Exhibit No.:	
Issue:	Revenue Requirement
Witness:	Michael L. Brosch
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Missouri Industrial Energy Consumers
Case No.:	ER-2012-0166
Date Testimony Prepared:	July 6, 2012

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

	)	
In the Matter of Union Electric Company,	)	**Case No. ER-2012-0166**
d/b/a Ameren Missouri's Tariff to Increase	)	Tariff No. YE-2012-0370
Its Annual Revenues for Electric Service	)	
	)	

Direct Testimony and Schedules of

Michael L. Brosch

Revenue Requirement

On behalf of

Missouri Industrial Energy Consumers

NON-PROPRIETARY VERSION

July 6, 2012

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service	)	**Case No. ER-2012-0166** Tariff No. YE-2012-0370

STATE OF MISSOURI)
) **SS**
COUNTY OF JACKSON)

Affidavit of Michael L. Brosch

Michael L. Brosch, being first duly sworn, on his oath states:

1. My name is Michael L. Brosch. I am President of Utilitech, Inc., having its principal place of business at PO Box 481934, Kansas City, Missouri 64148. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2012-0166.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.

Michael L. Brosch
Michael L. Brosch

Subscribed and sworn to before me this 6 day of July 2012.

MARY JO BROSCH
Notary Public, State of Kansas
My Appointment Expires 07-19-2014

Mary Jo Brosch
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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<u>Direct Testimony of Michael L. Brosch</u>

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Michael L. Brosch. My business address is PO Box 481934, Kansas City, Missouri 64148.

Q WHAT IS YOUR PRESENT OCCUPATION?

A I am a Principal in the firm Utilitech, Inc., a consulting firm engaged primarily in utility rate and regulation work. The firm's business and my responsibilities are related to special services work for utility regulatory clients. These services include rate case reviews, cost of service analyses, jurisdictional and class cost allocations, financial studies, rate design analyses and focused investigations related to utility operations and ratemaking issues.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Missouri Industrial Energy Consumers ("MIEC"). Utilitech, Inc. was engaged by MIEC to review and address portions of the rate case revenue requirement and other matters raised by Ameren Missouri (or "Company"). Utilitech's work, as sponsored by Steven Carver and by me, complements that of other MIEC witnesses who will address other elements of the revenue requirement and rate design, including Messrs. Greg Meyer, Maurice Brubaker, Nicholas Phillips, Michael Gorman and James Dauphinais.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A My testimony is responsive to Ameren Missouri's earnings attrition claim and its proposal for non-traditional regulatory relief in the form of special Plant-in-Service Accounting ("PISA"), that would establish a new regulatory asset to accumulate deferred return on investment and depreciation associated with qualifying new plant investment added between rate case test years, for future recovery from ratepayers. My testimony also explains certain income tax issues associated with the Ameren Missouri revenue requirement and I sponsor several ratemaking adjustments to the Company's test year rate base and income tax expenses that are necessary to establish just and reasonable rates. The individual ratemaking adjustments I sponsor have been incorporated into the Schedules that are attached to my testimony.

EDUCATION AND EXPERIENCE

Q WHAT IS YOUR EDUCATIONAL BACKGROUND?

A Appendix A to this testimony is a summary of my education and professional qualifications that also contains a listing of my previous testimonies in regulatory proceedings in Missouri and other states.

Q PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE IN THE FIELD OF UTILITY REGULATION.

A My professional experience began in 1978, when I was employed by the Missouri Public Service Commission as part of the accounting department audit staff. While with the Staff from 1978 to 1981, I participated in rate cases involving Kansas City Power and Light Company, Missouri Public Service Company, Southwestern Bell and several smaller Missouri utilities. Since leaving the Commission Staff, I have worked as an independent consultant and have testified before utility regulatory agencies in Arizona, Arkansas, California, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Michigan, Missouri, New Mexico, Ohio, Oklahoma, Texas, Utah, Washington, and Wisconsin in regulatory proceedings involving electric, gas, telephone, water, sewer, transit, and steam utilities. I have participated in many electric, gas and telephone utility regulatory proceedings, as listed and described in Appendix A.

EXECUTIVE SUMMARY

Q PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A My testimony addresses Ameren Missouri's claimed inability to earn its authorized return and the Company's proposed new Plant-in-Service Accounting regulatory mechanism being proposed by Ameren Missouri witnesses Ms. Barnes, Mr. Reed and Mr. Weiss. I respond to the Company's claimed historical earnings shortfall and explain why the Commission should reject this new mechanism as inappropriate and unnecessary piecemeal ratemaking.

My testimony also describes several ratemaking adjustments that should be recognized in determining the Company's income tax expenses for the test year. The appropriate level of Accumulated Deferred Income Taxes ("ADIT") to be included in Ameren Missouri's rate base is also addressed in my testimony.

The income tax expense adjustments I sponsor include updates to federal tax credits included in income tax expenses (Schedule MLB-1) and recognition of the Missouri share of federal income tax savings arising from the payment of dividends on Ameren Corporation common stock held in employee benefit accounts (Schedule MLB-2).

The ADIT rate base adjustments I sponsor are to treat construction related ADIT amounts as rate base includable in conformance with past Ameren Missouri rate cases (Schedule MLB-3), to include ADIT amounts associated with Commission-approved deferral accounting for Sioux scrubber investments (Schedule MLB-4), to exclude certain Taum Sauk-related debit ADIT balances that Ameren Missouri inadvertently included in rate base (Schedule MLB-5), and to update and allocate federal tax credit carry-forward balances properly to Ameren Missouri rate base (Schedule MLB-6). It is my understanding that the Company's true-up filing will revise many of the amounts addressed in my adjustments, so MIEC reserves the right to respond to any Ameren Missouri-sponsored changes to income taxes and ADIT in rate base at the time true-up evidence is presented.

Q HOW DO THE RATEMAKING ADJUSTMENTS YOU SPONSOR IMPACT THE REVENUE REQUIREMENT BEING PROPOSED BY AMEREN MISSOURI?

A The following table summarizes the approximate revenue requirement impact of the adjustments set forth in Schedule MLB-1 through Schedule MLB-6:

Schedule	**Adjustment Description**	**Rate Base**	**Operating Income**	**Revenue Requirement**
MLB-1	Income Tax Credits		$ (623)	$ 1,006
MLB-2	ESOP Dividends Tax Deduction		1,740	(2,809)
MLB-3	ADIT - CWIP Related	$ (59,012)		(6,356)
MLB-4	ADIT - Sioux Construction Accounting	(9,823)		(1,058)
MLB-5	Eliminate ADIT for Taum Sauk	(1,829)		(197)
MLB-6	Deferred Tax Credit Carry-Forwards	(3,113)		(335)

REGULATORY LAG

Q WHAT IS REGULATORY LAG?

A In broadest terms, regulatory lag refers to the time it takes for information about changes in utility revenue requirement to be considered and then reflected within new approved revenue and rate levels. In Missouri and the many other states that employ historical test year ratemaking procedures, regulatory lag occurs from the cut-off date of revenue requirement true-up adjustments until the date new rates become effective. Notably, regulatory lag is relevant to only those changes in revenues, expenses, cost of capital and rate base that are not subject to continuous ratemaking through fuel adjustment and other rate adjustment clauses or through accounting authority orders that serve to synchronize cost and revenue changes.

Q IS REGULATORY LAG A COMPLETELY UNDESIRABLE CHARACTERISTIC OF UTILITY REGULATION?

A No. An important element of traditional test period regulation is the incentive created for management to control and reduce costs, so as to maximize the opportunity to actually earn at or above the authorized return level between rate case test periods. Traditional test year regulation is not continuous regulation, because prices established in a rate case are normally fixed for a period of years, causing any changes in actual costs or sales levels to be borne by utility shareholders or ratepayers before such changes can be translated into revised prices after a “next” rate case.[1] This passage of time between rate cases, commonly referred to as “regulatory lag,” serves to replace some of the efficiency incentive that is lost when prices are based upon costs to serve.

[1] Cost changes that are subject to rate adjustment tariffs, such as a Fuel Adjustment Clause, experience little or no regulatory lag because prudently incurred clause-includable costs can be fully recovered from ratepayers with no loss of earnings when such costs increase.

Q DOES AMEREN MISSOURI CLAIM TO HAVE EXPERIENCED HISTORICAL DIFFICULTY IN EARNING ITS AUTHORIZED LEVEL OF RETURN ON EQUITY ("ROE") DUE TO "REGULATORY LAG" IN MISSOURI?

A Yes. Company witnesses Mr. Baxter, Ms. Barnes and Mr. Weiss testify that Ameren Missouri has been unable to earn at reasonable levels in relation to Commission-authorized levels of ROE. Mr. Baxter presents a graph comparing Earned ROEs to Allowed ROEs from which he concludes, "…on a twelve-month rolling basis, Ameren Missouri has earned below the return that this Commission itself indicated was a fair return to earn in 46 out of 54 months—or nearly 85% of the time." He claims, "There are several factors which are driving this result, the most notable of which is the excessive regulatory lag inherent in the Missouri regulatory framework for our operating costs and investments."[2] In later testimony, Mr. Baxter asserts that the regulatory framework in Missouri does not facilitate the full recovery of costs incurred by Ameren Missouri asserting that, "…the rates we charge to customers are largely based on historical costs. Consequently, the revenues we collect from customers often 'lag' behind the actual costs we pay, which is especially detrimental to the Company in an environment in which costs are steadily increasing."[3]

Ms. Barnes sponsors what she calls, "Plant-in-Service Accounting[,]" which is said to be a "…regulatory treatment which would allow for the accrual of return and the deferral of depreciation expense during the period between when nonrevenue-producing assets are placed in service and the point when they become part of rate base following a rate case, offset by retirements and changes to the accumulated depreciation reserve."[4] I will refer to this Company proposal for Plant-in-Service Accounting as "PISA" and will address it in detail in the next section

[2]Direct Testimony of Warner Baxter, page 12, line 2 through page 14, line 4.
[3]Id., page 18, lines 3-9.
[4]Direct Testimony of Lynne Barnes, page 16, line 15.

of my testimony. According to Ms. Barnes, PISA is “necessary” because, “[u]nder the existing regulatory framework the real costs – the return and depreciation expense – associated with assets that are actually in-service and benefitting customers are completely lost between the time they are placed in service and the time when those assets can actually be included in rate base and reflected in rates.”[5] Ms. Barnes sponsors a graph that is said to quantify “Lost Depreciation & Return” since the end of the true-up period in the Company’s last Missouri rate case and concludes, “[d]uring that period alone, we estimate that the lost return and depreciation expense will total approximately $15 million as noted in the chart below.”[6]

Mr. Weiss also testifies that Ameren Missouri has not been able to earn the return on equity authorized by the Commission since new rates were established in the Company’s 2006 rate case. He claims, “[f]or the fifty-four months from June 8, 2007 through November 2011 (each a twelve month ending period) in which rates set in those cases were in effect, the Company’s earned return on equity (excluding the impact of the Taum Sauk Energy Center being out of service from December 2005 to April 2010) has consistently been below its authorized return on equity, as shown in the table below.”[7] Mr. Weiss sponsors a data table showing his monthly calculation of Ameren Missouri’s earned “Return on Equity” for a period starting in June 2007 and ending in November 2011 with a calculated average ROE during that period of 8.54%.

[5] Id., lines 21.
[6] Id., page 17, line 12.
[7] Direct Testimony of Gary Weiss, page 37, line 7.

Q DOES A FOURTH WITNESS FOR AMEREN MISSOURI ALSO WEIGH IN ON THIS ISSUE?

A Yes. Mr. John Reed was retained as a consultant by Ameren Missouri. He states that, "[t]he purpose of my direct testimony is to discuss the chronic inability of Ameren Missouri to earn what the Commission has determined is a fair return on equity." Mr. Reed summarizes his "key conclusions" as:

- Ameren Missouri has been denied the opportunity to earn its allowed return for years.
- Ameren Missouri's under-earning and need for frequent rate cases is due to a fundamentally changed business, economic and regulatory environment and ratemaking policies in Missouri that have not kept pace with these changes.
- Today's environment is marked by rising costs and stagnating sales, causing the historical paradigm of increased energy usage offsetting higher costs to be "gone."
- Regulatory practices such as historical test years and limited use of interim rates promotes regulatory lag and earnings attrition, denying a reasonable opportunity for Ameren Missouri to recover its costs.
- Utility return on and return of capital must be reasonable and fair to avoid forcing the utility to delay, defer or outright cancel investments, to the detriment of customers, and
- The majority of other jurisdictions, including Illinois, have addressed these issues through a variety of ratemaking mechanisms, but Missouri has not "kept pace" putting Ameren Missouri at a disadvantage in raising capital.[8]

Mr. Reed recommends that Ameren Missouri's proposed PISA treatment and storm tracker are well-designed and an appropriate means to improve Ameren Missouri's opportunity to recover certain costs incurred between test years and will provide a more reasonable opportunity to earn its authorized ROE, such that he "strongly recommends" the approval of these mechanisms. I will respond to Mr. Reed's arguments in the next section of my testimony.

[8] Direct Testimony of John Reed, pages 5-7.

Q DOES THE HISTORICAL EARNINGS INFORMATION THAT IS SPONSORED BY AMEREN MISSOURI'S WITNESSES INDICATE A NEED TO REVISE THE MISSOURI REGULATORY FRAMEWORK TO ADDRESS EXCESSIVE REGULATORY LAG?

A No. Ameren Missouri's historical earnings information does not support major modifications to the Missouri regulatory framework. First, to state the obvious, utility ratemaking is concerned with <u>current and anticipated</u> financial conditions and is inherently prospective in nature, such that the Company's historical earnings levels will tell us nothing about the adequacy of future rates.

Second, Ameren Missouri's calculations supportive of Mr. Weiss's data table and Mr. Baxter's chart are not prepared on a regulatory basis of accounting[9] that conforms with past Commission ratemaking decisions, causing these calculations to understate earnings and thereby exaggerate Ameren Missouri's claimed inability to achieve reasonable earnings. When corrected for these problems, Ameren Missouri's historical earnings performance is relatively strong and does not reveal any structural inadequacy in the Missouri regulatory framework.

Third, in evaluating earned returns of public utilities, it is unreasonable to excuse Company management from its responsibilities in controlling costs and maximizing operational efficiencies. The Commission-authorized return on equity must be viewed as an opportunity to earn and not a guaranteed level of return as implied by the Company's retrospective ROE calculations and testimony surrounding this issue.

[9] A regulatory basis of accounting differs from the Generally Accepted Accounting Principles ("GAAP") that govern public financial reporting of utilities. Regulatory accounting starts with GAAP financial reports, but then recognizes applicable regulatory rules and policies of the Commission, including the removal of expenses or rate base investments that have been previously excluded by the Commission in determining revenue requirements.

Additionally, available recent and projected financial information suggests an improving trend in earnings and costs and Ameren Missouri's favorable position arising from its significant income tax Net Operating Loss ("NOL") carry-forward position will allow the Company to avoid the payment of income taxes for several years, further improving internal cash flows and reducing rate base growth while new rates are in effect.

Q HAVE THE AMEREN MISSOURI WITNESSES PRESENTED ANY PROJECTED FINANCIAL DATA FOR AMEREN MISSOURI TO SHOW THAT FUTURE EARNINGS ATTRITION WILL OCCUR AFTER RATES ARE APPROVED IN THIS CASE NO. ER-2012-0166?

A No. The Company's witnesses have produced no attrition studies and provide no projections of Ameren Missouri's rate base, operating expenses or rate base to demonstrate either a credible expectation of future earnings attrition or any showing that the proposed PISA or storm cost tracker accounting are appropriately calibrated to address such quantified attrition.[10]

Q WOULD THE USE OF A FORECASTED TEST YEAR RESULT IN REDUCED REGULATORY LAG OR AN IMPROVED OPPORTUNITY FOR AMEREN MISSOURI TO EARN HIGHER RETURNS?

A Not necessarily. My experience with forecasted test years in Illinois and Hawaii is that the revenue requirement dialogue tends to shift from concerns surrounding normalizing and updating recorded actual accounting data to a different and more

[10] In response to MIEC Data Request 15.7, Ameren provided Highly Confidential ROE reconciliation calculations to explain reasons why the Company failed to earn authorized ROE levels in 2010 and 2011. The most significant causes of variation between allowed and earned ROEs in these years had to do with **____**

abstract set of concerns about the reasonableness of forecasted amounts, often with no corresponding reduction in complaints by utility witnesses about earnings attrition. This occurs because the ratemaking process is always limited in its ability to accurately predict future conditions and must necessarily rely upon available data, either recorded or projected, at the point in time when the record in the regulatory proceeding is open.

Q HAVE YOU REVIEWED ANY PROJECTED AMEREN MISSOURI FINANCIAL DATA THAT INDICATES WHETHER AMEREN MISSOURI SHOULD EXPERIENCE SIGNIFICANT EARNINGS ATTRITION IN MISSOURI WHEN NEW RATES FROM THIS PENDING RATE CASE ARE EFFECTIVE?

A The available projected financial data suggests that earnings attrition is not likely to be a problem for Ameren Missouri. In its Highly Confidential response to MIEC Data Request No. 6.5, Ameren Missouri provided projections of its income statement and balance sheet for the years 2012 through 2016. The projected financial data for Ameren Missouri in this response reveals an expectation for **__________** non-fuel Operations and Maintenance ("O&M") expenses in a narrow range from **____ ______________** across all years. Similarly, there is an expectation for **_______ _____________** in Ameren Missouri's long term debt and equity capital from **____ ____ ______** in rate base over the next four years which, when coupled with **________** O&M levels, suggests that the Company expects only modest upward pressure on revenue requirements over the next few years.

Q THE COMPANY'S EVIDENCE REGARDING ALLEGED ATTRITION IS FOCUSED UPON HISTORICAL EARNINGS AND ROE DATA. IS THERE A PROBLEM WITH MR. WEISS'S EARNINGS TABLE AND MR. BAXTER'S ACHIEVED ROE CHARTS THAT ARE PRESENTED IN THEIR DIRECT TESTIMONIES?

A Yes. The data relied upon by Mr. Weiss and Mr. Baxter to analyze historical earnings was not prepared on a regulatory basis of accounting. The only adjustment made to recorded actual book revenues and expenses was to reflect the impact of Taum Sauk being out of service between December 2005 and April 2010.[11] This use of per books (rather than regulatory basis) accounting data that is not consistent with this Commission's prior ratemaking decisions tends to understate actual earnings and ROE. The Company's own filing reveals the need to make significant adjustments to recorded rate base expenses in the following areas:

- Rate base is reduced in Ameren Missouri's filing by Mr. Weiss's Adjustment 5 to reduce Plant-in-Service for a portion of incentive compensation paid and capitalized but that has either been disallowed or recovery not requested.[12]
- Short-term incentive compensation expense is partially removed in Ameren Missouri's filing in Mr. Weiss's Adjustment 2, consistent with the treatment in prior rate cases.[13]
- Long-term incentive compensation expense is eliminated in Ameren Missouri's Adjustment 3.[14]
- Various normalization adjustments are required to account for variations in nuclear refueling outage timing[15] and for abnormal storm costs recorded within operating expenses,[16] as well as numerous other normalization and annualization adjustments that are described in Mr. Weiss's testimony as necessary because per book recorded expenses are not reasonably stated for ratemaking purposes without such adjustments.

[11] Ameren response to MIEC Data Request 15.4 (d).

[12] Direct Testimony of Gary Weiss, page 10, line 14. At page 12, lines 1-4 the corresponding reduction to accumulated depreciation and amortization is described.

[13] Id., page 22, line 11.

[14] Id., page 22, line 16.

[15] Id., page 24, lines 14-23.

[16] Id., page 25, lines 11-17.

If one is to compare a utility's actual earnings and return on investment/equity to Commission-authorized levels, it is essential to employ a regulatory basis of accounting, which would include many of the adjustments proposed in the Company's filing as well as all incremental adjustments proposed by Staff and other parties that are ultimately approved in the Commission's Order in this case. Failure to eliminate disallowed expenses or rate base investment amounts when calculating achieved returns may suggest an apparent problem with earnings attrition, when the actual problem is utility management's decision to continue to incur costs that have been determined to be improper by the regulator.

Q ARE THERE OTHER PROBLEMS WITH MR. WEISS'S CALCULATED EARNINGS AND ROE VALUES IN HIS DATA TABLE AT PAGES 38 AND 39 OF HIS DIRECT TESTIMONY AND IN THE GRAPHS AT PAGES 13 AND 14 OF MR. BAXTER'S DIRECT TESTIMONY?

A Yes. In its Report and Order issued July 13, 2011 in the Company's last rate case (Case No. ER-2011-0028), the Commission decided, "Ameren Missouri shall not include any amount of the cost to rebuild the upper reservoir of the Taum Sauk plant in its rate base."[17] This decision caused Ameren Missouri to record a write-off of its investment in the plant, resulting in an income charge of $55.7 million net of income taxes in August of 2011, which amounts have been reflected as a reduction to Operating Income and earned returns in Mr. Weiss's and Mr. Baxter's analysis of earned ROE.[18] In addition to the Taum Sauk write-off, the return calculations presented by the Company's witnesses appear to also be lower because of Commission-ordered disallowances of certain Fuel Adjustment Clause amounts in

[17]Report and Order issued July 13, 2011 in ER-2011-0028, page 58.
[18]Ameren response to MIEC Data Request 15.4 Attachment spreadsheet support for ROE Graph.

Case No. EO-2010-0255.[19] If the Commission were to rely upon the Company's historical earnings calculations containing these adjustments as the basis to grant any incremental financial relief to Ameren Missouri, the effect would be to undermine the effect of the prior Commission disallowances and cause ratepayers to bear costs already found to be improper in previous decisions.

Q DO YOU AGREE WITH MR. REED'S TESTIMONY THAT AMEREN MISSOURI HAS BEEN DENIED THE OPPORTUNITY TO EARN ITS ALLOWED RETURN BECAUSE OF REGULATORY LAG?[20]

A No. Missouri ratemaking policies include a number of measures that have the effect of reducing or eliminating regulatory lag, so as to enhance the earnings opportunity that is provided to regulated electric utilities while also protecting ratepayers from excessive or unreasonable costs. These include:

- Comprehensive true-up calculations to update major components within the historical rate base and selected elements of operating income for recent actual data, subject to verification and reconciliation of such updated amounts.
- A fuel adjustment clause allowing rate adjustments to track changes in fuel, purchased power and off-system sales, so that variability in these prudently incurred costs does not contribute to earnings attrition or income volatility.
- Regulatory asset/liability accounting for changes in pension and other post-employment benefit costs, so that variability in these prudently incurred costs does not contribute to earnings attrition or income volatility.
- Regulatory asset/liability accounting for Energy Efficiency program funding, FIN 48 liability settlements, vegetation management costs and large storm restoration expenditures, so that variability in these prudently incurred costs does not contribute to earnings attrition or income volatility.
- For major construction projects with advance Commission approval, continuation of post-in-service AFUDC and deferral of depreciation expenses until such project costs are formally included in a subsequent rate proceeding.

[19]Id. Note 2 in the Attachment indicates inclusion of disallowances for FAC of $10.5 million.
[20]Direct Testimony of John Reed, page 6, lines 3-9.

These measures all have the effect of insulating Ameren Missouri from regulatory lag impacts in targeted areas where management is believed to have less discretionary control over incurred costs.

Q ACCORDING TO MR. REED, REGULATORY LAG IS A LARGER PROBLEM TODAY BECAUSE, "THE INDUSTRY IS IN AN ENVIRONMENT OF RISING COSTS AND ESSENTIALLY FLAT OR DECLINING SALES VOLUMES PER CUSTOMER."[21] SHOULD THE MISSOURI REGULATORY FRAMEWORK BE FURTHER MODIFIED TO THE ADVANTAGE OF REGULATED ELECTRIC UTILITIES AT THIS TIME?

A No. Current levels of general inflation are relatively low, interest rates at which utilities can finance rate base or refinance currently outstanding debt are at historically low levels, technological improvements continue to drive productivity gains and management should not be excused from the responsibility to control costs in this generally favorable overall business environment. Flat or declining sales volumes "per customer" do not mean that Ameren Missouri cannot experience growing sales volumes from the effects of adding new residential and small commercial customers or from expanding sales to large industrial customers. I understand that the Company is seeking financial consideration for any negative sales per customer trends under the Missouri Energy Efficiency Investment Act ("MEEIA").[22]

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[21] Id., page 9, lines 4-14.

[22] According to Ameren Corporation's SEC Form 10Q issued May 10, 2012 at Overview, "Ameren Missouri also made its initial MEEIA filing with the MO PSC in January 2012. Ameren Missouri's MEEIA filing requested an enhancement to the existing regulatory framework for energy efficiency programs and related throughput disincentives that result from these programs."

Q DO YOU AGREE WITH MR. REED'S OBSERVATION THAT UTILITY REGULATION IN MISSOURI HAS NOT "KEPT PACE, PUTTING AMEREN AT A DISADVANTAGE IN RAISING CAPITAL?"[23]

A No. Electric utility regulation in Missouri is consistent with methods used in many other states and is not inadequate in any material respect. As noted previously, Missouri employs quite liberal test year true-up calculations and has authorized a fuel adjustment clause and many other cost tracking mechanisms for certain of Ameren Missouri's larger, potentially volatile and difficult to control costs. Ameren Missouri's own calculations of earned returns, despite having many flaws that tend to understate achieved returns, show a remarkably stable stream of earnings throughout the major economic downturn and subsequent feeble economic recovery that has been experienced in the past several years, indicating the overall effectiveness of the regulatory approach employed by this Commission. Notably, Ameren Missouri has made no showing of any inability to raise capital on reasonable terms and Mr. Baxter testifies that Ameren Missouri's capital investments in energy infrastructure were approximately $3.2 billion from 2007 to 2011,[24] resulting in "measurable reliability improvements" and "significantly reduced emissions" and "improved reliability" at generating stations.[25]

[23]Direct Testimony of John Reed, page 22, lines 5-8; pages 33-46.
[24]Direct Testimony of Warner Baxter, page 8, line 10.
[25]Id., page 10, lines 8-12.

Q AT PAGE 19 OF HER TESTIMONY, MS. BARNES STATES THAT APPROVAL OF HER PISA MECHANISM WOULD, "…PUT THE COMPANY IN A BETTER POSITION TO MAKE INCREMENTAL INFRASTRUCTURE INVESTMENTS ON A TIMELY BASIS TO REPLACE ITS AGING INFRASTRUCTURE AND MAINTAIN AND IMPROVE OVERALL SYSTEM RELIABILITY."[26] HAS AMEREN MISSOURI IDENTIFIED OR QUANTIFIED ANY INABILITY IN RECENT YEARS TO REPLACE ITS AGING INFRASTRUCTURE UNDER TRADITIONAL MISSOURI REGULATION?

A No. When asked to explain this testimony with specificity and documentation, the Company could not identify any inability to finance required infrastructure replacement projects or list any necessary projects that had been deferred. Instead, Ameren Missouri stated in response to OPC Data Request 1013 that, "[a]s part of the annual budgeting and forecasting processes, the company is always prioritizing where to deploy its limited resources for the greatest benefit or to mitigate the greatest risk."[27]

Q IS MS. BARNES OR AMEREN MISSOURI AWARE OF ANY REGULATORY JURISDICTION OUTSIDE OF MISSOURI THAT HAS APPROVED THE PLANT-IN-SERVICE ACCOUNTING MECHANISM THAT IS BEING PROPOSED BY THE COMPANY IN THIS CASE?

A No other regulatory jurisdictions are identified as having approved a PISA mechanism in the testimony of Ameren Missouri's witnesses. According to the Company's

[26] Direct Testimony of Lynn Barnes, page 19, line 18.

[27] Ameren response to MIEC Data Request 10.36 referred to OPC 1013 containing the referenced quote and additional details regarding Ameren's capital budget optimization approach. No list of delayed or eliminated capital projects is available under the Company's capital budgeting processes.

response to MIEC Data Request 10.39, “We have not conducted any research regarding what other jurisdictions have done in this regard.”

Q HAS THE COMPANY PRESENTED ANY COMPELLING FINANCIAL JUSTIFICATION FOR ITS “PISA” PROPOSAL?

A No. The Company’s proposal for PISA accounting should be rejected as excessive and unnecessary because Ameren Missouri has not shown regulatory lag to be a significant ongoing problem that merits such extraordinary and open-ended piecemeal relief. I will address more specific problems with the PISA proposal in the next section of my testimony.

PLANT-IN-SERVICE ACCOUNTING (“PISA”) PROPOSAL

Q WHAT ARE THE SPECIFIC PROVISIONS OF AMEREN MISSOURI’S PROPOSED PISA ACCOUNTING MECHANISM?

A According to Ameren Missouri witness Ms. Barnes, “Plant-in-Service Accounting refers to regulatory treatment which would allow for the accrual of return and the deferral of depreciation expense during the period between when nonrevenue-producing assets are placed in service and the point when they become part of rate base following a rate case, offset by retirements and changes to the accumulated depreciation reserve. This practice is similar to what has sometimes been referred to as construction accounting.”[28] This proposal would exclude, “[a]sset additions that are related to new service connections which generate revenue (i.e., new business) and the included plant additions would be “offset” for “retirements and increases in accumulated depreciation not already reflected in rates during the same time

[28]Direct Testimony of Lynne Barnes, page 16, line 14.

period[,]" which she claims, "…means that we are only requesting this treatment on the 'net' change in plant-in-service that is unrelated to new business."[29]

Q WOULD THE COMPANY'S PISA PROPOSAL CREATE A NEW REGULATORY ASSET THAT WOULD LEAD TO HIGHER FUTURE UTILITY RATES FOR CUSTOMERS?

A Yes. Ms. Barnes proposes that, "[t]he depreciation and return amounts for net plant additions occurring after the true-up period for this case would be recorded as a regulatory asset as it accumulates between rate cases. In a future rate case, the Company would include these deferred amounts in its revenue requirement to be amortized in rates set in that future rate case over the lives of the underlying assets, thus minimizing the impact to customers in a particular year."[30] Recovery of these new regulatory asset balances would create incremental rate increases in the future, above and beyond any changes in traditionally determined revenue requirements in future test years.

Q ARE THERE POLICY REASONS WHY THE COMPANY'S PISA PROPOSAL SHOULD NOT BE GRANTED BY THE COMMISSION?

A Yes. The Company's PISA proposal represents improper single-issue ratemaking that should not be approved by the Commission in the absence of compelling justification for such non-traditional regulation. In general, utility rates should be revised based upon an overall assessment of changes in the <u>overall</u> costs incurred to provide service, capturing all changes in revenues, expenses, rate base and cost of capital at a common and "matched" point in time – the test year. This is necessary

[29] Id., page 18, lines 5-12.
[30] Id., page 18, lines 14-19.

because of the dynamic nature of utility expenses and investment, with some elements of cost increasing while others are decreasing. Ameren Missouri's proposal would focus upon a subset of the overall revenue requirement that is known to be growing and then establish cost-tracking deferral accounting for only these costs, ignoring the changes in other costs and revenues that may also be occurring between test years.

The granting of a piecemeal regulatory mechanism for selected elements of this otherwise "matched" updating of prices and costs is an extraordinary form of regulatory relief that should be granted only when warranted by unusual circumstances. As noted in the prior section of my testimony, Ameren Missouri has failed to prove a need for such extraordinary ratemaking for net plant additions between rate case test years.

The PISA proposal is also poor regulatory policy because it would remove the regulatory lag efficiency incentive that presently exists and that serves to encourage management to carefully optimize capital budgets and control actual capital expenditures. PISA would allow fairly automatic future recovery of whatever amounts are spent by Ameren Missouri on new qualifying capital additions. Adoption of PISA can be expected to blunt the normally extant incentives for cost optimization arising from regulatory lag.

Finally, PISA is poor policy in creating an entirely new deferral accounting regime that would require the investment of time and resources for incremental regulatory audit staff attention and review. If PISA were granted for use by Ameren Missouri, it would be reasonable to expect other Missouri utilities to clamor for approval of a similar form of open-ended plant investment deferral mechanism to increase their earnings, which would further burden the Commission and its Staff with new administrative responsibilities.

Q DOES THE COMPANY'S PROPOSED EXCLUSION OF "REVENUE PRODUCING" FUTURE PLANT ADDITIONS FROM PISA TREATMENT RESOLVE ANY PROBLEMS WITH PIECEMEAL RATEMAKING AND MATCHING?

A Not really. New customers that are connected and served by the Company will cause new revenues and new expenses to be incurred. It is likely that any new customers' actual contribution to Ameren Missouri's fixed costs, in the form of new revenues less marginal energy and customer service costs, would not be precisely tied to the revenue requirement associated with new plant investments made to make such connections. The exclusion from PISA of new utility plant investments dedicated to connecting and serving any new customers would only superficially serve to prevent double recovery of such investment costs (recovering such costs initially through new margin revenues earned by serving the new customers, and later through recovery of the PISA deferrals and future rate increases). Ameren Missouri's proposed removal of "revenue producing" new plant will not accurately account for incremental profits from new customers because of differences in marginal revenues compared to incremental expense and investment costs with each new customer.

Q IS IT EASY TO IDENTIFY AND EXCLUDE FROM PISA EACH OF AMEREN MISSOURI'S PLANT ADDITION PROJECTS THAT EXPAND THE COMPANY'S CAPABILITY TO SERVE NEW LOADS?

A No. Some distribution system investments are made to reinforce the load serving capability of existing feeders and substations and such investments are useful to serve both newly connected customers as well as all existing customers. However, the PISA mechanism would likely <u>not</u> exclude these plant investments made for general system reinforcement because they are not solely related to new business.[31] Thus, this carve-out provision for the proposed PISA would likely add administrative complexity and potential controversy while not accurately accounting for the effects of new business.

Q IS IT LIKELY THAT SOME OF AMEREN MISSOURI'S NEW INVESTMENT IN PLANT ASSETS WOULD RELATE TO REPLACEMENT OF OLD AND LESS RELIABLE FACILITIES THAT REQUIRE MORE EXTENSIVE MAINTENANCE?

A Yes. Investments in new plant to replace older facilities that have deteriorated would be includable in PISA and should result in reduced reactive maintenance and outage response costs. However, no provision within the Company's PISA proposal would account for such cost savings.

Q WOULD YOU EXPECT NEW AMEREN MISSOURI INVESTMENTS IN BUSINESS SUPPORT SOFTWARE SYSTEMS OR NEW DISTRIBUTION AUTOMATION FACILITIES TO PRODUCE OPERATIONAL EFFICIENCIES AND COST SAVINGS?

A Yes. However, the Company's proposed PISA mechanism makes no attempt to capture and account for any operational benefits or expense savings from new capital investments in technology made between rate cases.

[31] Ameren's response to MIEC Data Request 1.27 explains the distinction for PISA accounting as, "Revenue producing assets are defined as new business or budget group E10 in our PowerPlant system. Budget group E10 represents the installation of new facilities or upgrade of existing facilities directly serving a customer or group of customers. Examples include: Customers constructing or moving into a new facility; Customers moving into an existing vacant facility where additional Ameren electric facilities are required for capacity to serve the new tenant's electric load; any incremental load associated with a physical change e.g., new equipment, larger equipment, or expansion of customer's facility; associated installation costs of transformers and metering equipment; new subdivisions new customer substations only."

Q YOU HAVE POINTED OUT SEVERAL REGULATORY POLICY AND GENERAL PROBLEMS THAT ARISE FROM AMEREN MISSOURI'S PROPOSED PIECEMEAL RATEMAKING FOR PLANT ADDITIONS BETWEEN TEST YEARS. IS THERE ANOTHER CRITICAL OMISSION IN AMEREN MISSOURI'S PISA PROPOSAL THAT WILL CAUSE IT TO DRAMATICALLY OVERSTATE FUTURE REVENUE REQUIREMENTS?

A Yes. Ameren Missouri has proposed to offset its PISA accruals to account for growth in Accumulated Depreciation and Amortization, but not for growth in Accumulated Deferred Income Taxes ("ADIT").[32] This is a critical omission, because Ameren Missouri's ADIT balances have been growing rapidly in recent years due to the combined impact of bonus tax depreciation approved by Congress as part of larger economic stimulus measures and because of tax accounting method changes to more rapidly deduct repair costs that were previously capitalized for tax purposes. Growth in these and other deductions have forced the Company into a Net Operating Loss ("NOL") carry-forward position for income tax purposes, which ensures that future growth in ADIT credit balances will be robust as the Ameren Missouri NOL carry-forward tax asset balance is realized. Ameren Missouri's omission of ADIT changes as an offset within the PISA proposal cause it to be one-sided and unfair to ratepayers.

[32]Ameren's response to MIEC Data Request 10.35 (c) states, "The proposed calculation does not include a deduction for Accumulated Deferred Income Taxes."

Q AT PAGE 17 OF HER TESTIMONY, MS. BARNES PRESENTS A CHART SHOWING WHAT SHE CALLS THE, "….AMOUNT OF LOST DEPRECIATION EXPENSE AND RETURN FOR ASSETS PLACED IN SERVICE BETWEEN THE END OF THE TRUE-UP PERIOD FROM THE LAST RATE CASE (MARCH 2011) AND THE END OF DECEMBER 2011, UNTIL THE POINT WHEN THESE ASSETS WILL BE INCLUDED IN RATES RESULTING FROM THIS CASE (JANUARY 2013)." DOES THIS CHART INCLUDE ANY ACCOUNTING FOR GROWTH IN AMEREN MISSOURI'S ADIT CREDIT BALANCES DURING THE SAME PERIOD?

A No. The critical omission of ADIT from the Company's proposed PISA mechanism contributes to Ms. Barnes' alleged "lost" return on these plant additions. However, at page 39 of Mr. Weiss's Direct Testimony, we can observe that Ameren Missouri's total rate base at March of 2011 was $6,575 million and by November of 2011 (the last date shown) rate base had actually declined to $6,557 million. Growth in ADIT balances have been significant for Ameren Missouri and cannot be ignored if one is concerned with an accurate accounting for changes in rate base investment.

Q HAS AMEREN CORPORATION ISSUED ANY PUBLIC FORECASTS OF RATE BASE INVESTMENT TRENDS THAT HELP TO SHOW WHY AMEREN MISSOURI'S PISA PROPOSAL IS NOT NEEDED?

A Yes. Ameren Corporation released materials at June 2012 Investor Meetings that are available on its website showing projections of future changes in regulated rate base. A copy of these materials is included in MIEC Schedule MLB-7. The Ameren Missouri rate base is expected to grow very little between 2012 and 2016 in these forecasts, particularly in contrast with other portions of Ameren Corporation. This information shows why Ameren Missouri has no compelling need for PISA because of very modest rates of anticipated growth in rate base and why the more comprehensive accounting for changes in rate base that occurs within rate cases and that includes growing ADIT balances is essential to achieve a reasonably matched and complete analysis of the Company's future revenue requirement.

Q IN SPITE OF THE POLICY CONCERNS YOU HAVE RAISED, HAS THE COMMISSION PREVIOUSLY ALLOWED CONTINUATION OF PLANT-IN-SERVICE ACCOUNTING IN ISOLATED CIRCUMSTANCES FOR MAJOR PLANT ADDITIONS, SO AS TO COORDINATE PROJECT COMPLETION WITH RATE RECOVERY?

A Yes. It is my understanding that in certain instances major capital projects like the Company's Sioux scrubber investment have been allowed AAO treatment by the Commission. This has been done in extraordinary circumstances, where the completion of a major capital project, and the coincident cessation of AFUDC and commencement of depreciation accruals, would have significantly damaged the Company's financial performance in the absence of special regulatory treatment. The Company's new PISA proposal is not related to any discrete major capital project that would individually drive the filing of a future rate case, where such accounting changes need to be coordinated. Instead, the Company's PISA proposal represents a "blanket" proposal covering an unlimited amount of future projects and costs without any of these extraordinary characteristics.

Q WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE COMPANY'S PROPOSED PLANT-IN-SERVICE ACCOUNTING MECHANISM?

A For all the reasons stated in my testimony, the Company's PISA proposal should be rejected by the Commission.

INCOME TAX EXPENSE ADJUSTMENTS

Q PLEASE DESCRIBE THE ADJUSTMENTS APPEARING AT MIEC SCHEDULE MLB-1.

A MIEC Schedule MLB-1 sets forth three adjustments to Ameren Missouri's proposed income tax expense to update the amounts used for certain Federal Income Tax Credits. I understand from the Company's responses to MIEC discovery that it does not object to these adjustments and intends to recognize these changes in its true-up filing.[33] The combined impact of these updates is a net increase to test year income tax expenses.

Q WHAT IS THE PURPOSE OF THE ADJUSTMENT SET FORTH AT MIEC SCHEDULE MLB-2?

A This adjustment is necessary to recognize the income tax deduction that is taken by the Company on its tax return for deductible dividends that are paid on Ameren common stock that is held in Employee Stock Ownership Plan ("ESOP") accounts, pursuant to Section 404(k) of the Internal Revenue Code ("IRC"). This tax deduction relates to an employee benefit program that is treated as jurisdictional for ratemaking purposes, so the related income tax savings should be attributed to ratepayers within the rate case income tax expense calculations.

[33]See Ameren responses to MIEC Data Request 11.5 (Renewable Energy Production Credits, MIEC Data Request 11.4 (Research Credit) and MIEC Data Request 10.32 (Empowerment Zone). MIEC Data Request 11.2 (f) attachment summarizes these updates providing a reconciliation to the Tax Credit Carry-Forward asset balance.

Q WHY SHOULD THE COST OF DIVIDENDS BE TREATED AS JURISDICTIONAL WHEN THEY LEAD TO DEDUCTIONS ON AMEREN CORPORATION'S INCOME TAX RETURNS?

A There is no expense on the Company's books for Ameren common stock dividends, because they are declared and paid out of retained earnings. However, the primary source for the Ameren Missouri share of dividends is the income stream that results from the allowance of the equity portion of the overall rate of return that is applied to Ameren Missouri's rate base. Thus, an allocated Missouri share of this income stream and any income tax benefits arising from it should be treated as jurisdictional in calculating the Company's ratemaking income tax expenses.

Q PLEASE DESCRIBE THE EMPLOYEE BENEFIT PROGRAM THAT YIELDS THE TAX DEDUCTIBLE DIVIDEND PAYMENTS.

A The Company's ESOP originally began for Union Electric Company on January 1, 1976, but that plan was frozen in 1988 with no new employee participants or contributions going into the plan since that date. A subsequently implemented Ameren ESOP is open to all current full-time Ameren employees and does not have any participant eligibility requirements. Ameren Corporation files a consolidated federal income tax return that includes Ameren Missouri and the other Ameren business units and has included tax deductions related to the Ameren ESOP on all tax returns filed since 2002.[34]

[34] Ameren response to MPSC Data Request 193.

Q WHY HAS AMEREN MISSOURI NOT REFLECTED A MISSOURI SHARE OF THE INCOME TAX SAVINGS ARISING FROM ESOP DIVIDEND PAYMENTS IN ITS PROPOSED RATEMAKING INCOME TAX EXPENSE CALCULATION?

A According to the Company's response to Staff Data Request MPSC 193:

> Ameren Missouri does not believe an allocated portion of Ameren's ESOP deduction should be included in the computation of income taxes in the retail rate case. The tax benefit produced by Ameren Corporation's ESOP deduction is unrelated to the provision of regulated service by Ameren Missouri and, consequently, its reflection in Ameren Missouri's tax expense element of cost of service would be improper. The payment of dividends by Ameren to its shareholders is a matter of absolute discretion exercisable by the Ameren Board of Directors. Further, any dividend distributions authorized by the Ameren Board are made out of Ameren's after-tax, retained earnings. Discretionary payments made out of Ameren's retained earnings are not part of Ameren Missouri's cost of service. Consequently, any associated tax benefits should not be either.

With this stated rationale, the Company proposes to keep for the sole benefit of its shareholders the income tax savings arising from the Ameren Missouri share of tax savings from the ESOP dividends tax deduction.

Q DO YOU AGREE THAT THE ESOP DIVIDEND DEDUCTION IS UNRELATED TO THE PROVISION OF REGULATED SERVICE BY AMEREN MISSOURI, AS ASSERTED BY THE COMPANY?

A No. Participation in the ESOP plan by Ameren employees is what creates the opportunity for Ameren Corporation to pay tax-deductible dividends. No such tax deduction is allowed on dividends that Ameren Missouri elects to pay on stock held outside of employee ESOP accounts. The income tax savings provided for in the Internal Revenue Code is clearly designed to encourage employers to offer ESOP programs and has the effect of reducing the overall cost of such programs. Ameren Missouri has not shown that any ESOP program expenses have been incurred and not been allowed in its revenue requirement, so there is no basis to allow the

Company to retain these income tax savings as a windfall for shareholders. Moreover, any administrative labor and expenses associated with maintaining the ESOP plan are undoubtedly treated as jurisdictional operating expenses when Ameren Missouri's revenue requirement is calculated.

Q DOES IT MATTER THAT DIVIDENDS PAID ON STOCK HELD IN ESOP ACCOUNTS ARE DISCRETIONARY AND SUBJECT TO APPROVAL BY THE AMEREN BOARD OF DIRECTORS?

A Not really. What is more important is the fact that such dividends are payable in large part from the Ameren Missouri net income stream for common equity capital that is provided for as an explicit element of the authorized rate of return. Without the earnings from the Missouri regulated business, the ability of Ameren Corporation's Board of Directors to declare and pay dividends would be significantly diminished.

Q DO YOU AGREE THAT AMEREN CORPORATION'S RETAINED EARNINGS ARE NOT PART OF AMEREN MISSOURI'S COST OF SERVICE?

A No. Retained earnings are the result of providing for an equity return as part of Ameren Missouri's revenue requirement. Without the income stream from the Missouri regulated operations, it would not be possible for Ameren Corporation to receive dividend distributions from Ameren Missouri that in turn enable the payment of the Missouri portion of Ameren Corporation common dividends. Unless Ameren Missouri commits to not seek a sufficient ROE from the Commission to enable dividend payments to common equity investors, it is unreasonable for the Company to assert that retained earnings from which such dividends are payable are not part of Ameren Missouri's cost of service.

ACCUMULATED DEFERRED INCOME TAXES

Q WHAT ARE ACCUMULATED DEFERRED INCOME TAXES (“ADIT”)?

A ADIT are assets or liabilities that represent the cumulative amounts of additional income taxes that are estimated to become receivable or payable in future periods, because of differences between book accounting and income tax accounting regarding the timing of revenue or expense recognition. Generally Accepted Accounting Principles (“GAAP”) require use of an accrual basis accounting method that must be used to recognize revenues, expenses and income within the publicly issued financial statements of public utilities such as Ameren Missouri. In contrast, the accounting methods and procedures specified to determine revenues and expenses (deductions) and taxable income for income tax purposes are defined by the Internal Revenue Code (“IRC” or “Code”).

Differences in GAAP versus Code accounting cause what are characterized as book/tax differences. Many of these book/tax differences are temporary because they arise from <u>timing differences</u>, where a specific cost is deductible for tax purposes in a different year than when expensed for book purposes – the primary example being depreciation expenses that are recorded on a straight-line basis for book accounting, but are based upon accelerated lives and methods and/or “bonus” depreciation for income tax accounting and reporting purposes. Timing differences can also occur where an anticipated expense is recognized on an accrual basis for book purposes, but is not deductible in a different year, when the expense is actually paid in cash by the taxpayer.

Specific provisions within GAAP[35] require recognition of income tax impacts from these book/tax timing differences, by recording ADIT assets or liabilities. ADIT assets generally occur when revenue taxation occurs prior to book recognition of the revenues or when the tax deductibility for expenses is subsequent to the book recognition of the expense. ADIT liabilities, on the other hand, represent delayed taxation of revenues or advance deduction of expenses, in relation to the timing of the same transactions on the books. ADIT balances exist to recognize that certain tax expenses are determinable today, but actually become payable in the future whenever book/tax timing differences ultimately reverse.

Q WHY IS ACCOUNTING FOR ADIT REQUIRED UNDER GAAP?

A Full and complete accounting for income tax expenses must recognize that filing tax returns and paying income taxes will impact expenses payable in more than one accounting period. The relevant GAAP requirements are stated within Accounting Standards Codification 740 ("ASC 740"). Under ASC 740, there are two primary objectives related to accounting for income taxes:

a. To recognize the amount of taxes payable or refundable for the current year, and

b. To recognize deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns.

Recorded ADIT amounts arise from part (b) of this standard, where recognition is given on the books to the future tax consequences of transactions that are treated differently in financial statements than on tax returns.

[35] GAAP Accounting for Income Taxes is set forth within Financial Accounting Standards Board Accounting Standards Codification 740 ("ASC 740").

Q WHY DO WE CARE ABOUT ADIT BALANCES IN DETERMINING UTILITY REVENUE REQUIREMENTS?

A Utilities are capital intensive businesses that invest continuously in newly constructed or acquired assets. These large annual capital investments generate persistently large income tax deductions for bonus/accelerated depreciation and other tax deductions and credits that must be normalized by recording ADIT. The requirement for normalization accounting denies ratepayers any immediate flow-through benefit from such tax deduction because deferred income tax expense accruals are included as part of total income tax expense in the revenue requirement. From a ratemaking perspective, a utility's persistently large credit ADIT balances caused by the deferred payment of recorded tax expenses represent a significant source of capital to the utility. ADIT balances represent a form of zero-cost capital to the utility created by the income tax savings permitted under tax laws and regulations that are not immediately "flowed through" to ratepayers and would benefit only shareholders unless properly recognized as a rate base reduction. ADIT balances are normally included in rate base reduction by regulators, so as to properly quantify the <u>net</u> amount of investor-supplied capital to support rate base assets.

Q HAS AMEREN MISSOURI INCLUDED ANY ADIT BALANCES IN THE DETERMINATION OF ITS RATE BASE?

A Yes. At Schedule GSW-E-9, Mr. Weiss has included Electric ADIT balances that were recorded at September 30, 2011, with pro forma adjustments to reflect estimated changes in these amounts that are expected to occur through July 31, 2012, which is the true-up date. By that date, Mr. Weiss has estimated that Ameren Missouri's net ADIT balance for inclusion in rate base will exceed $2 billion.

Q DID THE COMPANY INCLUDE <u>ALL</u> OF THE ELEMENTS OF ITS ADIT BALANCES THAT ARE RECORDED ON ITS BOOKS WITHIN THE SCHEDULE GSW-E9 AMOUNTS THAT ARE PROPOSED TO BE INCLUDED IN RATE BASE?

A No. The Company evaluated the dozens of individual elements of book/tax timing differences within a series of workpapers designated GSW-WP-E195 through GSW-WP-E212 and excluded certain elements of its recorded ADIT balances for rate base inclusion.[36] Generally, the excluded items are related to transactions or specific investments that are treated as non-jurisdictional or that are excluded in determining Ameren Missouri's rate base. Additionally, the Company has excluded valuation adjustments for certain of its recorded ADITs that are related to tax deductions claimed by Ameren Missouri on its consolidated income tax return that have been determined by the Company to be Uncertain Tax Positions ("UTPs").

Q HAVE YOU REVIEWED THE COMPANY'S ADIT DETAILED ACCOUNTS TO EVALUATE WHETHER THE PROPER ELEMENTS HAVE BEEN RECOGNIZED IN RATE BASE?

A Yes. I reviewed the referenced workpapers and the Company's response to MIEC Data Request 5.20 which contained an attachment detailing the many individual elements of Ameren Missouri's recorded September 30, 2011 ADIT balances. In addition, I discussed this information with Company tax department personnel and submitted follow-up data requests to clarify the basis for Ameren's proposed inclusion or exclusion of specific elements of the ADIT balance.

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[36]These items are designated with Footnote 1 "excluded from Rate Base Calculations" in GSW-WP-E154.

Q DO YOU DISAGREE WITH ANY OF THE COMPANY'S PROPOSALS REGARDING ADIT AMOUNTS FOR SPECIFIC BOOK/TAX TIMING DIFFERENCES THAT AMEREN MISSOURI HAS EITHER INCLUDED OR EXCLUDED IN DETERMINING RATE BASE?

A Yes. I disagree with two categories of ADIT that Ameren Missouri has proposed to not include in rate base. Ameren Missouri has improperly proposed to exclude from rate base certain ADIT balances it has attributed to Construction Work in Progress ("CWIP") assets as well as certain ADIT balances associated with the Commission-approved continuation of construction accounting for investments in Sioux scrubber assets. I also disagree with one element of ADIT that Ameren Missouri has improperly included in rate base that arises from unrecovered costs associated with the Taum Sauk incident.

Q WHAT IS THE PURPOSE OF THE ADJUSTMENT SET FORTH AT MIEC SCHEDULE MLB-3?

A MIEC Schedule MLB-3 summarizes each of the elements of CWIP-related ADIT on the Company's books at September 30, 2011, that Ameren Missouri has improperly excluded from rate base. This MIEC adjustment returns these amounts to rate base to effect the same ratemaking treatment these elements of ADIT were afforded in the Company's prior rate case, Case No. ER-2011-0028.[37]

[37] A Nonunanimous Stipulation and Agreement Regarding Tax Issues between the Company and MIEC in Case No. ER-2011-0028 specified in Attachment C the inclusion or exclusion of specific elements of ADIT for ratemaking purposes, as well as other provisions governing the calculation of Income Tax expenses and a tracking mechanism for reconciliation of FIN 48 Uncertain Tax Positions upon resolution of such issues with the IRS.

Q DO ANY CHANGED CIRCUMSTANCES JUSTIFY DEPARTING FROM THE TREATMENT OF CWIP-RELATED ADIT BALANCES THAT WAS AGREED UPON IN AMEREN MISSOURI'S PRIOR RATE CASE?

A No.

Q HOW DOES THE COMPANY EXPLAIN ITS NEW POSITION REGARDING THESE ADIT ELEMENTS?

A Mr. Weiss has no testimony on this topic, but in response to MIEC Data Request 6.1, the Company stated, "Per the Nonunanimous Stipulation and Agreement Regarding Tax Issues ("Tax Stipulation") in Case No. ER-2011-0028 Attachment C contained for ratemaking purposes, book/tax timing differences that should be included in or excluded from ADIT.

The Company has reassessed this list of book/tax timing differences included in or excluded from ADIT and has now exclude[d] some CWIP basis differences from ADIT. See GSW-WP-E195 through GSW-WP-E202." In response to the analysis of ADIT elements in the Attachment to MIEC Data Request 5.20, the Company identified the different treatment now proposed for CWIP-related ADIT balances indicating as the rationale "CWIP Plant being excluded from rate base."

When asked for more information regarding this change in ratemaking approach in MIEC Data Request 10.19, the Company admitted that "CWIP-related ADIT amounts have been included to reduce rate base in previous Ameren Missouri rate cases" but argued that "CWIP-related ADIT should be treated in the same manner as CWIP plant. Since CWIP is excluded from rate base, CWIP-related ADIT should be excluded as well."

Q IS IT CORRECT THAT CWIP IS NOT INCLUDED IN RATE BASE AND THEREFORE DOES NOT EARN ANY RETURN?

A CWIP is not included in rate base, but is allowed to earn an Allowance for Funds Used During Construction ("AFUDC") return. This AFUDC return fully compensates the Company for its investment in construction projects prior to when they are placed into service.

Q HAS AMEREN MISSOURI ACKNOWLEDGED THAT ITS INVESTMENT IN CWIP IS ALLOWED TO EARN AN AFUDC RETURN?

A Yes. In its response to MIEC Data Request 10.19(e) Ameren Missouri stated, "While the company does earn a return on CWIP investment when AFUDC is fully considered, this is a non-cash return. The inclusion of CWIP related ADIT in rate base lowers the cash return on investment. When the CWIP property is placed in service and begins to earn a cash return, the related ADIT should then be included in rate base."

Q IS AFUDC INADEQUATE TO COMPENSATE THE COMPANY FOR ITS CWIP INVESTMENT BECAUSE IT IS NOT A "CASH RETURN" AS ALLEGED BY AMEREN MISSOURI?

A No. The AFUDC return is fully compensatory to Ameren Missouri and obligates ratepayers to repay in cash the full amount of all AFUDC that is reasonably recorded. If the Company's new proposal to exclude CWIP-related ADIT balances from rate base is implemented, Ameren Missouri's AFUDC accounting will be excessive and will over-compensate for the Company's actual investment in newly constructed plant assets. This will occur because AFUDC calculations apply a carrying charge rate to the gross investment in such construction with no accounting for CWIP-related ADIT benefits that tend to reduce such investment. This fact was acknowledged by Ameren Missouri in its response to MIEC Data Request10.19(f) where the Company admits that, "CWIP investment that is used for the calculation of AFUDC is not reduced for CWIP-related ADIT."

Q WHAT IS THE SIGNIFICANCE OF NOT REDUCING CWIP INVESTMENTS FOR RELATED ADIT WHEN CALCULATING AFUDC THAT WILL BE PAYABLE BY RATEPAYERS?

A It is necessary to fully account for CWIP-related ADIT balances to avoid excessive utility rates. CWIP-related ADIT balances must be included in rate base because AFUDC is applied to Ameren Missouri's <u>gross</u> investment in CWIP work orders, with no recognition given to the CWIP-related ADIT amounts that serve to reduce the Company's actual net capital requirements for CWIP.

Consider a simplified example, where a utility is assumed to be constructing a single asset costing $1 million over a construction period of one year that will be funded fully at the beginning of construction, but will remain in CWIP and earning AFUDC at an assumed 10 percent rate throughout the year of construction. Assume also that the utility has elected "repairs" tax accounting for this asset, allowing the full cost of the asset to be immediately deducted for income tax purposes in the current tax year. The value of the income tax deduction for this project being treated as a deductible "repair" at a 38 percent federal/state tax rate would result in an immediate $380,000 income tax deferral to the utility, requiring the accrual of CWIP-related ADIT that reduces the utility's actual out-of-pocket investment in the new asset to only $620,000 after taxes.

However, AFUDC will be accrued at 10 percent on the <u>gross</u> CWIP cost for the full year the asset is in CWIP, resulting in Plant-in-Service added to rate base of

$1.1 million ($1 million plus $100,000 of AFUDC) with no recognition given to the CWIP-related ADIT in accruing AFUDC. Clearly, when the AFUDC rate is applied to the entire $1 million of gross investment, with no reduction for CWIP-related AFUDC, the utility is fully compensated for its gross investment in this asset. In this example, the $100,000 of allowed AFUDC on a gross $1 million investment, when the utility's after-tax net investment is only $620,000, would significantly overstate AFUDC and future rate base. This is why CWIP-related ADIT balances must be recognized immediately in rate base, even though the CWIP investment not included in rate base earns an AFUDC return.

Q HOW IS CWIP-RELATED ADIT NORMALLY TREATED TO PROPERLY SYNCHRONIZE THE AFUDC ACCOUNTING PROCEDURES WITH RATEMAKING PROCEDURES?

A CWIP-related ADIT balances must be included in rate base in order for established AFUDC accounting procedures to work correctly. As noted above, CWIP-related ADIT balances were included in Ameren Missouri's rate base in Case No. ER-2011-0028 to achieve this result.

Q ARE THE AFUDC ACCOUNTING PROCEDURES STANDARDIZED AND CODIFIED IN FEDERAL ENERGY REGULATORY COMMISSION ("FERC") RULES?

A Yes. The FERC prescribes that major electric utilities under its jurisdiction follow a

Uniform System of Accounts that contains Plant Accounting Instructions including directives regarding accounting for AFUDC.[38]

Q HAS AMEREN MISSOURI PROVIDED ANY REASONABLE JUSTIFICATION FOR CHANGING THE RATEMAKING TREATMENT OF CWIP-RELATED ADIT BALANCES FROM WHAT IT AGREED TO IN CASE NO. ER-2011-0028?

A No. The change being proposed by Ameren Missouri would dramatically understate the ADIT balances that should be recognized in setting rates, thereby seriously overstating the revenue requirement. I recommend that the adjustment set forth at MIEC Schedule MLB-3 be approved, to reinstate the accounting for CWIP-related ADIT that was employed in prior Ameren Missouri rate cases and that corresponding amounts for these ADIT elements upon calculation of the true-up at July 31, 2012 also be included in rate base.

Q HAS THE AMEREN ILLINOIS COMPANY UTILITY OPERATION, IN ITS PENDING RATE PROCEEDING BEFORE THE ILLINOIS COMMERCE COMMISSION, EXCLUDED CWIP-RELATED ADIT BALANCES FROM RATE BASE AS IS BEING PROPOSED IN THIS MISSOURI RATE CASE?

A No.[39]

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[38]See 18 CFR 100 Plant Accounting Instructions at (17), "*Allowance for funds used during construction* (Major and Nonmajor Utilities) includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of the Commission, allowances computed in accordance with the formula prescribed in paragraph (a) of this subparagraph." AFUDC is applicable to the balance recorded in work orders within Construction Work in Progress with no reduction for related Accumulated Deferred Income Taxes.

[39]ICC Docket No. 12-0293 is the Ameren Illinois Company's annual rate filing that was submitted in April 2012. At Schedule WPB-9a, the ADIT detailed breakdown indicates inclusion of CWIP-related ADIT balances in the 2011 rate base.

Q PLEASE EXPLAIN THE PURPOSE OF YOUR NEXT ADJUSTMENT, WHICH IS SET FORTH AT MIEC SCHEDULE MLB-4.

A MIEC Schedule MLB-4 includes in rate base the ADIT balances attributable to Ameren Missouri's utilization of Commission-approved Construction Accounting for the investment made in Sioux scrubber facilities. The Company has unreasonably excluded these ADIT amounts, even though the Company's test year rate base has been increased for the capitalized carrying charges that were added to Ameren Missouri's Sioux Scrubber investment as a result of Commission-ordered construction accounting. The amounts included in this Schedule are recorded balances as of September 30, 2011 that will be subject to revision when true-up calculations at July 31, 2012 are performed.

Q HOW DOES AMEREN MISSOURI EXPLAIN ITS PROPOSAL TO EXCLUDE SIOUX SCRUBBER CONSTRUCTION ACCOUNTING ADIT BALANCES?

A In its Attachment to MIEC Data Request 5.20, the ADIT for "SIOUX SCRUBBER CONSTRUCTION ACCTG" is characterized as a new ADIT item that is described as "Book amortization of Sioux scrubber per last rate order, deducted as paid for tax[.]" The stated rationale for excluding these ADIT amounts from rate base is that the related, "Reg asset/liability not included in rate base."

Q DOES THE RATE BASE IN THIS CASE NO. ER-2012-0166 INCLUDE THE ADDED COSTS ACCRUED BY AMEREN MISSOURI RESULTING FROM CONTINUED CONSTRUCTION ACCOUNTING FOR THE SIOUX SCRUBBER INVESTMENT, AFTER COMPLETION OF THE PROJECT, BUT BEFORE THE ASSET WAS INCLUDED IN RATE BASE?

A Yes. Mr. Weiss workpaper GSW-WP-E7 reflects the inclusion of "SIOUX

CONSTRUCTION ACCOUNTING" amounts within Total Electric Plant-in-Service which amount is in turn included in rate base at GSW-WP-E2.

Q SHOULD ADIT AMOUNTS ASSOCIATED WITH CONTINUED CONSTRUCTION ACCOUNTING FOR THE SIOUX SCRUBBER INVESTMENT BE INCLUDED IN RATE BASE?

A Yes. The Company has received income tax deferral benefits from the ability to deduct costs associated with the Sioux Scrubber investment prior to recovery of such costs from ratepayers. Unless the ADIT arising from this book/tax timing difference is included in rate base, ratepayers will be denied the benefit of such tax deferrals.

Q WHAT IS THE PURPOSE OF THE ADJUSTMENT APPEARING ON MIEC SCHEDULE MLB-5?

A According to the Company's response to data request MIEC Data Request 10.23, in 2010 the Company wrote off $5.615 million of Taum Sauk assets on its books because Ameren Missouri decided to not seek rate recovery of this amount, but for tax purposes the Company could not take a current year deduction, so the costs will be depreciated over the tax life of the property. The deferred tax impact relating to this temporary timing difference was inadvertently included in the Company's rate base calculation.[40] The adjustment appearing at Schedule MLB-5 is to exclude from rate base the estimated ADIT balance as of September 30, 2011 as of result of the Taum Sauk asset write-off. This amount is subject to revision as part of the true-up of ADIT balances and adjustments as of July 31, 2012.

[40]According to e-mail communication with Company personnel, "…the ADIT related to the $5.615 M Taum Sauk write-off was included in rate base in account 282-111/112. The inclusion of this amount in rate base was unintentional. It will be moved out of the rate base amount in 282-111/112 in the true-up calculation at 7/31/12."

Q HAS AMEREN MISSOURI FOLLOWED THE PROCEDURES SET FORTH IN THE TAX STIPULATION TO ACCOUNT FOR UNCERTAIN TAX POSITIONS THAT RESULT IN RECLASSIFICATION OF ADIT BALANCES?

A Yes. Mr. Weiss sponsors a ratemaking adjustment to account for the final resolution of ADIT balances that were previously excluded from rate base, so as to credit customers with an amortization of the tax savings ultimately realized by the Company upon resolution of disputed tax issues. In the event there is any further resolution of pending uncertain tax positions prior to true-up, further adjustments would be required pursuant to the Tax Stipulation.

NET OPERATING TAX LOSSES

Q HAS AMEREN MISSOURI REDUCED THE ADIT AMOUNTS INCLUDED IN RATE BASE TO RECOGNIZE THE EXISTENCE OF A NET OPERATING LOSS ("NOL") CARRY-FORWARD POSITION THAT WILL DELAY THE REALIZATION OF SOME TAX DEDUCTIONS AND CREDITS?

A Yes. The Account 190 ADIT balances included in rate base include NOL and tax credit carry-forward balances that increase rate base because of the Company's negative taxable income in recent years.

Q HAS AMEREN MISSOURI ALLOCATED THE TAX ASSET ASSOCIATED WITH ITS NOL CARRY-FORWARD POSITION BETWEEN AN INCLUDABLE AND AN EXCLUDABLE FROM RATE BASE PARTS?

A Yes. The Company's NOL tax asset has been allocated to Ameren Missouri using procedures agreed upon in the Tax Stipulation, so as to recognize the effects of uncertain tax positions that are not included in rate base. In the event the MIEC adjustments set forth at MIEC Schedules MLB-3 and MLB-4 are not adopted by the Commission, it will be necessary to re-determine and reduce the NOL tax asset included in rate base to avoid overstatement of the jurisdictional portion of the NOL caused by CWIP-related and Sioux-related ADIT tax deductions that are not being treated as jurisdictional and included in rate base.

Q WILL AMEREN MISSOURI'S ALLOCATION OF THE NOL TAX ASSET THAT IS INCLUDED IN RATE BASE REQUIRE UPDATING AS OF JULY 31, 2012 AS PART OF THE TRUE-UP?

A Yes. All of the updated ADIT and NOL balances will require review. If Ameren Missouri can be expected to experience positive taxable income in 2012, there will be an opportunity for the Company to realize tax savings in place of the recorded NOL and tax credit carry-forward balances that are presently included in rate base.

Q HAS AMEREN CORPORATION'S NOL CARRY-FORWARD ALSO CAUSED THE DELAYED REALIZATION OF CERTAIN FEDERAL TAX CREDITS?

A Yes. Certain tax credits are recognized in calculating income tax expenses for Ameren Missouri, as noted in my prior description of the adjustments at MIEC Schedule MLB-1. However, because of the absence of taxable income on recently filed tax returns, the Company's actual realization of these credits has been delayed and the credit amounts are recorded within a tax credit carry-forward asset that Ameren Missouri has included in rate base.

Q WHAT IS THE PURPOSE OF THE ADJUSTMENT APPEARING ON MIEC SCHEDULE MLB-6?

A In MIEC Schedule MLB-6, I have updated the Company's Federal Tax Credit Carry-Forward ADIT balance to reflect known corrections and to synchronize it with the corresponding credits that have been flowed through to ratepayers in the income tax expense calculation. This adjustment is necessary to avoid charging ratepayers a return on tax credit carry-forward balances where the related tax credit has not been accounted for in determining the revenue requirement. I believe that Ameren Missouri concurs in the need for this adjustment, from its response to MIEC Data Request 11.2"[41]

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

[41]Ameren Missouri's response to MIEC Data Request 11.2 (f), Attachment states in Note 1 that "190 CDF should have a balance of $11,270,306" and the Attachment for MIEC Data Request 11.2 (b) states that $4,035,227 represents, "Investment credit [that] was not flowed thru in the rate case calculation of income taxes and should be excluded from the 190-CDF amount in rate base."

Michael L. Brosch
Utilitech, Inc. – President
Bachelor of Business Administration (Accounting)
University of Missouri-Kansas City (1978)
Certified Public Accountant Examination (1979)

GENERAL

Mr. Brosch serves as the director of regulatory projects for the firm and is responsible for the planning, supervision and conduct of firm engagements. His academic background is in business administration and accounting and he holds CPA certificates in Kansas and Missouri. Expertise is concentrated within regulatory policy, financial and accounting areas with an emphasis in revenue requirements, business reorganization and alternative regulation.

EXPERIENCE

Mr. Brosch has supervised and conducted the preparation of rate case exhibits and testimony in support of revenue requirements and regulatory policy issues involving more than 100 electric, gas, telephone, water, and sewer proceeding across the United States. Responsible for virtually all facets of revenue requirement determination, cost of service allocations and tariff implementation in addition to involvement in numerous utility merger, alternative regulation and other special project investigations.

Industry restructuring analysis for gas utility rate unbundling, electric deregulation, competitive bidding and strategic planning, with testimony on regulatory processes, asset identification and classification, revenue requirement and unbundled rate designs and class cost of service studies.

Analyzed and presented testimony regarding income tax related issues within ratemaking proceedings involving interpretation of relevant IRS code provisions and regulatory restrictions.

Conducted extensive review of the economic impact upon regulated utility companies of various transactions involving affiliated companies. Reviewed the parent-subsidiary relationships of integrated electric and telephone utility holding companies to determine appropriate treatment of consolidated tax benefits and capital costs. Sponsored testimony on affiliated interests in numerous Bell and major independent telephone company rate proceedings.

Has substantial experience in the application of lead-lag study concepts and methodologies in determination of working capital investment to be included in rate base.

Conducted alternative regulation analyses for clients in Arizona, California, Texas and Oklahoma, focused upon challenges introduced by cost-based regulation, incentive effects available through alternative regulation and balancing of risks, opportunities and benefits among stakeholders.

Mr. Brosch managed the detailed regulatory review of utility mergers and acquisitions, diversification studies and holding company formation issues in energy and telecommunications transactions in multiple states. Sponsored testimony regarding merger synergies, merger accounting and tax implications, regulatory planning and price path strategies. Traditional horizontal utility mergers as well as leveraged buyouts of utility properties by private equity investors were addressed in several states.

Analyzed the utilization of alternative forms of regulation for energy and telecommunications utilities, including formula ratemaking, deferral/amortization accounting, rate adjustment riders and revenue decoupling methodologies. Mr. Brosch has been involved in the design of alternative regulation structures and tariffs and has addressed the attrition considerations and management efficiency incentive impacts arising from alternative regulation. Has been responsible for administration of alternative regulation filings in multiple jurisdictions.

WORK HISTORY

1985 - Present — **Principal** - Utilitech, Inc. (Previously Dittmer, Brosch and Associates, Inc.)

1983 - 1985: — **Project manager** - Lubow McKay Stevens and Lewis.
Responsible for supervision and conduct of utility regulatory projects on behalf of industry and regulatory agency clients.

1982 - 1983: — **Regulatory consultant** - Troupe Kehoe Whiteaker and Kent.
Responsible for management of rate case activities involving analysis of utility operations and results, preparation of expert testimony and exhibits, and issue development including research and legal briefs. Also involved in numerous special projects including financial analysis and utility systems planning. Taught firm's professional education course on "utility income taxation - ratemaking and accounting considerations" in 1982.

1978 - 1982: — **Senior Regulatory Accountant** - Missouri Public Service Commission.
Supervised and conducted rate case investigations of utilities subject to PSC jurisdiction in response to applications for tariff changes. Responsibilities included development of staff policy on ratemaking issues, planning and evaluating work of outside consultants, and the production of comprehensive testimony and exhibits in support of rate case positions taken.

OTHER QUALIFICATIONS

Bachelor of Business Administration - Accounting, 1978
University of Missouri - Kansas City "with distinction"

Member
American Institute of Certified Public Accountants
Missouri Society of Certified Public Accountants
Kansas Society of Certified Public Accountants

Attended
Iowa State Regulatory Conference 1981, 1985
Regulated Industries Symposium 1979, 1980
Michigan State Regulatory Conference 1981
United States Telephone Association Round Table 1984
NARUC/NASUCA Annual Meeting 1988, Speaker
NARUC/NASUCA Annual Meeting 2000, Speaker
NASUCA Regional Consumer Protection Meeting 2007, Speaker

Instructor
INFOCAST Ratemaking Courses
Arizona Staff Training
Hawaii Staff Training

Michael L. Brosch
Summary of Previously Filed Testimony

Utility	Jurisdiction	Agency	Docket/Case Number	Represented	Year	Addressed
Green Hills Telephone Company	Missouri	PSC	TR-78-282	Staff	1978	Rate Base, Operating Income
Kansas City Power and Light Co.	Missouri	PSC	ER-78-252	Staff	1978	Rate Base, Operating Income
Missouri Public Service Company	Missouri	PSC	ER-79-59	Staff	1979	Rate Base, Operating Income
Nodaway Valley Telephone Company	Missouri	PSC	16,567	Staff	1979	Rate Base, Operating Income
Gas Service Company	Missouri	PSC	GR-79-114	Staff	1979	Rate Base, Operating Income
United Telephone Company	Missouri	PSC	TO-79-227	Staff	1979	Rate Base, Operating Income
Southwestern Bell Telephone Co.	Missouri	PSC	TR-79-213	Staff	1979	Rate Base, Operating Income
Missouri Public Service Company	Missouri	PSC	ER-80-118 GR-80-117	Staff	1980	Rate Base, Operating Income
Southwestern Bell Telephone Co.	Missouri	PSC	TR-80-256	Staff	1980	Affiliate Transactions
United Telephone Company	Missouri	PSC	TR-80-235	Staff	1980	Affiliate Transactions, Cost Allocations
Kansas City Power and Light Co.	Missouri	PSC	ER-81-42	Staff	1981	Rate Base, Operating Income
Southwestern Bell Telephone	Missouri	PSC	TR-81-208	Staff	1981	Rate Base, Operating Income, Affiliated Interest
Northern Indiana Public Service	Indiana	PSC	36689	Consumers Counsel	1982	Rate Base, Operating Income
Northern Indiana Public Service	Indiana	URC	37023	Consumers Counsel	1983	Rate Base, Operating Income, Cost Allocations
Mountain Bell Telephone	Arizona	ACC	9981-E1051-81-406	Staff	1982	Affiliated Interest
Sun City Water	Arizona	ACC	U-1656-81-332	Staff	1982	Rate Base, Operating Income
Sun City Sewer	Arizona	ACC	U-1656-81-331	Staff	1982	Rate Base, Operating Income
El Paso Water	Kansas	City Counsel	Unknown	Company	1982	Rate Base, Operating Income, Rate of Return
Ohio Power Company	Ohio	PUCO	83-98-EL-AIR	Consumer Counsel	1983	Operating Income, Rate Design, Cost Allocations
Dayton Power & Light Company	Ohio	PUCO	83-777-GA-AIR	Consumer Counsel	1983	Rate Base
Walnut Hill Telephone	Arkansas	PSC	83-010-U	Company	1983	Operating Income, Rate Base
Cleveland Electric Illum.	Ohio	PUCO	84-188-EL-AIR	Consumer Counsel	1984	Rate Base, Operating Income, Cost Allocations
Cincinnati Gas & Electric	Ohio	PUCO	84-13-EL-EFC	Consumer Counsel	1984	Fuel Clause
Cincinnati Gas & Electric	Ohio	PUCO	84-13-EL-EFC (Subfile A)	Consumer Counsel	1984	Fuel Clause
General Telephone - Ohio	Ohio	PUCO	84-1026-TP-AIR	Consumer Counsel	1984	Rate Base
Cincinnati Bell Telephone	Ohio	PUCO	84-1272-TP-AIR	Consumer Counsel	1985	Rate Base
Ohio Bell Telephone	Ohio	PUCO	84-1535-TP-AIR	Consumer Counsel	1985	Rate Base

Michael L. Brosch
Summary of Previously Filed Testimony

United Telephone - Missouri	Missouri	PSC	TR-85-179	Staff	1985	Rate Base, Operating Income
Wisconsin Gas	Wisconsin	PSC	05-UI-18	Staff	1985	Diversification-Restructuring
United Telephone - Indiana	Indiana	URC	37927	Consumer Counsel	1986	Rate Base, Affiliated Interest
Indianapolis Power & Light	Indiana	URC	37837	Consumer Counsel	1986	Rate Base
Northern Indiana Public Service	Indiana	URC	37972	Consumer Counsel	1986	Plant Cancellation Costs
Northern Indiana Public Service	Indiana	URC	38045	Consumer Counsel	1986	Rate Base, Operating Income, Cost Allocations, Capital Costs
Arizona Public Service	Arizona	ACC	U-1435-85-367	Staff	1987	Rate Base, Operating Income, Cost Allocations
Kansas City, KS Board of Public Utilities	Kansas	BPU	87-1	Municipal Utility	1987	Operating Income, Capital Costs
Detroit Edison	Michigan	PSC	U-8683	Industrial Customers	1987	Income Taxes
Consumers Power	Michigan	PSC	U-8681	Industrial Customers	1987	Income Taxes
Consumers Power	Michigan	PSC	U-8680	Industrial Customers	1987	Income Taxes
Northern Indiana Public Service	Indiana	URC	38365	Consumer Counsel	1987	Rate Design
Indiana Gas	Indiana	URC	38080	Consumer Counsel	1987	Rate Base
Northern Indiana Public Service	Indiana	URC	38380	Consumers Counsel	1988	Rate Base, Operating Income, Rate Design, Capital Costs
Terre Haute Gas	Indiana	URC	38515	Consumers Counsel	1988	Rate Base, Operating Income, Capital Costs
United Telephone -Kansas	Kansas	KCC	162,044-U	Consumers Counsel	1989	Rate Base, Capital Costs, Affiliated Interest
US West Communications	Arizona	ACC	E-1051-88-146	Staff	1989	Rate Base, Operating Income, Affiliate Interest
All Kansas Electrics	Kansas	KCC	140,718-U	Consumers Counsel	1989	Generic Fuel Adjustment Hearing
Southwest Gas	Arizona	ACC	E-1551-89-102 E-1551-89-103	Staff	1989	Rate Base, Operating Income, Affiliated Interest
American Telephone and Telegraph	Kansas	KCC	167,493-U	Consumers Counsel	1990	Price/Flexible Regulation, Competition, Revenue Requirements
Indiana Michigan Power	Indiana	URC	38728	Consumer Counsel	1989	Rate Base, Operating Income, Rate Design
People Gas, Light and Coke Company	Illinois	ICC	90-0007	Public Counsel	1990	Rate Base, Operating Income
United Telephone Company	Florida	PSC	891239-TL	Public Counsel	1990	Affiliated Interest
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1990	Rate Base, Operating Income (Testimony not admitted)
Arizona Public Service Company	Arizona	ACC	U-1345-90-007	Staff	1991	Rate Base, Operating Income
Indiana Bell Telephone Company	Indiana	URC	39017	Consumer Counsel	1991	Test Year, Discovery, Schedule
Southwestern Bell Telephone Company	Oklahoma	OCC	39321	Attorney General	1991	Remand Issues

Michael L. Brosch
Summary of Previously Filed Testimony

UtiliCorp United/ Centel	Kansas	KCC	175,476-U	Consumer Counsel	1991	Merger/Acquisition
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1991	Rate Base, Operating Income
United Telephone - Florida	Florida	PSC	910980-TL	Public Counsel	1992	Affiliated Interest
Hawaii Electric Light Company	Hawaii	PUC	6999	Consumer Advocate	1992	Rate Base, Operating Income, Budgets/Forecasts
Maui Electric Company	Hawaii	PUC	7000	Consumer Advocate	1992	Rate Base, Operating Income, Budgets/Forecasts
Southern Bell Telephone Company	Florida	PSC	920260-TL	Public Counsel	1992	Affiliated Interest
US West Communications	Washington	WUTC	U-89-3245-P	Attorney General	1992	Alternative Regulation
UtiliCorp United/ MPS	Missouri	PSC	ER-93-37	Staff	1993	Affiliated Interest
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-1151, 1144, 1190	Attorney General	1993	Rate Base, Operating Income, Take or Pay, Rate Design
Public Service Company of Oklahoma	Oklahoma	OCC	PUD-1342	Staff	1993	Rate Base, Operating Income, Affiliated Interest
Illinois Bell Telephone	Illinois	ICC	92-0448 92-0239	Citizens Board	1993	Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest
Hawaii Electric Company	Hawaii	PUC	7700	Consumer Advocate	1993	Rate Base, Operating Income
US West Communications	Arizona	ACC	E-1051-93-183	Staff	1994	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	URC	39584	Consumer Counselor	1994	Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest
Arkla, a Division of NORAM Energy	Oklahoma	OCC	PUD-940000354	Attorney General	1994	Cost Allocations, Rate Design
PSI Energy, Inc.	Indiana	URC	39584-S2	Consumer Counselor	1994	Merger Costs and Cost Savings, Non-Traditional Ratemaking
Transok, Inc.	Oklahoma	OCC	PUD-1342	Staff	1994	Rate Base, Operating Income, Affiliated Interest, Allocations
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-940000477	Attorney General	1995	Rate Base, Operating Income, Cost of Service, Rate Design
US West Communications	Washington	WUTC	UT-950200	Attorney General/ TRACER	1995	Operating Income, Affiliate Interest, Service Quality
PSI Energy, Inc.	Indiana	URC	40003	Consumer Counselor	1995	Rate Base, Operating Income
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-880000598	Attorney General	1995	Stand-by Tariff
GTE Hawaiian Telephone Co., Inc.	Hawaii	PUC	PUC 94-0298	Consumer Advocate	1996	Rate Base, Operating Income, Affiliate Interest, Cost Allocations
Mid-American Energy Company	Iowa	ICC	APP-96-1	Consumer Advocate	1996	Non-Traditional Ratemaking
Oklahoma Gas and Electric Company	Oklahoma	OCC	PUD-960000116	Attorney General	1996	Rate Base, Operating Income, Rate Design, Non-Traditional Ratemaking
Southwest Gas Corporation	Arizona	ACC	U-1551-96-596	Staff	1997	Operating Income, Affiliated Interest, Gas Supply

Michael L. Brosch
Summary of Previously Filed Testimony

Utilicorp United - Missouri Public Service Division	Missouri	PSC	EO-97-144	Staff	1997	Operating Income
US West Communications	Utah	PSC	97-049-08	Consumer Advocate	1997	Rate Base, Operating Income, Affiliate Interest, Cost Allocations
US West Communications	Washington	WUTC	UT-970766	Attorney General	1997	Rate Base, Operating Income
Missouri Gas Energy	Missouri	PSC	GR 98-140	Public Counsel	1998	Affiliated Interest
ONEOK	Oklahoma	OCC	PUD980000177	Attorney General	1998	Gas Restructuring, rate Design, Unbundling
Nevada Power/Sierra Pacific Power Merger	Nevada	PSC	98-7023	Consumer Advocate	1998	Merger Savings, Rate Plan and Accounting
PacifiCorp / Utah Power	Utah	PSC	97-035-1	Consumer Advocate	1998	Affiliated Interest
MidAmerican Energy / CalEnergy Merger	Iowa	PUB	SPU-98-8	Consumer Advocate	1998	Merger Savings, Rate Plan and Accounting
American Electric Power / Central and South West Merger	Oklahoma	OCC	980000444	Attorney General	1998	Merger Savings, Rate Plan and Accounting
ONEOK Gas Transportation	Oklahoma	OCC	970000088	Attorney General	1998	Cost of Service, Rate Design, Special Contract
U S West Communications	Washington	WUTC	UT-98048	Attorney General	1999	Directory Imputation and Business Valuation
U S West / Qwest Merger	Iowa	PUB	SPU 99-27	Consumer Advocate	1999	Merger Impacts, Service Quality and Accounting
U S West / Qwest Merger	Washington	WUTC	UT-991358	Attorney General	2000	Merger Impacts, Service Quality and Accounting
U S West / Qwest Merger	Utah	PSC	99-049-41	Consumer Advocate	2000	Merger Impacts, Service Quality and Accounting
PacifiCorp / Utah Power	Utah	PSC	99-035-10	Consumer Advocate	2000	Affiliated Interest
Oklahoma Natural Gas, ONEOK Gas Transportation	Oklahoma	OCC	980000683, 980000570, 990000166	Attorney General	2000	Operating Income, Rate Base, Cost of Service, Rate Design, Special Contract
U S West Communications	New Mexico	PRC	3008	Staff	2000	Operating Income, Directory Imputation
U S West Communications	Arizona	ACC	T-0105B-99-0105	Staff	2000	Operating Income, Rate Base, Directory Imputation
Northern Indiana Public Service Company	Indiana	IURC	41746	Consumer Counsel	2001	Operating Income, Rate Base, Affiliate Transactions
Nevada Power Company	Nevada	PUCN	01-10001	Attorney General-BCP	2001	Operating Income, Rate Base, Merger Costs, Affiliates
Sierra Pacific Power Company	Nevada	PUCN	01-11030	Attorney General-BCP	2002	Operating Income, Rate Base, Merger Costs, Affiliates
The Gas Company, Division of Citizens Communications	Hawaii	PUC	00-0309	Consumer Advocate	2001	Operating Income, Rate Base, Cost of Service, Rate Design
SBC Pacific Bell	California	PUC	I.01-09-002 R.01-09-001	Office of Ratepayer Advocate	2002	Depreciation, Income Taxes and Affiliates
Midwest Energy, Inc.	Kansas	KCC	02-MDWG-922-RTS	Agriculture Customers	2002	Rate Design, Cost of Capital

Michael L. Brosch
Summary of Previously Filed Testimony

Qwest Communications – Dex Sale	Utah	PSC	02-049-76	Consumer Advocate	2003	Directory Publishing
Qwest Communications – Dex Sale	Washington	WUTC	UT-021120	Attorney General	2003	Directory Publishing
Qwest Communications – Dex Sale	Arizona	ACC	T-0105B-02-0666	Staff	2003	Directory Publishing
PSI Energy, Inc.	Indiana	IURC	42359	Consumer Counsel	2003	Operating Income, Rate Trackers, Cost of Service, Rate Design
Qwest Communications – Price Cap Review	Arizona	ACC	T-0105B-03-0454	Staff	2004	Operating Income, Rate Base, Fair Value, Alternative Regulation
Verizon Northwest Corp	Washington	WUTC	UT-040788	Public Counsel	2004	Directory Publishing, Rate Base, Operating Income
Citizens Gas & Coke Utility	Indiana	IURC	42767	Consumer Counsel	2005	Operating Income, Debt Service, Working Capital, Affiliate Transactions, Alternative Regulation
Hawaiian Electric Company	Hawaii	HPUC	04-0113	Consumer Advocate	2005	Operating Income, Rate Base, Cost of Service, Rate Design
Sprint/Nextel Corporation	Washington	WUTC	UT-051291	Public Counsel	2006	Directory Publishing, Corporate Reorganization
Puget Sound Energy, Inc.	Washington	WUTC	UE-060266 and UG-060267	Public Counsel	2006	Alternative Regulation
Hawaiian Electric Company	Hawaii	HPUC	05-0146	Consumer Advocate	2006	Community Benefits / Rate Discounts
Cascade Natural Gas Company	Washington	WUTC	UG-060259	Public Counsel	2006	Alternative Regulation
Arizona Public Service Company	Arizona	ACC	E-01345A-05-0816	Staff	2006	Cost of Service Allocations
Hawaiian Electric Company	Hawaii	HPUC	05-0146	Consumer Advocate	2006	Capital Improvements and Discounted Rates
Hawaii Electric Light Company	Hawaii	HPUC	05-0315	Consumer Advocate	2006	Operating Income, Rate Base, Cost of Service, Rate Design
Union Electric Company d/b/a AmerenUE	Missouri	PSC	2007-0002	Attorney General	2007	Operating Income, Rate Base, Fuel Adjustment Clause
Hawaiian Electric Company	Hawaii	PUC	2006-0386	Consumer Advocate	2007	Operating Income, Cost of Service, Rate Design
Maui Electric Company	Hawaii	PUC	2006-0387	Consumer Advocate	2007	Operating Income, Cost of Service, Rate Design
Peoples Gas / North Shore Gas Company	Illinois	ICC	07-0241 07-0242	Attorney General	2007	Rate Adjustment Clauses

Michael L. Brosch
Summary of Previously Filed Testimony

Commonwealth Edison	Illinois	ICC	07-0566	Attorney General, City	2008	Ratemaking Policy, Rate Trackers
Illinois Power Company, Illinois Public Service Co., Central Illinois Public Service Co	Illinois	ICC	07-0585 cons.	Attorney General/CUB	2008	Rate Adjustment Clauses
Southwestern Public Service Company	Texas	PUCT	35763	Municipalities	2008	Operating Income, Rate Base, Affiliate Transactions
The Gas Company	Hawaii	PUC	2008-0081	Consumer Advocate	2009	Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design
Hawaiian Electric Company	Hawaii	PUC	2008-0083	Consumer Advocate	2009	Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design
Commonwealth Edison	Illinois	ICC	2009-0263	Attorney General	2009	Rate Adjustment Clauses
Avista Corporation	Washington	WUTC	UG-060518	Attorney General	2009	Rate Adjustment Clauses
Kauai Island Utility Cooperative	Hawaii	PUC	2009-0050	Consumer Advocate	2009	Operating Income, Cooperative Ratemaking Policies, Cost of Service
Maui Electric Company	Hawaii	PUC	2009-0163	Consumer Advocate	2010	Operating Income, Rate Base, Cost of Service, Rate Design
Hawaii Electric Light Company	Hawaii	PUC	2009-0164	Consumer Advocate	2010	Operating Income, Rate Base, Cost of Service, Rate Design
Commonwealth Edison	Illinois	ICC	2010-0467	AG / CUB	2010	Operating Income, Rate Base
Commonwealth Edison	Illinois	ICC	2010-0527	Attorney General	2010	Alternative Regulation
Atmos Pipeline - Texas	Texas	RCT	GUD 10000	ATM Cities	2010	Operating Income, Rate Base, Cost of Service, Rate Adjustment Clause
Ameren Missouri	Missouri	PSC	2011-0028	Industrial Customers	2011	Operating Income, Rate Base
Hawaiian Electric Company	Hawaii	PUC	2010-0080	Consumer Advocate	2011	Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design
Utilities, Inc.	Illinois	ICC	11-0561..0566	Attorney General	2011	Operating Income, Rate Base, Rate Design
Commonwealth Edison	Illinois	ICC	11-0721	AG / CUB	2011	Alternative Regulation
Utilities, Inc.	Illinois	ICC	11-0059 RH	AG	2012	Rate Design
Maui Electric, Ltd.	Hawaii	PUC	2011-0092	Consumer Advocate	2012	Operating Income, Rate Base, Cost of Service, Rate Design

AMEREN MISSOURI
CASE NO. ER-2012-0166
INCOME TAX CREDIT ADJUSTMENTS
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE	TEST YEAR AMOUNT	TAX EXPENSE ADJUSTMENT AMOUNT
	(A)	(B)	(C)	(D)
1	Income Tax Credit Updates/Omissions:			
2	Updated Federal Tax Credit for Research Activities	MIEC 11.2 Att.		
3	Less: Amount Included in Ameren's Tax Expense Calculation	GSW-WP-E533		
4	Adjustment to Update Research Tax Credit	Line 1 - Line 2		99
5	Updated Federal Tax Credit for Renewable Energy Production	MIEC 11.2 Att.		
6	Less: Amount Included in Ameren's Tax Expense Calculation	GSW-WP-E533		
7	Adjustment to Update Renewable Energy Tax Credit	Line 5 - Line 6		575
8	Federal Empowerment Zone Tax Credit	MIEC 11.2 Att.		
9	Less: Amount Included in Ameren's Tax Expense Calculation	GSW-WP-E533		
10	Adjustment to Include Empowerment Zone Tax Credit	Line 8 - Line 9		(51)
11	**MIEC Adjustment to Update Federal Tax Credit Amounts in Income Tax Expense Calculation**			**$ 623**

Witness: M. Brosch

AMEREN MISSOURI
CASE NO. ER-2010-0028
ESOP DIVIDENDS ADJUSTMENT
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
	(A)	(B)	(C)
1	ESOP Dividends Deduction - Ameren Corporation Amount (2011 estimate)	MPSC 191	
2	AMS Number of Employees Allocator	Note (a)	
3	ESOP Dividends Deduction - Ameren Missouri Share	Line 2 x Line 3	4,533
4	Times: Composite Federal / State Income Tax Rate	Note (b)	38.39%
5	**MIEC Adjustment to Recognize Income Tax Savings From Omitted ESOP Dividends Deduction**		**$ (1,740)**

Footnotes:

(a) Source: AMS employee/labor allocation factor to Ameren Missouri per GSW-WP-E407

(b) Composite Tax Rate Calculation:

State Statutory Tax Rate	6.25%
Federal Statutory Tax Rate	35.00%
Federal Effective Tax Rate	33.18%
State Effective Tax Rate	5.21%
Combined Effective Tax Rate	38.39%

AMEREN MISSOURI
CASE NO. ER-2010-0028
ACCUMULATED DEFERRED INCOME-CWIP RELATED
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE	9/30/2012 AMOUNT
	(A)	(B)	(C)
1	CWIP-Related Accumulated Deferred Income Tax - Improperly Excluded by Ameren:		
2	Deductible Repairs Expenses - Capitalized for Book Purposes - Federal	MIEC 10.19	(48,409)
3	Deductible Repairs Expenses - Capitalized for Book Purposes - State	"	(6,235)
4	Property Related CWIP - Federal	"	2,059
5	Property Related CWIP - State	"	246
6	Deductible Research/Experimentation CWIP - Federal	"	(5,911)
7	Deductible Research/Experimentation CWIP - State	"	(762)
8	**MIEC Adjustment to Include CWIP Related ADIT Elements in Rate Base**	Lines 2…7	**$ (59,012)**

Footnotes:

(a) All amounts are subject to change at True-up of ADIT balances.

AMEREN MISSOURI
CASE NO. ER-2010-0028
ACCUMULATED DEFERRED INCOME TAXES - SIOUX CONSTRUCTION ACCOUNTING
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
	(A)	(B)	(C)
1	Accumulated Deferred Income Taxes - Sioux Construction Accounting:		
2	Sioux Scrubber Construction Accounting ADIT Balances - Excluded by Ameren	MIEC 5.20	(9,823)
3	**MIEC Adjustment to Include Sioux Construction ADIT Elements in Rate Base**	Line 2	**$ (9,823)**

Footnotes:

(a) All amounts are subject to change at True-up of ADIT balances.

Witness: M. Brosch

AMEREN MISSOURI
CASE NO. ER-2010-0028
ELIMINATION OF TAUM SAUK WRITE-OFF ADIT
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE		AMOUNT
	(A)	(B)		(C)
1	Taum Sauk Write-off Estimated ADIT Balance Elimination:			
2	Taum Sauk Write-off Amount in 2010	MIEC 10.23	$	5,615
3	Estimated ADIT Accrual at 7/31/12 for Write-off amount DR Balance	Note (a)		1,829
5	**MIEC Adjustment to Eliminate Taum Sauk Write Off Estimated ADIT**	**Line 4**	**$**	**(1,829)**

Footnotes:

(a) Amount provided informally via e-mail, Brenda Menke 6/30/12

AMEREN MISSOURI
CASE NO. ER-2010-0028
UPDATED FEDERAL TAX CREDIT CARRYFORWARDS
TEST YEAR ENDED MARCH 31, 2010
$000

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
	(A)	(B)	(C)
1	Adjustments to Update and Correct Tax Credit Carryforwards:		
2	Total Unrealized Federal Tax Credits - including 2011 Amounts	MIEC 11.2(f) Att.	$ 11,270
3	Less: Form 3468 Credits Not Credited to Ratepayers	MIEC 10.13(a) Att.	(4,035)
4	Corrected and Updated Tax Credit Carryforward Balance	Lines 2 + 3	7,235
5	Tax Credit Carryforward Included in Ameren Missouri's Filing	MIEC 11.2(f) Att.	(10,348)
6	**MIEC Adjustment to Update Tax Credit Carryforwards in Rate Base**	Line 4 + Line 5	**$ (3,113)**

FIRST QUARTER 2012 RESULTS

5.4.12

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CAUTIONARY STATEMENTS

Regulation G Statement

Ameren has presented certain information in this presentation on a diluted cents per share basis. These diluted per share amounts reflect certain factors that directly impact Ameren's total earnings per share. The core (non-GAAP) earnings per share and core (non-GAAP) earnings per share guidance exclude one or more of the following: asset impairment charges; reduction of income tax benefit and net unrealized mark-to-market gains or losses. Ameren uses core (non-GAAP) earnings internally for financial planning and for analysis of performance. Ameren also uses core (non-GAAP) earnings as primary performance measurements when communicating with analysts and investors regarding our earnings results and outlook, as the company believes that core (non-GAAP) earnings allow the company to more accurately compare its ongoing performance across periods.

In providing consolidated and segment core (non-GAAP) earnings guidance, there could be differences between core (non-GAAP) earnings and earnings prepared in accordance with GAAP as a result of our treatment of certain items, such as those listed above. Ameren is unable to estimate the impact, if any, on future GAAP earnings of such items.

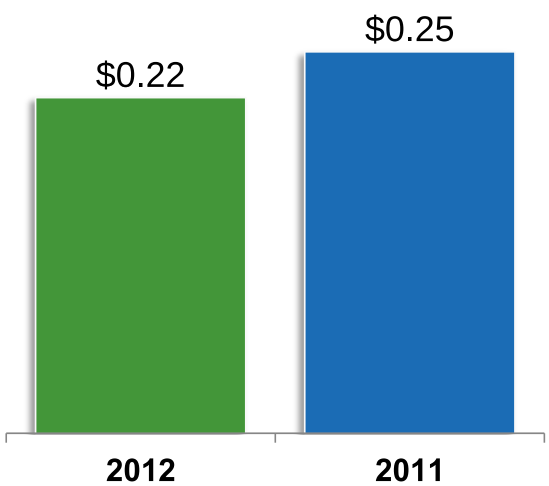
In this presentation, Ameren has also presented free cash flow, which is a non-GAAP measure. Ameren calculates free cash flow by subtracting its cash flows from investing activities (which include capital expenditures), dividends on common stock, dividends paid to noncontrolling interest holders and net advances for construction from its cash flows from operating activities. Ameren uses free cash flow internally and when communicating with analysts and investors to measure its ability to generate cash.

Forward-looking Statements

Statements in this presentation not based on historical facts are considered "forward-looking" and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there is no assurance that the expected results will be achieved. These statements include (without limitation) statements as to future expectations, beliefs, plans, strategies, objectives, events, conditions, and financial performance. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Ameren is providing this cautionary statement to identify important factors that could cause actual results to differ materially from those anticipated. In addition to factors discussed in this presentation, Ameren's periodic reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 contain a list of factors and a discussion of risks, which could cause actual results to differ materially from management expectations suggested in such "forward-looking" statements. All "forward-looking" statements included in this presentation are based upon information presently available, and Ameren, except to the extent required by the federal securities laws, undertakes no obligation to update or revise publicly any "forward-looking" statements to reflect new information or current events.

CORE EARNINGS SUMMARY

Core Earnings Per Share
Q1 2012 vs. Q1 2011



Key Core Earnings Drivers

- ↓ Lower utility electric and gas sales due to unusually warm winter temperatures
  - ~$(0.13) vs. Q1 2011
  - ~$(0.10) vs. normal
- ↓ Reduced merchant generation margins
- ↑ Increased utility rates
- ↑ Lower core non-fuel operations and maintenance (O&M) expenses

See page 10 for GAAP to core (non-GAAP) results reconciliation.

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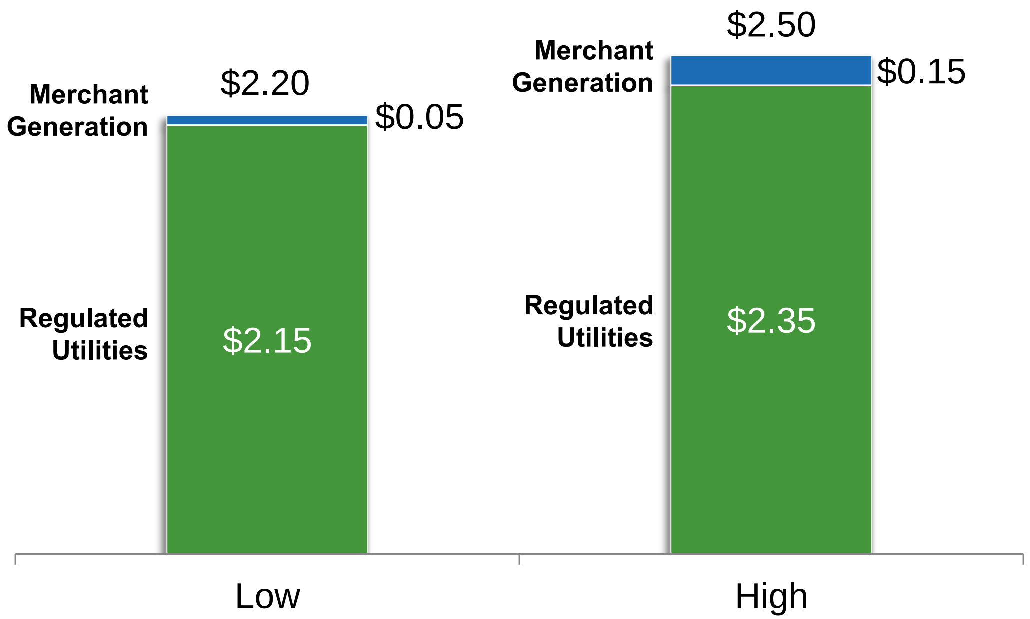
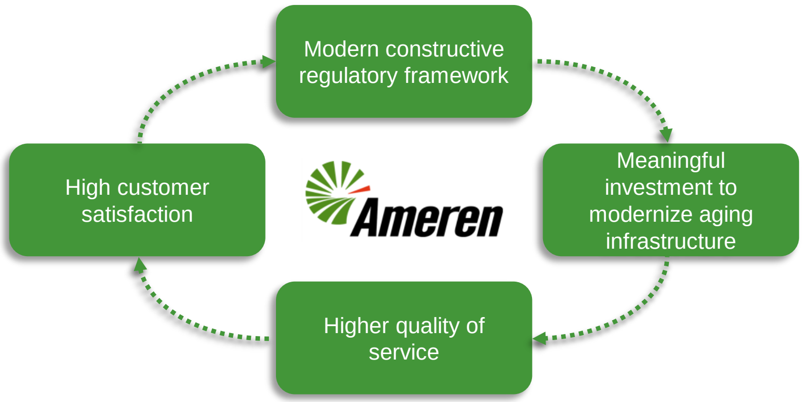
2012 CORE EARNINGS GUIDANCE RANGE AFFIRMED



2012 core earnings expected to be $2.20 to $2.50 per share

2012 core (non-GAAP) earnings per share guidance excludes a first quarter asset impairment charge of $1.55. Both GAAP and core (non-GAAP) earnings guidance exclude net unrealized mark-to-market gains or losses. 2012 GAAP earnings are expected to be in the range of $0.65 to $0.95 per share. The guidance assumes normal temperatures for the remaining three quarters of the year. In addition, Ameren's future results are subject to the effects of, among other things, regulatory decisions and legislative actions; energy center operations; energy, economic, and capital and credit market conditions; severe storms; unusual or otherwise unexpected gains or losses; and other risks and uncertainties outlined, or referred to, in the Forward-looking Statements section of this presentation.

REGULATED UTILITIES STRATEGY



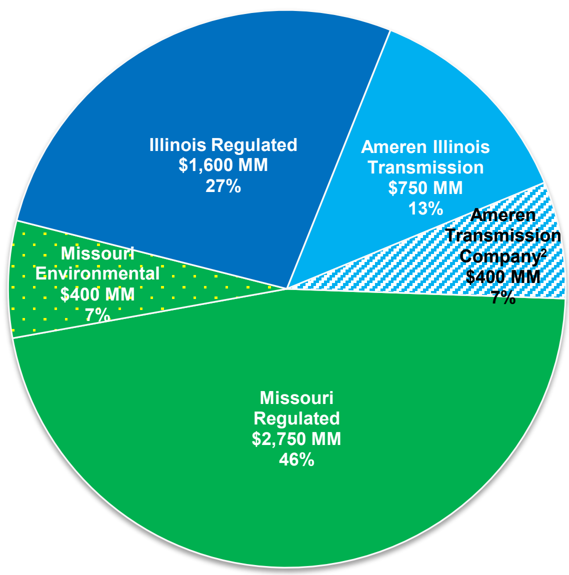
- Pursuing modern, constructive regulatory frameworks that provide timely cash flows and reasonable opportunities for fair returns on investments
  - Constructive formula ratemaking in effect for Illinois electric delivery service and FERC-regulated electric transmission businesses
  - Pursuing opportunities to enhance Missouri regulatory framework
    - Seeking improved frameworks for major storm cost recovery, assets placed in service between rate cases and energy efficiency programs
  - Aligning overall spending with rate case outcomes, economic conditions and return opportunities

- Committed to disciplined, strategic allocation of capital
  - Significant investment opportunities to modernize aging infrastructure, meet customer expectations and create jobs
  - Meaningfully increasing investments in jurisdictions with constructive ratemaking for long-term investments

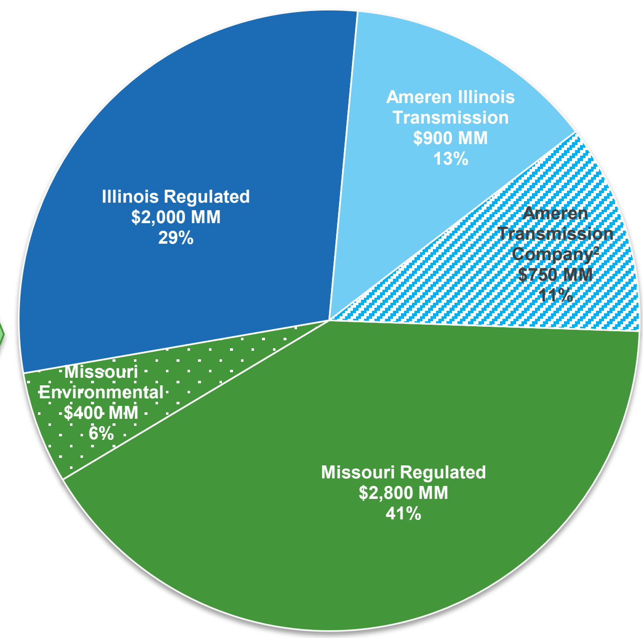
- Will meet regulatory requirements and maintain safe, reliable service

REGULATED UTILITIES
INCREASING INVESTMENT IN CONSTRUCTIVE FRAMEWORKS

$5.9 Billion of Regulated Infrastructure Investment[1] 2011 to 2015



$6.9 Billion of Regulated Infrastructure Investment[1] 2012-2016



[1] Dollars reflect midpoints of five-year spending range rounded to nearest $50MM. 2011-2015 projection from Nov. 8, 2011 EEI Financial Conference supplement. 2012-2016 projection from Feb. 23, 2012 4Q'11 Earnings Conference supplement.
[2] Represents both Ameren Transmission Company and Ameren Transmission Company of Illinois.

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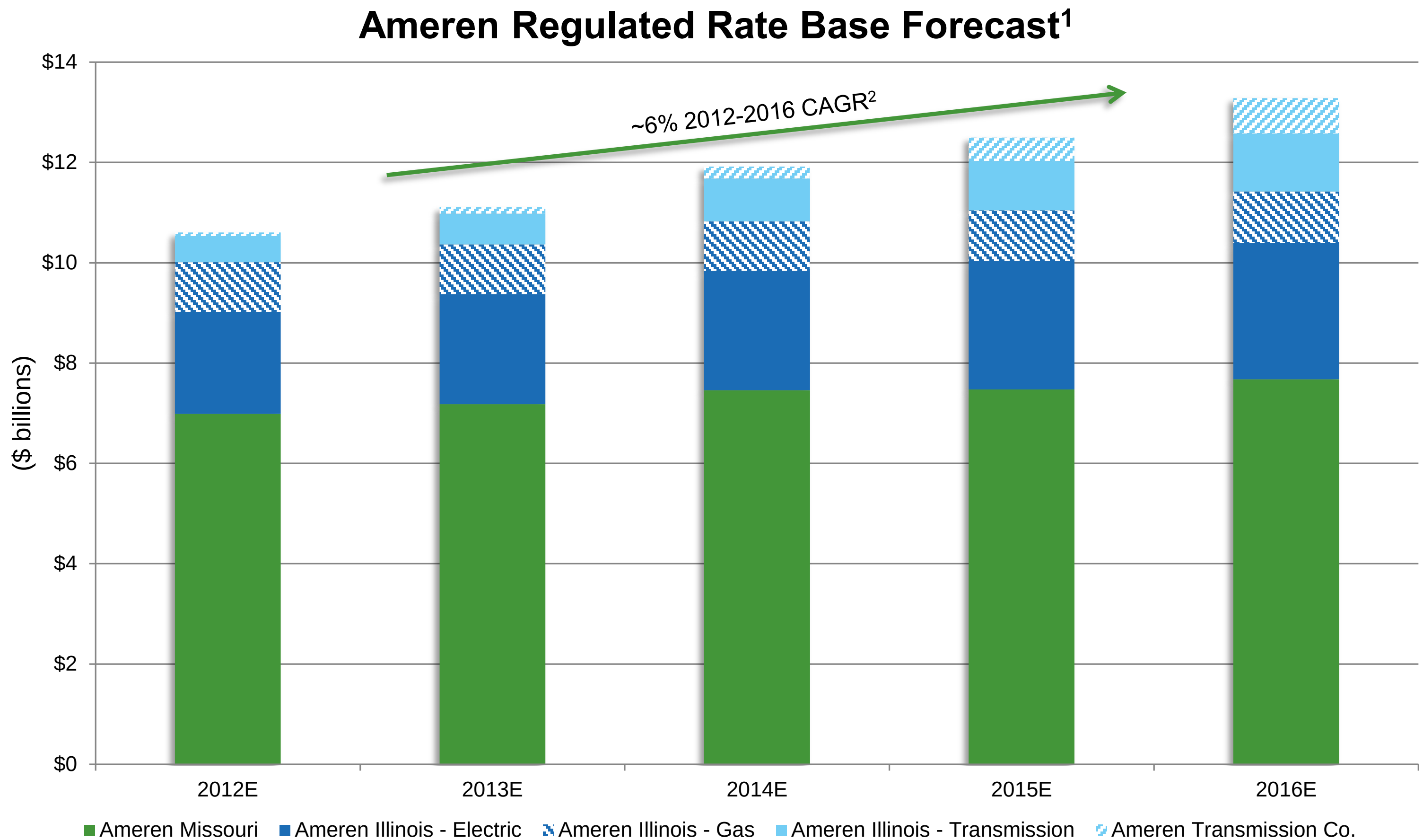
REGULATED UTILITIES
RATE BASE GROWTH OUTLOOK



[1] Reflects forecasted year-end rate base and includes CWIP related to Ameren Transmission Company's Illinois Rivers project.
[2] Compound annual growth rate.

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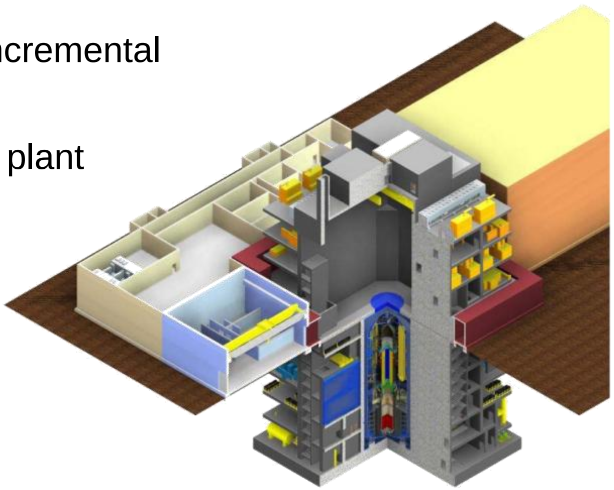
WESTINGHOUSE ALLIANCE

- Agreed to exclusively support Westinghouse Electric's application to the Department of Energy (DOE) for funds to support commercialization of American-made small modular nuclear reactors (SMR)
- Ameren Missouri will be first utility to seek Combined Construction and Operating License (COL) for Westinghouse SMR from the Nuclear Regulatory Commission if DOE funding is obtained
- Preserves nuclear energy as an important resource option for Missouri
- Significant economic development and job creation opportunities
- Broad support, including all electric service providers in Missouri, legislative leaders, education, and also business entities
- Opportunity to obtain COL with minimal expected incremental investment
- Does not obligate Ameren Missouri to build nuclear plant
  - Preserves important option
  - Positions Missouri to move forward in timely fashion should conditions be right to build SMR



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MERCHANT GENERATION
RESPONSE TO RECENT POWER PRICE DECLINE

Merchant generation segment expected to be free cash flow positive in 2012

Actions announced on Feb. 23, 2012:

- Planned capital expenditures for 2012-2014 reduced by ~$270 million from prior plans
  - Deceleration of construction on Newton Energy Center scrubber project
  - Deferred helper electrostatic precipitator at Edwards Energy Center

Recent additional actions:

- On Mar. 28, 2012, merchant subsidiary Ameren Energy Generating Company ("Genco") entered into Put Option Agreement with affiliate in order to provide additional source of liquidity, if needed in future
  - Genco has option to sell three gas-fired energy centers to affiliate for greater of $100 million (to be received upon exercise) or fair market value
- On May 3, 2012, requested variance from Illinois Multi-Pollutant Standard (MPS)
  - Filed with Illinois Pollution Control Board
  - Seeking delay in SO_2 emission levels from 2015 through 2020
  - Proposed compliance plan offsets any environmental impact
  - Absent variance or power price recovery, significant risk of mothballing unscrubbed coal-fired energy centers beginning in 2015
  - Pollution Control Board decision expected by late summer 2012

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RECONCILIATION – GAAP TO CORE RESULTS

	First Quarter	
	2012	2011
GAAP (Loss)/Earnings Per Share	$(1.66)	$ 0.29
Asset impairment charge	1.55	–
Reduction of tax benefit related to asset impairment and annual estimated effective income tax rate[1]	0.36	–
Gain on net unrealized mark-to-market activity	(0.03)	(0.04)
Core (Non-GAAP) Earnings per Share	$ 0.22	$ 0.25

[1] Projected to fully reverse over balance of 2012.

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Q1 2012 CORE EARNINGS ANALYSIS

- 2012 core EPS $0.22 vs. 2011 core EPS $0.25
- Key Drivers:
  - ↓ Regulated electric and gas margins, excluding rate changes: $(0.14)
    - Lower retail sales due to warmer temperatures: ~$(0.13)
  - ↓ Merchant generation margins: $(0.05)
    - Lower generation due to low spot market power prices
    - Higher per MWh fuel and transportation-related expenses
  - ↓ One-time contribution related to Illinois electric formula ratemaking: $(0.02)
  - ↑ Utility rate increases, net of certain related expenses: +$0.06
    - Increased electric rates in Missouri effective late July 2011
    - Increased gas delivery rates in Illinois effective Jan. 2012
  - ↑ Regulatory asset (revenue) related to Illinois electric formula ratemaking: +$0.03
  - ↑ Non-fuel O&M expenses: +$0.09
    - Lower storm-related costs: +$0.05

Note: Q1 2012 EPS variances, versus Q1 2011, are based on Q1 2011 average common shares outstanding of 240.6 million.
See page 10 for GAAP to core (non-GAAP) reconciliation.

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CASH FLOW GUIDANCE AFFIRMED

($ in Millions)	2012 Guidance
Cash flows from operating activities	$1,580
Capital expenditures	(1,400)
Other cash flows from investing activities	(5)
Dividends: common, EEI and preferred	(395)
Advances for construction, net of repayments	(10)
Free cash flow	$ (230)

- Merchant generation segment expected to be free cash flow positive
- Regulated utility segments expected to be free cash flow negative

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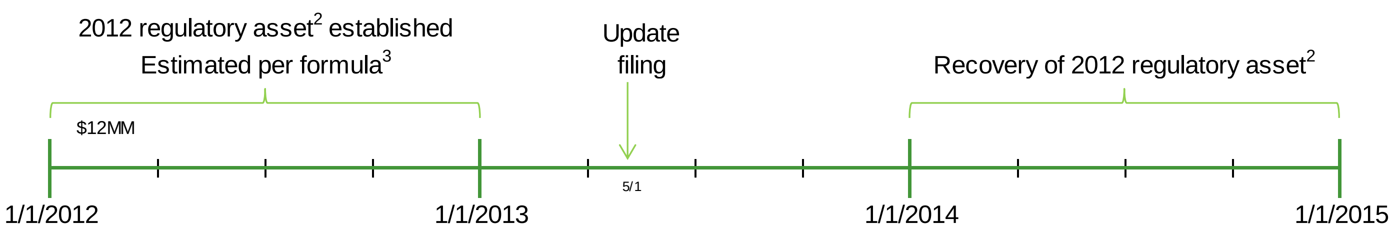
ILLINOIS ELECTRIC DELIVERY FORMULA RATES
2012 EARNINGS

- 2012 electric delivery earnings will reflect true-up for 2012 rate base and actual cost of service
  - ROE based on 2012 12-month average of 30-year U.S. Treasury yield plus 590 basis point[1] risk premium with +/- 50 basis point ROE collar
  - Includes historical ICC ratemaking adjustments
  - Subject to ICC prudence review



[1] 590 basis points for 2012, 580 basis points thereafter.
[2] In subsequent years, could represent an asset or liability to be recovered or refunded to customers.
[3] Represents Ameren Illinois' estimate of future cash flows expected to be approved by ICC. Expected recoverable costs for 2012 exceed the level of recoverable costs included in effective 2012 rates. Regulatory asset adjustments will be performed quarterly and are seasonally adjusted.

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ILLINOIS ELECTRIC DELIVERY INITIAL FORMULA RATE FILING

- Filed Jan. 3, 2012
  - Based on 2010 actual costs and 2011 and 2012 expected net plant additions
  - Represents annual rate decrease of $19 million compared to current rates
  - Return on equity: 10.1%[1]
  - Common equity ratio: 54.28%[2]
  - Rate base: $2.168 billion[3]

- ICC Staff recommends $25 million annual rate decrease (April 2012)
  - $6 million larger decrease
  - Lower 2010 capitalization, primarily lower common equity ($4 million)
  - Expense adjustments ($2 million)

[1] 12-month average of 2010 30-year U.S. Treasury yield (4.25%) plus 580 basis point risk premium.
[2] Based on 2010 ICC Form 21
[3] Rate base from 2010 FERC Form 1 plus 2011 and 2012 expected net plant additions.

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ILLINOIS ELECTRIC DELIVERY
INITIAL FORMULA RATE FILING, CONT'D

- Attorney General recommends $54 million annual rate decrease (April 2012)
  - $35 million larger decrease
  - Lower rate base ($25 million)
    - Incorporates estimated 2011 and 2012 accumulated deferred income taxes ($14 million)
  - Late payment revenue adjustment ($7 million)

- Citizens Utility Board recommends $43 million annual rate decrease (April 2012)
  - $24 million larger decrease
  - Lower rate base ($22 million)
    - Incorporates estimated 2011 and 2012 accumulated deferred income taxes ($14 million)

- Illinois Industrial Energy Customers recommends $56 million annual rate decrease (April 2012)
  - $37 million larger decrease
  - Limit common equity to 50% ($7 million)
  - Lower rate base ($30 million)
    - Incorporates estimated 2011 and 2012 accumulated deferred income taxes ($22 million)

- Schedule
  - ICC Administrative Law Judges' Proposed Order expected Aug. 23, 2012
  - Deadline for ICC decision is Sept. 29, 2012
  - Rates effective in late Oct. 2012

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ILLINOIS ELECTRIC DELIVERY FORMULA RATE UPDATE FILING

- Filed April 20, 2012
  - Based on 2011 actual costs and 2012 expected net plant additions
  - Return on equity: 9.7%[1]
  - Common equity ratio: 54.85%[2]
  - Rate base: $2.04 billion[3]
  - Rates effective Jan. 2013
- Represents incremental annual rate decrease of $15 million from Jan. 2012 filing
  - Change primarily driven by:
    - Lower rate base reflecting incorporation of 2011 accumulated deferred income taxes, including bonus depreciation ($10 million)
    - Lower 30-year U.S. Treasury rates ($6 million)
- 2013 electric delivery earnings will reflect true-up for 2013 rate base and actual cost of service

[1] 12-month average of 2011 30-year U.S. Treasury yield (3.91%) plus 580 basis point risk premium.
[2] Based on 2011 ICC Form 21.
[3] Rate base from 2011 FERC Form 1 plus 2012 expected net plant additions.

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PENDING MISSOURI ELECTRIC RATE CASE

- $376 million (14.6%) annual electric rate increase request filed on Feb. 3, 2012
  - Requested ROE: 10.75%
  - Equity ratio: 52%
  - Rate base: $6.8 billion
  - Test year ended Sept. 30, 2011, with certain pro-forma adjustments through anticipated true-up date of July 31, 2012
- Key drivers of request
  - Higher net fuel costs: $103 million
  - Non-fuel costs: $273 million
    - Energy infrastructure investments ($85 million)
    - Energy efficiency programs ($81 million)
      - Based on proposal in Jan. 2012 Missouri Energy Efficiency Investment Act (MEEIA) filing
      - Recovery of program costs and through-put disincentives
    - Lower customer billing units ($31 million)
    - Pension and employee benefits ($24 million)
    - Amortization of regulatory assets ($24 million)
    - Other cost increases ($28 million)

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PENDING MISSOURI ELECTRIC RATE CASE CONT'D
OTHER KEY ASPECTS OF REQUEST

- Continuation of existing FAC
- Continuation of pension and OPEB cost tracking mechanism
- Continuation of vegetation management and infrastructure inspection cost tracking mechanism
- Continuation of tracking mechanism for uncertain income tax positions previously authorized by MoPSC
- New storm cost tracking mechanism
- Enhanced energy efficiency cost recovery per MEEIA filing
- Plant-in-service accounting proposal
  - Accrual of a return and deferral of depreciation expense on assets placed in service but not yet reflected in customer rates

- Schedule
  - MoPSC staff and other intervenors direct testimony on revenue requirement due July 6, 2012
  - MoPSC hearings Sept. 24-28, Oct. 1-5 and 9-12
  - MoPSC decision expected in Dec. 2012, with new rates effective in Jan. 2013

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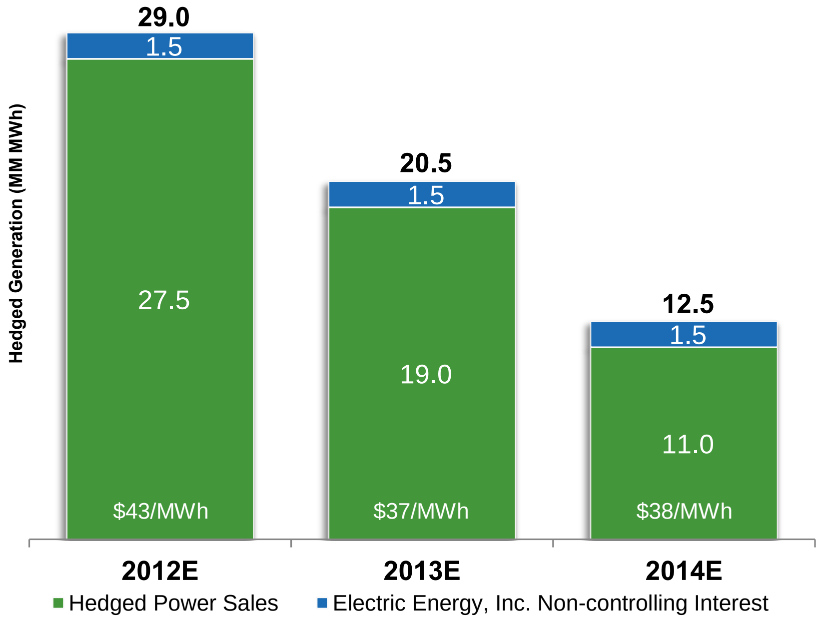
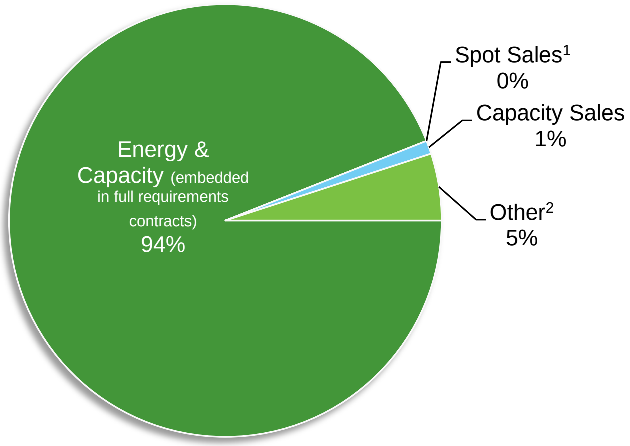
MERCHANT GENERATION POWER HEDGING OVERVIEW
(AS OF MAR. 31, 2012)

- Expected 2012 generation of ~25.5 MM MWh
  - 2012 hedged power sales include 2.0 MM MWh in excess of expected economic generation. Settlement will be realized in earnings.

Hedged Power Sales



2012E Revenue Breakdown



[1] Spot sales include 100% of non-controlling interest in Electric Energy, Inc.
[2] Revenues of approximately $58M from non-hedge strategies, ancillary sales and other revenues included in this amount.

MERCHANT GENERATION FUEL HEDGING OVERVIEW
(AS OF MAR. 31, 2012)

Baseload Fuel and Transportation

2012E

Baseload hedged fuel costs	~$24.00/MWh
Coal hedged	~25 MM MWh
Base transportation hedged	up to 28 MM MWh[1]
Fuel surcharge hedged	up to 25 MM MWh

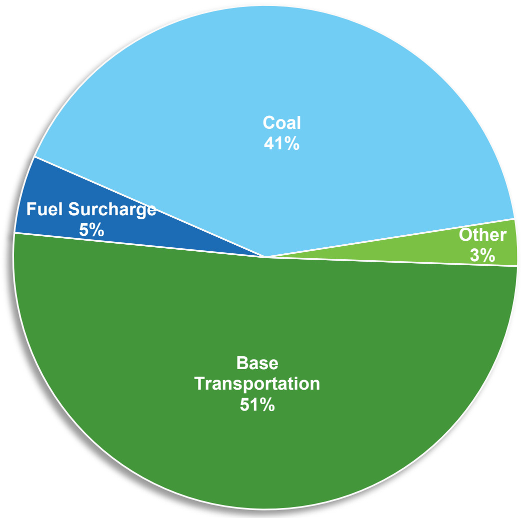
2013E

Baseload hedged fuel costs	~$24.50/MWh
Coal hedged	~18 MM MWh
Base transportation hedged	up to 27 MM MWh
Fuel surcharge hedged	up to 19 MM MWh

2014E

Baseload hedged fuel costs	~$24.50/MWh
Coal hedged	~9 MM MWh
Base transportation hedged	up to 21 MM MWh
Fuel surcharge hedged	up to 10 MM MWh

Components of 2012E Baseload Fuel Cost



[1] 2012 minimum take required by transportation contracts is equivalent to ~21 MM MWh.
Fuel position and costs include 100% of Electric Energy, Inc. requirements.
Items not shown, but included in the total price, include: pre-CSAPR emissions, taxes, fuel surcharge hedge costs, railcars and other charges.

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APPENDIX

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AMEREN ENERGY RESOURCES ILLINOIS MULTI-POLLUTANT STANDARD MODIFICATION PROPOSAL

- Depressed power market conditions and uncertain regulatory climate created by the federal court's rejection and/or suspension of federal air quality regulations make compliance with Illinois MPS SO_2 emission limits significant hardship for AER
- AER is seeking delay in implementation dates for declining emission rates for SO_2
- AER is not seeking change to either NO_X limits or mercury requirements
- AER proposes, as part of its mitigation plan, to immediately comply with more stringent SO_2 limit than contained in current rule

Current Rule **SO_2 System Average**		**Proposed Compliance Plan** **SO_2 System Average**	
2010 – 2013:	0.50 lb/MMBtu	2010 – 2011:	0.50 lb/MMBtu
2014:	0.43 lb/MMBtu	2012 – 2019:	0.38 lb/MMBtu
2015 – 2016:	0.25 lb/MMBtu	2020:	0.25 lb/MMBtu
2017+:	0.23 lb/MMBtu	2021+:	0.23 lb/MMBtu

- By implementing lower emission rate than required in 2012 through 2014 there is net reduction of SO_2 tons compared to projected emissions under existing rule

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SELECTED PENDING REGULATORY PROCEEDINGS

Illinois

- Initial 2012 electric delivery formula rate filing docket number: 12-0001
- 2012 electric delivery formula rate update filing docket number: 12-0293
- Website: http://www.icc.illinois.gov/e-docket/

Missouri

- 2012 electric rate case filing docket number: ER-2012-0166
- Missouri Energy Efficiency Investment Act (MEEIA) filing: EO-2012-0142
- Request for accounting order related to fixed costs not recovered as a result of loss of Noranda load due to Jan. 2009 storm: EU-2012-0027
- Required fuel adjustment clause audit: EO-2012-0074
- Website: https://www.efis.psc.mo.gov/mpsc/DocketSheet.html

Federal Energy Regulatory Commission

- Midwest Independent Transmission System Operator (MISO) filing requesting annual capacity construct and improved capacity portability: ER11-4081

Illinois Pollution Control Board

- Ameren Energy Resources' petition for variance to Illinois Multi-Pollutant Standard
- Illinois Pollution Control Board Case No.: PCB 2012-126
- Website: http://www.ipcb.state.il.us/COOL/external/cases.aspx

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AMEREN CALENDAR

Investor Relations

AGA Financial Forum	May 7-8, 2012
Edison Electric Institute Annual Finance Meeting[1]	May 23, 2012
Q2 2012 quiet period begins	July 9, 2012
Q2 2012 earnings release and call	Aug. 2, 2012

[1] Investor Relations team only.

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