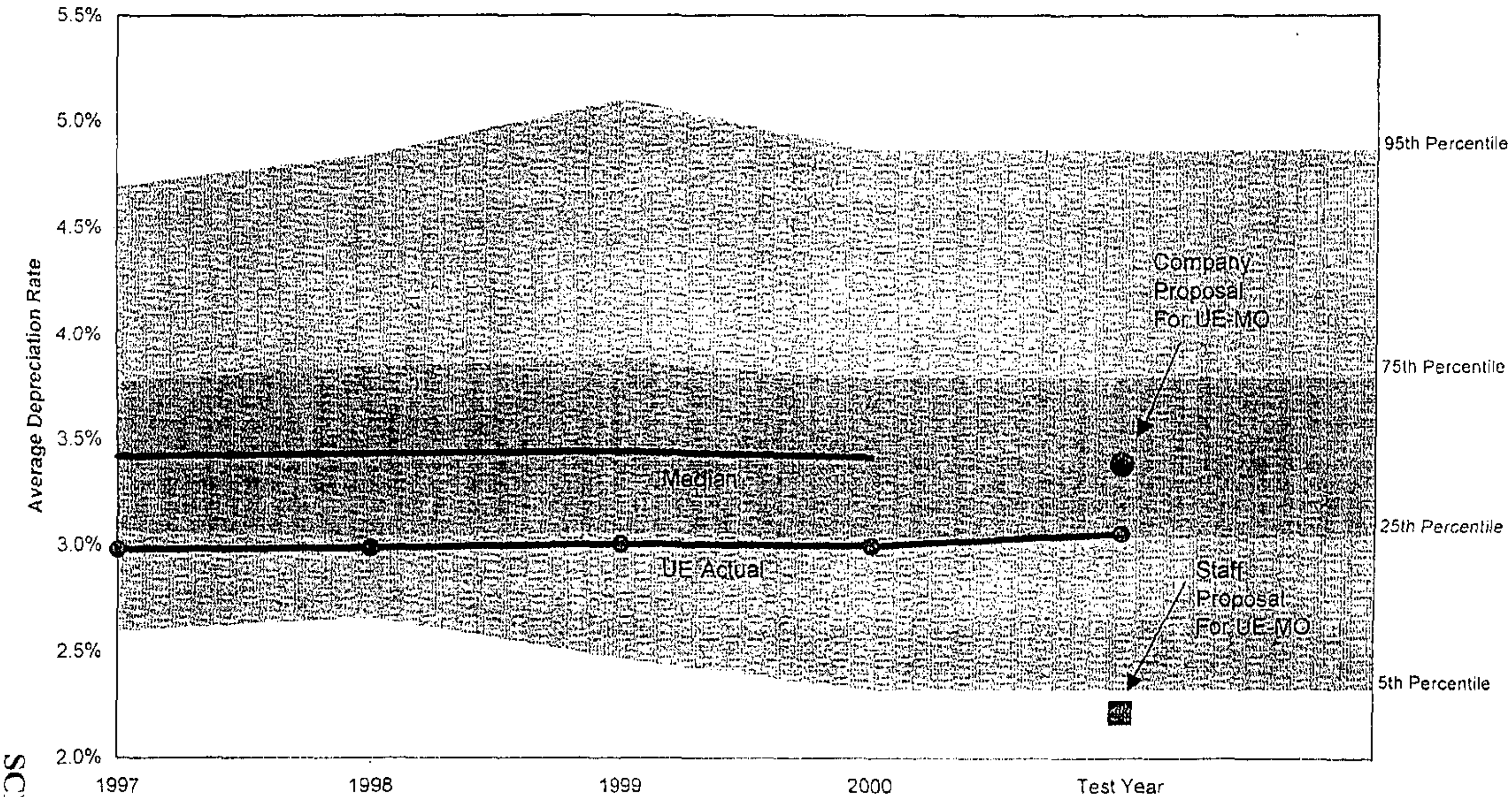


Notes:
2001 UE actual depreciation expense is for the Test Year.
All infrastructure investments and depreciation expenses include Illinois and Iowa plant.

Sources:
UE Actual Depreciation Expense 1997 - 2000: UDI.
All Other Data: AmerenUE.

Appendix A-14
Stout Schedule 7-1

Schedule 13-1: Average Depreciation Rate for Investor-Owned Utilities
(Depreciation & Amortization Expense / Gross Plant Value)
Total Plant



Sources:
Median, Percentile, and UE Actual, 1997 - 2000: UDI.
UE Actual Test Year and Company Proposal: AmerenUE.
Staff Proposal: Staff Schedule 5.

SCHEDULE 13-1

ALTERNATIVE REGULATION PLAN PROPOSED BY AMERENUE

AmerenUE respectfully proposes a new Alternative Regulation Plan to be adopted by the Missouri Public Service Commission, which would provide as follows:

* * *

ALTERNATIVE REGULATION PLAN FOR AMERENUE

FINDINGS

1. The Missouri Public Service Commission (the "Commission") finds that the two previous experimental alternative regulation plans ("EARPs") for AmerenUE ("UE") were in the public interest because the EARPs –

- provided just and reasonable rates for UE's customers;
- effectively lowered the rates for UE customers by:
  - ✓ providing incentives for UE and its employees to discover new and innovative means by which to decrease costs and operate more efficiently and productively;
  - ✓ sharing the increased earnings that resulted from UE's cost savings and greater productivity; and
  - ✓ eliminating the delay and expense of cumbersome regulatory proceedings required by traditional ratemaking;

- provided for rate reductions at the beginning of each EARP term, and provided for greater rate stability and rate predictability for UE's customers during a period of significant operational and economic change in the energy industry;
- provided the means and rate structure that permitted UE to remain a financially strong company while facilitating timely infrastructure investments and enhancing its capabilities to reliably serve its customers in an increasingly competitive electric power market;
- provided a just and reasonable return to UE and its shareholders while ensuring that UE could not realize excessive earnings; and
- allowed UE to improve its service quality, reliability, and customer satisfaction, which are above the national averages.

2. The Commission further finds that a new Alternative Regulation Plan for UE is consistent with the recommendations of the Missouri Energy Policy Task Force, which, in its Final Report presented to Governor Holden on October 16, 2001, recognized the importance of creating incentives for utilities to improve efficiencies and reduce costs, and recommended that this Commission be encouraged, among other things, to use "alternative regulation that focuses on earnings."

3. The Commission further finds the UE's currently approved, long-standing methodology for accounting for depreciation is appropriate, lawful, and consistent with just and reasonable rates for UE.

4. The Commission further finds that UE's currently approved methodology for accounting for pensions and other post-employment benefits is appropriate, lawful, and consistent with just and reasonable rates for UE.

5. The Commission further finds that it is appropriate to dismiss, with prejudice, any current complaint or objection filed by the Commission at the Federal Energy Regulatory Commission or the Securities & Exchange Commission with respect to any transaction between UE and any of its affiliated companies and directs the Staff of the Commission ("Staff") to take any and all steps necessary to facilitate such dismissals or withdrawal of objections.

Accordingly, the Commission, after hearing and consideration of the views expressed by interested parties and of the full record before it, finds that this Alternative Regulation Plan (the "Alt Reg Plan"), building on and progressing from the experience of the EARPs, will result in just and reasonable rates for AmerenUE, will put in place a structure for efficiently ensuring reliable electricity for Missouri for the foreseeable future, and will otherwise serve the public interest by, among other things, sharing in a special way any success of AmerenUE with its low-income customers and returning some of the fruits of that success to the broader economic development of AmerenUE's service area. The Commission therefore proposes this Alt Reg Plan, which, if accepted by UE, will be deemed to have become effective as of July 1, 2002.

THE ALTERNATIVE REGULATION PLAN

1. ONE-TIME CREDIT TO CUSTOMERS

a. A one-time credit will be made to all current UE Missouri retail electric customers of $15 million, exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes.

b. This one-time credit will be applied to customers' bills in the first billing cycle of the first billing period after UE has accepted this proposed Alt Reg Plan and the Report and Order of the Commission adopting the Alt Reg Plan as accepted by UE becomes final and unappealable.

c. The one-time credit for each customer will be applied according to the provisions of Attachment A.

2. RATE REDUCTION

a. UE will file a permanent rate reduction applicable to all UE Missouri retail electric customers that will equal $15 million, exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes.

b. UE will file tariffs to implement this rate reduction, which shall become effective on April 1, 2002. The reduction shall apply on an equal percentage basis within and among classes (excluding customer and miscellaneous charges) for all Missouri retail electric customers.

3. TIMELY INFRASTRUCTURE INVESTMENTS

UE is currently planning to spend up to $3 billion in generation, transmission and distribution infrastructure investments over the 2002 to 2006 time period. As this plan runs through June 30, 2005, UE commits to undertake commercially reasonable efforts to make a minimum of $1.5 billion to $1.75 billion of infrastructure investments from January, 1, 2002 through June 30, 2005. This commitment includes infrastructure investments in generation, transmission and distribution, such as:

- 700 MW of new regulated generation capacity
- Upgrades to existing plants which will ultimately result in 270 MW of additional generating capacity
- Replacement of steam generators at the Callaway power plant
- Replacement of Venice power plant generation capacity
- Sioux power plant environmental pollutants controls
- New transmission lines or transmission upgrades that will increase transmission import capability by 1,300 MW
- Various transmission and distribution upgrades to improve the overall reliability of UE's energy delivery system

UE shall provide status updates on these infrastructure commitments to the Staff on a quarterly basis as soon as UE has accepted this proposed Alt Reg Plan and the Report and Order of the Commission adopting the Alt Reg Plan as accepted by UE becomes final and unappealable. In addition, UE will continue to work closely with the Staff in its long-term resource planning efforts to ensure that its current plans and commitments are consistent with the future needs of its customers and the energy needs of the State of Missouri.

4. SHARING EARNINGS THROUGH THE PERFORMANCE DIVIDEND

a. TERM. This Alt Reg Plan shall be deemed to have been instituted on July 1, 2002, and will continue for three years, through June 30, 2005. Under this Alt Reg Plan, beginning on July 1, 2002, UE's customers generally, UE's low-income customers, and the economic development needs of UE's service territory will share in UE's earnings each year of the Alt Reg Plan through a Performance Dividend that will provide a credit to customers' bills, and the funding for the Dollar More Program and the Ameren Community Development Corporation (the"CDC") , as provided in Section 4(c) below.

b. SHARING PERIOD. Each year of the Alt Reg Plan is, accordingly, called a "Sharing Period." Each such Sharing Period runs from July 1 through June 30.

c. LOW INCOME CUSTOMER ASSISTANCE AND ECONOMIC DEVELOPMENT.

(i.) Background. The earnings sharing regime at the heart of this Alt Reg Plan is designed in part to make UE's customers participants in the economic success UE may be able to achieve under the incentives established by the Alt Reg Plan. It is the judgment of the Commission that such participation in the performance of UE should also include, in a distinct way, the low income customers in UE's electric service territory and general economic development in that service territory. Accordingly, the earnings sharing established under this Alt Reg Plan includes a special participation in those earnings for UE's low-income Missouri retail electric customers through additional funding of the Company's Dollar More Program. In addition, the earnings sharing established under this Alt Reg Plan includes a special investment of part of UE's earnings in the Ameren CDC to stimulate economic development in UE's electric service territory.

(ii.) Low-Income Customer Assistance. The special sharing of earnings to benefit UE's low income customers under this Alt Reg Plan will begin by an initial one-time payment of $5 million made to the Company's Dollar More Program within 30 days after the Report and Order of the Commission adopting the Alt Reg Plan as accepted by UE becomes final and unappealable. Additional funding of the Dollar More Program will be made through a Performance Dividend that may be paid for each Sharing Period as provided in section 4(d) below.

(iii.) Economic Development. The special investment of part of UE's earnings in economic development under this Alt Reg Plan will begin with a one-time payment of $5 million made to the Ameren CDC within 30 days after the Report and Order of the Commission adopting the Alt Reg Plan as accepted by UE becomes final and unappealable. Additional funding for the Ameren CDC will be made through a Performance Dividend that may be paid for each Sharing Period as provided in section 4(d) below.

d. DETERMINING THE PERFORMANCE DIVIDEND. The Performance Dividend in each Sharing Period is a function of UE's Missouri electric return on equity ("ROE") in that Sharing Period. The Performance Dividend will be determined for each Sharing Period according to the provisions of the following Grid.

PERFORMANCE DIVIDEND

UE-Missouri Electric ROE (before Performance Dividend)	**Sharing Credit** (given to customers)	**Total Funding of Dollar More and the Ameren CDC** (Divided equally between the Dollar More Program and the Ameren CDC.)
10.5% to 12.5% ROE ("Baseline Sharing Band")	• $15 million	• $2 million
12.5% to 15% ROE	• all of the above, plus 50% of earnings between 12.5% and the actual ROE (up to an ROE of 15%)	• all of the above, plus 5% of earnings between 12.5% and the actual ROE (up to an ROE of 15%)
15% to 16% ROE	• all of the above, plus 80% of earnings between 15% and the actual ROE (up to an ROE of 16%)	• all of the above, plus 10% of earnings between 15% and the actual ROE (up to an ROE of 16%)
Above 16% ROE	• all of the above, plus 90% of earnings above 16% ROE	• all of the above, plus 10% of earnings above 16% ROE

e. EARNINGS REPORT AND APPLICATION OF A PERFORMANCE DIVIDEND.

(i.) The level of UE's ROE for purposes of calculating the Performance Dividend, if any, for each Sharing Period shall be based on UE's earnings as set out in an Earnings Report for that Sharing Period. UE will file with the Commission an Earnings Report no later than August 15 after the end of a Sharing Period. Each Earnings Report will be completed according to the form set out in Attachment B.

(ii.) Any credit due to UE's customers from the Performance Dividend as calculated in the Earnings Report filed on August 15 shall be applied to customers' bills, according to the provisions of Attachment A, in the billing period beginning (or immediately following) September 1 of that calendar year. Any funding of the Dollar More Program and the CDC due from the Performance Dividend as calculated in the Earnings Report filed on August 15 shall be made on September 1 of that calendar year.

(iii.) The Staff may examine the Earnings Report filed on August 15 to determine if the Performance Dividend has been correctly calculated according to the provisions of Section 4 (f) below. If the Staff concludes that the Performance Dividend has not been calculated correctly, the Staff shall present its conclusion to UE, along with all material supporting that conclusion, no later than September 30 of the calendar year in which the Earnings Report, believed by the Staff to be in error, was filed. If UE agrees with the Staff's conclusion in whole or in part, and an additional amount of a Performance Dividend is properly due under the provisions of Sections 4(c) and (d) for the Sharing Period, a supplemental credit for the appropriate agreed-upon amount shall be applied to customers' bills no later than the billing period beginning (or immediately following) November 1 of that calendar year. Supplemental funding in the appropriate agreed-upon amounts for the Dollar More Program and the CDC shall be made no later than November 1 of that calendar year. If UE agrees with the Staff's conclusion in whole or in part, and UE has erroneously paid too large of a Performance Dividend, the excess amount shall be subtracted from any Performance Dividend due in subsequent Sharing Periods until that excess amount is recouped by UE. If no subsequent Sharing Periods remain in the Alt Reg Plan, the excess amount shall be recovered in the next rate or complaint case, or in the next alternative regulation plan. If UE does not agree with the Staff's conclusion in whole or in part, the Staff may, no later than November 1 of that calendar year, file a claim with the Commission triggering the procedures of Section 7 below for the Commission to resolve this dispute.

f. CALCULATION OF RETURN ON EQUITY.

(i.) The calculation of UE's return on equity for each Sharing Period shall begin with its Missouri operating revenues, expenses, and average rate base for that Sharing Period which shall conform to the relevant precedents of the Commission that apply to UE as of May 10, 2002, the provisions of the Uniform System of Accounts as of May 10, 2002, and, for matters not addressed by those precedents of the Commission or the Uniform System of Accounts, the established accounting practices of UE, consistent with generally accepted accounting principles, as reflected in UE's books and records as of May 10, 2002. In determining the Missouri operating revenues, expenses, and average rate base for a Sharing Period, the Missouri electric allocation factors will be calculated and applied in the same manner set out in UE's cost of service study, filed in Case No. EC-2002-1, and will be updated for each Sharing Period.

(ii.) UE will calculate the average rate base reflecting the following items:

(A) Apply a thirteen-month average for plant in service and accumulated depreciation reserve.

(B) Directly assign to the appropriate jurisdiction the Callaway plant costs disallowed in Case No. ER 85-160.

(C) Apply a thirteen-month average for all non-nuclear fuel inventories, materials and supplies, prepayments, customer advances for construction, and customer deposits; apply an eighteen-month average to the unburned nuclear fuel in the reactor.

(D) Apply a cash working capital requirement calculated using the revenue and expense lags as set out in UE's lead-lag study, as filed in Case No. EC-2002-1, applied to the adjusted sharing period expenses.

(E) Apply the net revenue lag for federal and state income taxes and interest expense using the net lags for these items as set out in UE's cost of service as filed in Case No. EC-2002-1 to the adjusted sharing period expenses.

(F) Apply an average of the beginning and ending balance of the deferred pension liability as a reduction to the rate base.

(G) Apply an average of the beginning and ending balances of the accumulated deferred income tax accounts 190, 282, and 283, reflecting the adjustments included in the income tax calculation.

(iii.) UE will make the following adjustments to its Missouri operating revenues and expenses as recorded in its books and records to calculate UE's earnings for each Sharing Period (which shall be the only adjustments that shall be made to those revenues and expenses before the end of this Alt Reg Plan):

(A) Actual operating revenues in one Sharing Period shall not be reduced by the amount of any Sharing Credit for a prior Sharing Period.

(B) UE shall deem up to $3.3 million of the Dollar More Program and the Ameren CDC funding to have been expended in each Sharing Period. This expense reflects the three-year amortization of the $10 million initial funding of these programs (as provided in Section 4).

(C) UE will include two thirds of the most recent Callaway refueling expense in the expenses for each Sharing Period.

(D) UE will adjust its gross receipts tax accrual to conform with the actual gross receipts tax collected in each Sharing Period.

(E) UE shall deem $1 million of its advertising expenses to have been expended on goodwill advertising, and this $1 million of deemed goodwill advertising expense shall be excluded from UE's advertising expenses in each Sharing Period. No claim may be made that goodwill advertising expenses were in fact less than or greater than this $1 million and that the $1 million exclusion should accordingly be decreased or increased.

(F) UE will include interest on customer deposits in operating expenses.

(G) UE will adjust its uncollectible expense to reflect the actual net write offs for the Sharing Period.

(H) UE will exclude from expenses Edison Electric Institute dues.

(I) UE will exclude all lobbying expenses.

(J) UE will include expenses reflecting a three-year amortization of any amount of its MISO exit fee payment that has not been previously expensed. If UE subsequently recovers any portion of this MISO exit fee payment that has been previously expensed, or that has been amortized under this paragraph, that recovered portion will treated as revenue in the

Sharing Period during which that portion was recovered, thereby offsetting expenses.

(K) Depreciation shall be calculated according to UE's treatment of depreciation in place as of May 10, 2002. The depreciation rates shall permit recovery of the estimated future net salvage cost of plant that is currently in service in accordance with the Commission's historic treatment of these costs for AmerenUE's electric operations.

(L) The actual prudent and reasonable merger transaction and transition costs arising from the merger approved in Case No. EM-96-149 will be amortized over ten years.

(M) The income tax calculation shall begin with UE's method of computing income tax expense as recorded in UE's books and records, with the following exceptions:

> (I) The Schedule M-1 item (*i.e.*, book/tax difference) for defeasance costs shall be disregarded in computing current and deferred income taxes.
>
> (II) For purposes of computing current and deferred income taxes, AFUDC debt shall be treated as provided in the settlement concerning this item for the Sharing Period ending June 30, 1999.
>
> (III) The Schedule M-1 item for FAS 106 shall be disregarded in computing current and deferred income taxes.
>
> (IV) The Schedule M-1 item for bad debts shall be disregarded in computing current and deferred income taxes.

(N) Pension and OPEB expense will be accounted for according to UE's treatment of these expenses as of May 10, 2002.

(O) The interest deduction for the income tax calculation will be based on the embedded cost of long term debt as applied to the rate base.

(P) In converting the return on rate base to the return on equity, UE will use the average of the beginning and ending period capital structures and embedded costs.

(Q) Any sale of emission allowances shall be reflected above-the-line in the ROE calculation.

5. THIS PLAN TO GOVERN RATES DURING ITS TERM

a. NO OTHER RATE PROCEEDINGS DURING THE ALT REG PLAN. UE's rates resulting from the rate reduction specified in Section 2 above will continue in effect throughout the term of this Alt Reg Plan, and thereafter, until changed after the end of the Alt Reg Plan as a result of a rate increase case, a rate reduction case, or otherwise. Except as provided in subsection b, the Commission will not consider an electric rate increase case or a rate reduction case, nor will the Commission's Staff file a rate reduction case, before the end of this Alt Reg Plan on June 30, 2005.

b. TREATMENT OF CERTAIN MAJOR EVENTS BEYOND UE'S CONTROL.

The Commission will consider an electric rate increase case before the end of the Alt Reg Plan on June 30, 2005 if any of the following events occur:

(i.) UE's ROE before calculation of the Performance Dividend falls below 9.5 percent for a Sharing Period;

(ii.) certain events that have a major impact on UE, but that are beyond the control of UE, including: events produced by *force majeure*, terrorist activity, or an act of God, such as storm and flood damage; or (iii.) significant changes in federal, state, or local laws or regulations.

If UE does file an electric rate increase case pursuant to this Section, any Performance Dividend due for a prior Sharing Period will remain the obligation of UE.

6. MONITORING

Monitoring of the Alt Reg Plan shall be based on the reports and data, identified below, that will be provided by UE to the Staff and to the Office of Public Counsel ("OPC") after the Staff and OPC have executed appropriate documents assuring the confidential treatment of the information provided. UE will respond to reasonable inquiries concerning these reports and data from the Staff and OPC in meetings, interviews, or other discussions, as may be appropriate. UE will not be required to develop any new reports or prepare new compilations of data not set out below. The reports and data that UE will provide are:

(i.) annual operating and construction budgets;

(ii.) monthly operating budgets;

(iii.) an annual explanation of significant variances between budgets and actual operations for the Sharing Period;

(iv.) monthly financial and statistical reports;

(v.) quarterly directors' reports;

(vi.) a current chart of accounts annually;

(vii.) monthly surveillance reports;

(viii.) an annual summary of major accruals; and

(ix.) quarterly statistics for customer satisfaction (as determined through customer satisfaction surveys for AmerenUE); call center service quality (as measured through the Average Speed Answer (ASA) and Call Center Abandoned Call Rate (ACR)); and service reliability (as measured, with and without storms, through AmerenUE's Distribution System Average Interruption Frequency Index (SAIFI), Distribution System Average Interruption Duration Index (SAIDI), and the Customer Average Interruption Duration Index (CAIDI)).

7. Disputes Concerning Compliance With The Alt Reg Plan.

a. The Commission may rule on disputes concerning compliance with the terms of this Alt Reg Plan, as provided in this subsection. Neither this subsection, nor any other provision of this Alt Reg Plan, gives the Commission any authority, which the Commission might not otherwise independently have under Missouri law, to amend this Alt Reg Plan, or to modify its operation.

b. If any party that is substantially affected by the operation of this Alt Reg Plan, including the Staff and OPC, (the "complaining party") concludes that any other party (the "responding party") has not faithfully complied with some provision of this Alt Reg Plan, the complaining party shall promptly bring that alleged failure to comply with the Alt Reg Plan to the attention of the responding party. Both the complaining and responding parties shall attempt to resolve the matter on a reasonable, informal basis.

c. If, after reasonable, informal efforts to resolve the matter the parties cannot resolve it, the complaining party shall file with the Commission, and serve on the responding party, a claim that describes in detail the alleged failure to comply with the Alt Reg Plan, and includes a summary of the essential facts that may be the basis for the allegation and the evidence the complaining party believes establishes those facts. Not later than 30 days after such a claim is filed with the Commission and served on the responding party, the responding party shall file with the Commission, and serve on the complaining party, its response to the claim, which shall include a description of any facts that contradict the basis for the claim and of the evidence that the responding party believes establishes those facts. The complaining party may file a brief reply within 10 days after the response is filed with the Commission and served on the responding party.

d. The Commission may dismiss the claim based on these filings with no further proceedings. If the Commission does decide to give the claim further consideration, it will establish a reasonable procedural schedule for the submission of written testimony, the depositions of witnesses and other discovery, and an evidentiary hearing and legal argument before the Commission. Any order of the Commission issued after these proceedings resolving the claim will be subject to judicial review as provided under Missouri or federal law.

e. (i.) If the claim contends that an additional amount of a Performance Dividend is due in a Sharing Period, that additional amount of a Performance Dividend will be accounted for by UE until the dispute is resolved by Commission proceedings as provided in this Subsection, and after full judicial review, if any.

(ii.) Any portion of the claimed additional amount that is held to be due, after the Commission proceedings provided in this Subsection and any judicial review, as part of the Performance Dividend for a Sharing Period, plus interest at the rate paid on customer deposits (calculated from November 1 of the calendar year in which the Sharing Period ended to the date the dispute is finally resolved by a decision of the Commission or a court, whichever is later), will be applied to customers' bills as soon as practicable according to the provisions of Attachment A.

8. Recommendations at the End of the Alt Reg Plan.

By February 1, 2005, the Commission will establish a docket and a procedural schedule for proceedings to evaluate the Alt Reg Plan and to consider whether or not the Alt Reg Plan should be extended (with or without changes) or should be allowed to end on June 30, 2005. Those proceedings may include provisions for mediation, arbitration, and roundtable discussions that may facilitate consensus among interested parties. In the absence of such consensus, the procedural schedule established by the Commission shall provide reasonable opportunity for the submission of written testimony, the depositions of witnesses and other discovery, and an evidentiary hearing and argument before the Commission. No later than June 30, 2005 (or at some later date if the Commission temporarily delays the termination of the Alt Reg Plan), the Commission shall issue a Report and Order which shall contain the Commission's evaluation of the Alt Reg Plan, its judgment whether the Alt Reg Plan should be continued, and, if the Commission concludes that the Alt Reg Plan should be continued, its proposal as to the form in which it should be continued.

9. Nuclear Decommissioning.

UE will file its cost of nuclear decommissioning study with the Commission as required by September 1, 2002. If the Commission Order in that proceeding results in a decrease or increase in the annual nuclear decommissioning expense/funding from its current level of more than 40 percent, UE's Missouri retail electric service rates will be decreased or increased to reflect the change in expense/funding. If the Commission order in that proceeding results in a decrease or increase in the annual nuclear decommissioning expense/funding from its current level of

40 percent or less, UE's retail electric service rates will not be decreased or increased to reflect the change in expense/funding. However, in either case, the change in the decommissioning expense will be annualized in calculating UE's return on equity for the earliest possible Sharing Period for which an Earnings Report has not yet been filed at the time of the issuance of the Commission Order in the nuclear decommissioning docket. The Commission shall include language in its 2002 Callaway decommissioning case Report and Order substantially similar to that used in Case No. EO-94-81, specifically finding that the Callaway decommissioning casts are included in UE's then current cost of service and are reflected in its then current electric service rates for ratemaking purposes.

10. COMMISSION RIGHTS

Nothing in this Alt Reg Plan is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

11. NO ACQUIESCENCE

UE's acceptance of this Alt Reg Plan shall not be deemed to constitute UE's approval or acceptance of any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Alt Reg Plan, or for which provision is made in this Alt Reg Plan.

12. THE EFFECTIVE DATE OF THE ALT REG PLAN

This Alt Reg Plan (once approved by the Commission and accepted by the Company) will be deemed to have become effective as of July 1, 2002.

ATTACHMENT A

PROCEDURE FOR ALLOCATING SHARING CREDITS AMONG CUSTOMERS

A. Eligibility Requirements for Sharing Credits

Any Missouri retail electric customer whose account is active as of the date of billing during the "credit application period," as defined below in B, shall be eligible for a credit. Customer accounts which are inactive as of the date of billing during the "credit application period" are ineligible for any credit.

B. Determination of the Credit Application and Calculation Periods

The "credit application period" shall be the UE monthly billing period during which the credit will be applied to an eligible customer's bill for electric service. The "credit calculation period" will be the twelve UE billing months prior to the month before the credits first appear on customers' bills. For example, if the credit first appears on customers' bills in the October 2002 billing period, then the credit calculation period would be the twelve UE billing months of September 2001 – August 2002.

C. Determination of Applicable Credit Period Kilowatt-hours

The applicable credit calculation period kilowatt-hours for all eligible customers shall be the total sales billed by UE to each eligible customer's current premises during the entire 12-month credit calculation period, as defined above in B, without regard to each customer's occupancy date of such premises.

D. Determination of Per Kilowatt-hour Credit

The credit per kilowatt-hour will be calculated by dividing the total dollar amount to be credited by the total applicable credit calculation period kilowatt-hours, as defined in C above, for all eligible Missouri retail accounts.

E. Determination of Individual Customer Credit

Each individual active customer's credit will be calculated by multiplying the per kilowatt-hour credit, as defined in D above, by the eligible customer's applicable credit calculation period kilowatt-hours as defined in C above.

F. Treatment of Any Difference Between the Actual Amount Credited to Customers and the Sharing Credits Amount

1. If the difference between the actual amount credited to eligible customers and the sharing credits amount is less than $1 million, this credit amount will be carried over and be an adjustment to eligible customers' share of earnings in the subsequent sharing period.

2. If the difference between the actual amount credited to eligible customers and the sharing credits amount is $1 million or greater, an additional credit will be made as soon as reasonably possible for an under-credit. If an over-credit of $1 million or more is made the over-credit will be treated as in the paragraph immediately above.

UNION ELECTRIC COMPANY
CAPITAL STRUCTURE AND
EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD

	(i) CAPITAL STRUCTURE DOLLARS	(ii) %	(iii) EMBEDDED COST	(iv) WGTD AVG COST
COMMON STOCK EQUITY*	$	%	N/A	N/A
PREFERRED STOCK		%	%	%
LONG-TERM DEBT		%	%	%
TOTAL CAPITALIZATION	$	%		
RETURN PORTION RELATED TO DEBT AND PREFERRED				%

END OF SHARING PERIOD

	(v) CAPITAL STRUCTURE DOLLARS	(vi) %	(vii) EMBEDDED COST	(viii) WGTD AVG COST
COMMON STOCK EQUITY*	$	%	N/A	N/A
PREFERRED STOCK		%	%	%
LONG-TERM DEBT		%	%	%
TOTAL CAPITALIZATION	$	%		
RETURN PORTION RELATED TO DEBT AND PREFERRED				%

RETURN PORTION RELATED TO DEBT AND PREFERRED AVERAGE BEGINNING AND END OF SHARING PERIOD	%
AVERAGE COMMON STOCK EQUITY* BEGINNING AND END OF SHARING PERIOD (%)	%

*Since common dividends payable at the end of a quarter and preferred dividends payable during the subsequent quarter are removed from common equity in their entirety during the first month of every quarter, the balance for common stock equity for the end of the first or second month in each quarter (if used as the beginning or end of the sharing period) should be adjusted from actual book value. The balance for the end of the first month in the quarter should be adjusted by adding back two-thirds of the quarterly preferred and common dividend. The balance for the end of the second month in the quarter should be adjusted by adding back one-third of the quarterly preferred and common dividend.

UNION ELECTRIC COMPANY
12 MONTHS ENDED xxxx xx, 20xx
(IN THOUSANDS OF DOLLARS)

EARNINGS REPORT

	TOTAL ELECTRIC	MISSOURI JURISDICTIONAL
Plant in Service	$	$
Reserve for Depreciation		
Net Plant		
Add:		
Fuel and Materials & Supplies		
Cash Working Capital		
Prepayments		
Less:		
Income Tax Offset (Staff Method)		
Interest Expense Offset (Staff Method)		
Customer Advances		
Customer Deposits		
Accumulated Deferred Income Taxes:		
Account 190		
Account 282		
Account 283		
(A) Total Rate Base	$	$
(B) Net Operating Income	$	$
(C) Return on Rate Base ((B) / (A))	%	%
(D) Return Portion Related to Debt & Preferred	%	%
(E) Return Portion Related to Common Equity ((C) - (D))	%	%
(F) Equity Percentage of Capital Structure	%	%
(G) Achieved Cost of Common Equity ((E) / (F))	%	%

UNION ELECTRIC COMPANY
12 MONTHS ENDED xxxx xx, 20xx
(IN THOUSANDS OF DOLLARS)

EARNINGS REPORT

	TOTAL ELECTRIC	MISSOURI JURISDICTIONAL
Operating Revenues	$	$
Operating & Maintenance Expenses:		
Production:		
Fixed Allocation		
Variable Allocation		
Directly Assigned		
Total Production Expenses		
Transmission Expenses (Fixed)		
Distribution Expenses (Distr. Plant)		
Customer Accounting Expenses (Direct)		
Customer Serv. & Info. Expenses (Direct)		
Sales Expenses (Direct)		
Administrative & General Expenses:		
Directly Assigned		
Labor Allocation		
Total Administrative & General Expenses		
Total Operating & Maintenance Expenses		
Depreciation & Amortization Expense:		
Fixed Allocation		
Labor Allocation		
Directly Assigned		
Total Depreciation & Amortization Expense		
Taxes Other than Income Taxes:		
Fixed Allocation		
Variable Allocation		
Labor Allocation		
Directly Assigned		
Total Taxes Other than Income Taxes		
Income Taxes:		
Federal Income Taxes		
Missouri State Income Tax		
Other States' Income Taxes		
Total Income Taxes		
Net Operating Income	$	$

UNION ELECTRIC COMPANY
CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY

	Earned Returns on Common Stock Equity	Customer Sharing Credits
A.	If Earned Return on Common Stock Equity is < 9.50%, then:	$ -
	No sharing occurs and Union Electric Company has the option to file a rate increase case before the Missouri Public Service Commission.	
B.	If Earned Return on Common Stock Equity is = to or > 9.50% and is < or = to 10.50%, then:	$ -
	No sharing occurs.	
C.	If Earned Return on Common Stock Equity is > 10.50% and is < or = to 12.50%, then:	$ 15,000,000
	That portion of Earned Return on Common Stock Equity between 10.50% and 12.50 % then $15 million is shared.	
D.	If Earned Return on Common Stock Equity is > 12.50% and is < or = to 15.00%, then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity between 12.50% and 15.00% is shared with 45% being retained by Union Electric Company and 50% being credited to Union Electric Company's Missouri retail electric customers.	
	If Return (R) > 12.50% and < or = to 15.00% then: Credit = {(R - 12.50%) * 50% * Rate Base * Common Equity %}	
E.	If Earned Return on Common Stock Equity is > 15.00% and is < or = to 16.00%, then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity between 15.00% and 16.00% is shared with 10% being retained by Union Electric Company and 80% being credited to Union Electric Company's Missouri retail electric customers.	
	If Return (R) > 15.00% and < or = to 16.00% then: Credit = {(R - 15.00%) * 80% * Rate Base * Common Equity %}	
F.	If Earned Return on Common Stock Equity is > 16.00% then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity over 16.00% is shared with 0% being retained by Union Electric Company and 90% being credited to Union Electric Company's Missouri retail electric customers.	
	If Return (R) > 16.00% then: Credit = {(R - 16.00%) * 90% * Rate Base * Common Equity %}	
	Total Customer Sharing Credits	$ -
	Associated Income Tax Expense Reduction (Items D Through F) (Customer Sharing Credits / Reciprocal of Effective Tax Rate) (Reciprocal of Effective Tax Rate = 1 - Effective Tax Rate) Effective Tax Rate at May 10, 2002 is 38.4%.	$ -
	Total Customer Sharing Credits Including Income Taxes	$ -

UNION ELECTRIC COMPANY
CALCULATION OF FUNDING FOR DOLLAR MORE AND THE AMEREN CDC
(WITH FUNDING DIVIDED EQUALLY BETWEEN THE TWO PROGRAMS)

	Earned Returns on Common Stock Equity	Dollar More & Ameren CDC Funding
A.	If Earned Return on Common Stock Equity is < 9.50%, then:	$ -
	No funding occurs and Union Electric Company has the option to file a rate increase case before the Missouri Public Service Commission.	
B.	If Earned Return on Common Stock Equity is = to or > 9.50% and is < or = to 10.50%, then:	$ -
	No funding occurs.	
C.	If Earned Return on Common Stock Equity is > 10.50% and is < or = to 12.50%, then:	$ 2,000,000
	That portion of Earned Return on Common Stock Equity between 10.50% and 12.50 % then $2 million is funded.	
D.	If Earned Return on Common Stock Equity is > 12.50% and is < or = to 15.00%, then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity between 12.50% and 15.00% is shared with 45% being retained by Union Electric Company and 5% being funded to Dollar More and the Ameren CDC.	
	If Return (R) > 12.50% and < or = to 15.00% then: Credit = {(R - 12.50%) * 5% * Rate Base * Common Equity %}	
E.	If Earned Return on Common Stock Equity is > 15.00% and is < or = to 16.00%, then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity between 15.00% and 16.00% is shared with 10% being retained by Union Electric Company and 10% being funded to Dollar More and the Ameren CDC.	
	If Return (R) > 15.00% and < or = to 16.00% then: Credit = {(R - 15.00%) * 10% * Rate Base * Common Equity %}	
F.	If Earned Return on Common Stock Equity is > 16.00% then:	$ -
	All of the above and that portion of Earned Return on Common Stock Equity over 16.00% is shared with 0% being retained by Union Electric Company and 10% being funded to Dollar More and the Ameren CDC.	
	If Return (R) > 16.00% then: Credit = {(R - 16.00%) * 10% * Rate Base * Common Equity %}	
	Total Customer Sharing Credits	$ -
	Associated Income Tax Expense Reduction (Items D Through F) (Customer Sharing Credits / Reciprocal of Effective Tax Rate) (Reciprocal of Effective Tax Rate = 1 - Effective Tax Rate) Effective Tax Rate at May 10, 2002 is 38.4%.	$ -
	Total Customer Sharing Credits Including Income Taxes	$ -

UNION ELECTRIC COMPANY
12 MONTHS ENDED xxxx xx, 20xx

EARNINGS REPORT

ALLOCATION FACTORS

	TOTAL ELECTRIC	MISSOURI JURISDICTIONAL
Fixed	100.00%	%
Variable	100.00%	%
Nuclear	100.00%	%
Distribution	100.00%	%
Mo. Distribution Plant	100.00%	%
Labor	100.00%	%
Net Plant	100.00%	%
Operating Revenues	100.00%	%
Operating Expenses	100.00%	%
Callaway Post Operational	100.00%	%
EPRI	100.00%	%

AmerenUE CEO says utility is doing all it can to win "overcharge" case

BY REPPS HUDSON
Of the Post-Dispatch

At Ameren Corp.'s annual meeting Tuesday, Don Potashnick, a shareholder from Chesterfield, expressed an investor's point of view in the utility's case of alleged overearnings before the Missouri Public Service Commission.

In the case, the commission's staff has charged that AmerenUE, a subsidiary of Ameren, made $246 million to $285 million more than it should have in the last year of a six-year experimental rate plan.

Ameren officials have agreed to charge lower rates, retroactive to April 1, if the five-member commission rules later this year that the utility was making too much money under the experimental plan.

"How can the staff make a recommendation that (would) so penalize the major power producer in the state?" asked

See Ameren, C9

Ameren

CEO Mueller calls case "our biggest focus"

Continued from C1

Potashnick, 64, a retired pharmaceutical sales manager.

In the meeting's half-hour question period, Potashnick asked Chief Executive Charles W. Mueller, who presided over the meeting, how the utility could have failed to apply pressure on the commission and its staff to prevail in the case.

"We are doing everything allowed by law to get our point across," Mueller said in response to the question.

Potashnick said that if the commission rolled back or eliminated the rate increase, Ameren's annual profit could fall by close to 50 percent, based on last year's profit of $468.5 million.

"If the PSC rules as the staff does, it will put (Ameren) behind the eight ball. It will hurt its credit rating," Potashnick said. "If (Ameren) is doing a good job, why should it be punished for being successful and saving the customers money?"

Mueller called the case "our single biggest focus going forward" over the next few months.

Ameren will file a response to the staff's allegations of overearnings, based on a return on equity of 8.91 percent to 9.91 percent, which Mueller said is below the industry standard of 11 percent to [illegible] percent.

In prepared remarks, Mueller said: "This proposed rate reduction is coming at a time when significant investments will need to be made to our energy infrastructure so that we can continue to provide reliable service to our customers and the state of Missouri. Electric revenue reductions of this magnitude would cripple our ability to make these investments."

Ameren officials have circulated estimates of lost taxes to state and local governments of $35.3 million to $41.3 million if the commission rules against earnings of $246 million to $285 million. Ameren also has made its case in newspaper ads and its annual report.

It argues that it has reduced rates four times since 1987 and that its rates are among the lowest in the nation even though it had an experimental rate plan that allowed it to keep some profit while sharing other profit with customers. Ameren says it has credited more than $425 million to rate payers under the plan.

Utility stock analysts like to say that the days are gone in which regulated utilities make good investments for widows, orphans and retired people simply because they are regulated monopolies with low risk and sound dividends. Still, said Gary L. Rainwater, president and chief operating officer, Ameren Corp. gets 85 percent of its profit from its regulated operations.

Analysts say they like utilities that embrace incentive-rate plans, similar to the two three-year plans under which AmerenUE operated until June 30, 2001.

Since the commission voted to end the plan last year, AmerenUE has continued to charge the rates it did under the experimental plan. But it is no longer required to credit customers with a part of its profit.

John Coffman, acting head of the state's Office of Public Counsel, has said the utility is pocketing millions of dollars a day in extra profit because the commission has yet to settle the rate case.

In another matter, Rainwater, heir-apparent to Mueller's job, told a questioner that Ameren was not interested in investing in so-called mine-mouth power plants that burn high-sulfur Illinois coal right out of the mine.

Reporter Repps Hudson:
E-mail: rhudson@post-dispatch.com
Phone: 314-340-8208

SOURCE:
St. Louis Post-Dispatch
April 24, 2002; Section C

Schedule 2

AmerenUE Stock Price vs. Dow Jones Utility Index
Event: Staff Files EARP Evaluation - February 1, 2001

Schedule 3-1 has been deemed Proprietary in its entirety.

NP
Schedule 3-1

AmerenUE Stock Price vs. Dow Jones Utility Index
Events: Staff Files Rate Case - July 2, 2001
Moody's Downgrades Ameren's Credit Rating - July 12, 2001

****Schedule 3-2 has been deemed Proprietary in its entirety.****

NP

Schedule 3-2

SCHEDULE 4

See separately bound
"WHITE PAPER ON
INCENTIVE REGULATION:
ASSESSING UNION ELECTRIC'S
EXPERIMENTAL ALTERNATIVE
REGULATION PLAN".