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Issue(s):
Witness: Michael G. O'Bryan
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: February 11, 2010

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Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

REBUTTAL TESTIMONY

OF

MICHAEL G. O'BRYAN

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
February 11, 2010**

UE Exhibit No. 116
Date 3-18-10 Reporter KE
File No. ER-2010-0036

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL G. O'BRYAN**

4
5 **CASE NO. ER-2010-0036**

6 **Q. Please state your name and business address.**

7 A. My name is Michael G. O'Bryan. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, MO 63103.

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

10 A. I am employed by Ameren Services Company as a Senior Capital Markets
11 Specialist in Corporate Finance.

12 **Q. Are you the same Michael G. O'Bryan who filed direct testimony in this**
13 **case?**

14 A. Yes, I am.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to (1) update AmerenUE's capital
17 structure, consistent with the Jointly Proposed Procedural Schedule, Related Procedural Items,
18 and Test Year True-Up Cut-Off Date¹, to reflect material known and measurable changes to the
19 Company's capital structure since the end of the test year—March 31, 2009, and (2) to quantify
20 the flotation costs directly attributable to AmerenUE associated with Ameren Corporation's
21 September 2009 common stock offering.

22 Ameren Corporation made an equity infusion into AmerenUE on September 28, 2009 in
23 the amount of \$436 million, thereby increasing the Company's common equity balance by a like

¹ Filed by the parties to this case on September 11, 2009.

1 amount. The updated capital structure and cost of capital summary is shown in Schedule
2 MGO-ER5.

3 **Q. Have you prepared or has there been prepared under your direction and**
4 **supervision any schedules relating to overall fair rate of return in this proceeding?**

5 A. Yes, I am sponsoring Schedules MGO-ER5 through MGO-ER9 for that purpose.
6 Schedules MGO-ER5 through MGO-ER8 are based upon the twelve months ended
7 December 31, 2009. The schedules are designated as follows:

8 Schedule MGO-ER5 Capital Structure / Weighted Average Cost of Capital

9 Schedule MGO-ER6 Embedded Cost of Long-Term Debt

10 Schedule MGO-ER7 Cost of Short-Term Debt

11 Schedule MGO-ER8 Embedded Cost of Preferred Stock

12 Schedule MGO-ER9 AmerenUE Flotation Costs Calculations

13 **Q. Please describe the updated capital structure of AmerenUE.**

14 A. As outlined on Schedule MGO-ER5, the updated capital structure of AmerenUE
15 on December 31, 2009 consisted of 47.390% long-term debt, 0% short-term debt, 1.484%
16 preferred stock and 51.126% common equity. The methodologies used to calculate both the
17 balances and the costs of each of the capital components were consistent with those that were
18 explained and used in my direct testimony and the attached schedules.

19 **Q. Please describe the updated costs of capital of AmerenUE.**

20 A. Reflecting AmerenUE return on equity ("ROE") witness Dr. Roger Morin's
21 updated cost of equity cited in his rebuttal testimony, I have adjusted Schedule MGO-ER5 to
22 reflect a 10.800% cost of equity. As calculated in Schedule MGO-ER6 and shown in Schedule
23 MGO-ER5, AmerenUE's cost of long-term debt as of December 31, 2009 is 5.944%. As stated

1 earlier, the Company has no short-term debt in the capital structure and AmerenUE's cost of
2 preferred stock remained at 5.189% (as calculated in Schedule MGO-ER8 and also shown in
3 Schedule MGO-ER5). As a result of these cost of capital changes as well as the capital structure
4 updates described earlier, AmerenUE's updated weighted average cost of capital, as shown in
5 Schedule MGO-ER5 is 8.416%.

6 **Q. Please explain the purpose and effects of the \$436 million equity infusion by**
7 **Ameren Corporation into AmerenUE.**

8 A. The \$436 million equity infusion was made on September 28, 2009 using a
9 portion of the \$535 million in net proceeds from Ameren Corporation's common stock offering
10 on September 15, 2009. The infusion was made to enhance AmerenUE's credit quality by
11 strengthening its capital structure and ratings metrics and was consistent with the Company's
12 stated goal of maintaining 50%-55% common equity in the capital structure.

13 **Q. Please quantify AmerenUE's share of the flotation costs associated with the**
14 **September 2009 Ameren Corporation common stock offering.**

15 A. The total net proceeds from Ameren Corporation's common stock issuance
16 ultimately reached \$535,161,125 with the exercise of the underwriters' overallotment option.
17 AmerenUE received an infusion of equity in the amount of \$436,000,000 at the end of
18 September 2009 which can be traced directly from the proceeds of the Ameren common stock
19 offering earlier that month. Thus, AmerenUE incurred flotation costs representing a pro-rata
20 share of the total flotation costs incurred in the Ameren Corporation common stock offering
21 equal to \$436,000,000 divided by \$535,161,125, or 81.5%. Since the total expenses of the
22 common stock offering were \$16,820,711, AmerenUE's portion was \$13,703,966. Therefore,

Rebuttal Testimony of
Michael G. O'Bryan

1 \$13,703,966 represents flotation costs directly attributable to AmerenUE and recoverable in the
2 instant case. Please see Schedule MGO-ER9 for the detailed calculations.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A.** Yes, it does.

In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service.) Case No. ER-2010-0036
) Tracking No. YE-2010-0054
) Tracking No. YE-2010-0055

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

Barbara Lungwitz - Notary Public
Notary Seal, State of
Missouri - St. Louis City
Commission #07516095
My Commission Expires 9/2/2011

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

at 12/31/2009:

CAPITAL COMPONENT	AMOUNT	PERCENT OF TOTAL	COST	WEIGHTED COST
Long-Term Debt	\$3,655,810,419	47.390%	5.944%	2.817%
Short-Term Debt	\$0	0.000%	0.000%	0.000%
Preferred Stock	\$114,502,040	1.484%	5.189%	0.077%
Common Equity	\$3,944,011,192	51.126%	10.800%	5.522%
TOTAL	\$7,714,323,651	100.000%		8.416%

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

As December 31, 2009

SERIES C1	COUPON (a) C2	ISSUED C3	MATURITY C4	PRINCIPAL C5	FACE AMOUNT OUTSTANDING C6	UNAMORTIZED BALANCES			CARRYING VALUE C10	ANNUALIZED COUPON INT. C11	ANNUALIZED AMORTIZATION			ANNUALIZED INT. EXP. C15	EMBEDDED COST C16
						DISC/(PREM) C7	ISSUE EXP. C8	LOSS C9			DISC/(PREM) C12	ISSUE EXP. C13	LOSS C14		
Senior Secured Notes	5.250%	22-Aug-02	01-Sep-12	\$173,000,000	\$173,000,000	\$53,984	\$326,624			\$9,082,500	\$20,244	\$122,484			
Senior Secured Notes	4.650%	07-Oct-03	01-Oct-13	\$200,000,000	\$200,000,000	\$148,995	\$595,125			\$9,300,000	\$39,732	\$158,700			
Senior Secured Notes	5.500%	18-May-04	15-May-14	\$104,000,000	\$104,000,000	\$156,615	\$329,766			\$5,720,000	\$35,460	\$74,664			
Senior Secured Notes	4.750%	09-Apr-03	01-Apr-15	\$114,000,000	\$114,000,000	\$81,333	\$397,026			\$5,415,000	\$15,492	\$75,624			
Senior Secured Notes	5.400%	08-Dec-05	01-Feb-16	\$260,000,000	\$260,000,000	\$447,848	\$1,164,538			\$14,040,000	\$72,624	\$188,844			
Senior Secured Notes	6.400%	15-Jun-07	15-Jun-17	\$425,000,000	\$425,000,000	\$280,440	\$2,357,640			\$27,200,000	\$37,392	\$314,352			
Senior Secured Notes	6.000%	08-Apr-08	01-Apr-18	\$250,000,000	\$250,000,000	\$622,809	\$1,533,807			\$15,000,000	\$75,492	\$185,916			
Senior Secured Notes	5.100%	28-Jul-03	01-Aug-18	\$200,000,000	\$200,000,000	\$60,667	\$985,195			\$10,200,000	\$7,068	\$114,780			
Senior Secured Notes	6.700%	19-Jun-08	01-Feb-19	\$450,000,000	\$450,000,000	\$1,131,529	\$2,861,359			\$30,150,000	\$124,572	\$315,012			
Senior Secured Notes	5.100%	23-Sep-04	01-Oct-19	\$300,000,000	\$300,000,000	\$83,772	\$1,566,747			\$15,300,000	\$8,592	\$160,692			
Senior Secured Notes	5.000%	27-Jan-05	01-Feb-20	\$85,000,000	\$85,000,000	\$452,540	\$480,491			\$4,250,000	\$44,880	\$47,652			
First Mortgage Bonds	5.450%	15-Oct-93	01-Oct-28	\$44,000,000	\$44,000,000	\$182,925	\$335,925			\$2,398,000	\$9,756	\$17,916			
Senior Secured Notes	5.500%	10-Mar-03	15-Mar-34	\$184,000,000	\$184,000,000	\$1,603,410	\$1,407,276			\$10,120,000	\$66,120	\$58,032			
Senior Secured Notes	5.300%	21-Jul-05	01-Aug-37	\$300,000,000	\$300,000,000	\$876,488	\$2,570,215			\$15,900,000	\$31,776	\$93,180			
Senior Secured Notes	8.450%	20-Mar-09	15-Mar-39	\$350,000,000	\$350,000,000	\$1,136,187	\$3,389,607			\$29,575,000	\$38,844	\$115,884			
Subordinated Debentures	7.690%	16-Dec-96	15-Dec-36	\$65,500,000	\$65,500,000	\$386,856	\$89,424			\$5,036,950	\$14,328	\$3,312			
Environmental Improvement, Series 1992	0.723%	01-Dec-92	01-Dec-22	\$47,500,000	\$47,500,000		\$370,297			\$343,425		\$97,800			
Environmental Improvement, Series 1998 ABC	0.971%	04-Sep-98	01-Sep-33	\$160,000,000	\$160,000,000		\$1,676,364			\$1,553,800		\$391,452			
TOTAL LONG-TERM DEBT				\$3,712,000,000	\$3,712,000,000	\$7,706,398	\$22,437,426	\$25,045,757	\$3,655,810,419	\$210,584,675	\$642,372	\$2,536,296	\$3,548,280	\$217,311,823	5.944%

Carrying Value = Face Amount Outstanding less Unamortized Discount, Issuance Expenses, and Loss on Recquired Debt

$$C10 = C6 - C7 - C8 - C9$$

Annualized Interest Expense = Annual Coupon Interest plus Annual Amortization of Discount, Issuance Expenses, and Loss on Recquired 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 12/31/09 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
January 2009	\$498,500,000	\$890,441,062	\$909,203,721	\$0	1.059%
February	\$533,200,000	\$921,848,042	\$923,615,920	\$0	1.184%
March	\$270,000,000	\$943,774,020	\$919,212,603	\$0	1.122%
April	\$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	\$1,271,334,073	\$933,442,289	\$0	--
AVERAGE	\$251,308,333	\$1,025,999,141	\$933,584,272	\$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 December 31, 2009

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

$$C11 = C10 / C9$$

AmerenUE Flotation Costs
Ameren Corporation September 15, 2009 Common Equity Offering

Proceeds of the Offering:

Total net proceeds of offering to Ameren Corp.	\$535,161,125	
Use of proceeds:		
Equity infusion - AmerenUE	\$436,000,000	81.5%
Equity infusion - AmerenCILCO	\$25,000,000	4.7%
Equity infusion - AmerenCIPS	\$13,000,000	2.4%
Equity infusion - AmerenIP	\$61,000,000	11.4%

Expenses of the Offering:

Total underwriting fees	\$ 16,551,375
Other expenses of the offering	\$ 269,336
Total expenses of the offering	\$ 16,820,711

	x	81.5%
AmerenUE's share of the expenses of the offering		\$ 13,703,966