

The testimony at Local Public Hearings held throughout the St. Louis region and Ameren's other service territories was generally consistent and painted a picture of great challenges. It suggested to this Commissioner that utilities must be mindful of the tough times many folks are facing and incorporate that awareness into action on a day-to-day basis. This is a fact that the Commission understands and has taken into consideration during deliberations. Missouri utilities also need to take into consideration the challenges faced by their customers when filing back-to-back rate increases and look for alternatives that will address the balance that needs to be found between rate payers and shareholders.

This Commissioner wants AmerenUE's ratepayers to be aware that their voices were heard during the extensive public hearings. In response, the Commission is responding with new concepts and approaches as to how it reviews such rate increase requests. A few of those changes in approach and philosophy can be summarized as follows:

1. Ameren's request for an 18% increase has been reduced to a 10.2% increase.
2. The Commission has called for new ways of addressing affordability for low income customers setting aside over \$1 million to help the most vulnerable among us and re-evaluate how best to look at such issues.
3. This Report adopts multiple settlements among the parties which settled dozens of issues. Parties signing on to those agreements include the member companies of FERAF and the rate payer advocate, the Office of Public Counsel (OPC).

4. AmerenUE's Return on Equity or the "profit margin" has been reduced to less than the national average to 10.1%.
5. AmerenUE has changed the way it addresses energy efficiency by agreeing with the Missouri Department of Natural Resources to take further steps toward identifying ways to empower customers to reduce their energy bills through smarter usage.
6. The bulk of this rate increase represents increases that Ameren has experienced in fuel costs which were already approved to be recovered by the company through a previously-approved Fuel Adjustment Clause - a clause this Commissioner initially opposed and continues to oppose.
7. The Commission has re-evaluated how it conducts its Local Public Hearings to improve how education and information is provided to the public. Based on experiences with the new format utilized in AmerenUE's hearings, the Commission is continuing to undertake new efforts to make sure customers are aware of the work done by the Commission and its staff.
8. The Commission plans to take additional steps including outreach programs with community groups, neighborhood associations and not-for-profits on an "on-going" basis to give customers the opportunity to engage on utility concerns.

Having identified policy decisions from which customers should receive additional benefit from the Report, this Commissioner continues to have concerns

regarding a number of matters which are not reconcilable with the Report. It is these irreconcilable differences that cause this Commissioner to dissent.

First, although not initially addressed by any party, the Commission requested new testimony to fully re-evaluate the implementation of the FAC authorized in AmerenUE's last rate case. This Commissioner opposed the adoption of that clause in Ameren's last rate case because of the lessened ability to incent prudent fuel purchasing practices by allowing a 95% pass-through of fuel expenses. Only slightly better than a 100% pass-through, a more equitable division of risk among rate payers and shareholders would have offered this Commissioner a greater degree of comfort.

In the first round of testimony, no party recommended or filed adequate testimony to support repealing or amending Ameren's Fuel Adjustment Clause or amend it any responsible way. The Commission by its order of February 17, 2010 asked for re-evaluation of the subject and invited new filings with supporting testimony. Unfortunately, few parties responded in a way to permit any amendment to the Fuel Adjustment Clause and the parties that did provide testimony only resuscitated old, stale testimony from prior cases. This Commissioner believes this issue deserves more thorough analysis and consideration to afford customers the certainty that utilities are being held to the highest standard of fuel purchases.

Second, this Commissioner has concerns with the issue of depreciation, which is the "return of" capital invested in the company's infrastructure and plant.

Depreciation policy has the ability to encourage new investments and the Commission wants to ensure that customers receive safe, adequate and reliable service. However, the Commission also has a responsibility to ensure that rates remain “just and reasonable” under the circumstances. This Commissioner was not comfortable with the modification of the concept of depreciation from AmerenUE’s previous rate cases. While the company was able to raise a number of inconsistencies in the Staff’s case regarding this issue, now is not the time for changing a methodology, especially a methodology that results in higher utility rates. Staff’s advocacy of the mass property methodology requires additional scrutiny, outside the confines of a general rate case. The Commission should be regularly reviewing depreciation policy and the rates that come from this concept.

Third, this Commissioner believes it is time to re-evaluate the concept of “Net Salvage—Cost of Removal,” depreciation policy that involves building into depreciation schedules an amount that will cover any cost of removing plant, once retired, at some point in the future. “Net Salvage” contemplates inflation, interest, cost estimates and assumptions of the salvage value of retired plant. The issue was resolved by a prior Commission in *In Re Laclede Gas Company*, 13 Mo.PSC 3d 215 (2005), a case which was appealed several times, only to be remanded for additional review. The prior Commission decided in favor of allowing an accrual of Net Salvage in rates and rejected the proposal to use a cash methodology.

Net Salvage is a significant issue and one that has implications for all Missouri utilities. This Commissioner believes that the Commission should be

formulating this policy without the narrow focus of a general rate case. It would be more appropriate to open a docket, gather information and assess the impact and fairness for Missouri rate payers.

Lastly, this Commissioner must reiterate his concerns regarding AmerenUE's efforts at tree trimming, infrastructure investment and replacement as well as with overall storm restoration. While this case addresses issues associated with costs of each of the above items, the Commission should reconsider its rules relating to vegetation management and infrastructure replacement. As we approach the spring and summer storm seasons, memories of volatile weather and significant electric outages come to mind and remind this Commissioner to be vigilant in making sure that service is safe and reliable.

The issues as formed in this case regarding vegetation management, infrastructure inspection and replacement as well as with overall reliability miss the real point. The Commission needs to do more to make sure utilities are prepared for regularly volatile weather. The majority is correct in attributing an inverse relationship between preventative work and reductions in storm restoration costs. This Commissioner would be willing to support greater tree trimming and infrastructure expense if confident that adequate progress was being made in improving reliability.

Lastly, this Commissioner is compelled to comment on activities associated with this case but outside of a typical case procedure and outside of positions filed in the case. It is noteworthy that residential customers, who are represented by the

OPC, which is a separate state agency, were only represented in a fraction of the issues in this case. Although dozens of issues were identified, OPC only filed testimony regarding a handful of those issues, including Return on Equity (ROE). In fact, the Commission adopted OPC's ROE position. Because OPC did not file testimony on other issues, it was forced to adopt positions advocated by others. OPC was unable to offer expert testimony on the Fuel Adjustment Clause or other issues because of lack of funding in the agency. Thus, on the majority of issues OPC's involvement was limited to cross examining witnesses. Although settlements resulted in some issues with OPC's endorsement, the majority of the issues were simply ignored by the residential customer advocate.

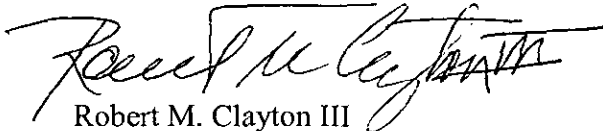
OPC has seen its funding cut year after year as it competes with all other General Revenue state agencies. When 7 of 8 major utilities having pending cases before the Commission, it is physically and financially impossible for the residential rate payer advocate to perform the work necessary to give customers confidence in any decision relating to rates. OPC's absence on many issues leaves the Commission without a full record and limits the alternatives from which the Commission may choose.

During the last legislative session, OPC sought changes in state law that would permit the agency to convert to utility assessment funding, which is identical to how the Commission is funded. OPC would be in a position to provide more public education and outreach, more advocacy in all cases and more analysis which

would result in improved decisions. OPC support of difficult rate increase issues provides a greater degree of confidence in the outcome of the cases.

For the foregoing reasons, this Commissioner dissents.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert M. Clayton III". The signature is written in a cursive, flowing style with a long horizontal line extending from the end.

Robert M. Clayton III
Chairman

Dated at Jefferson City, Missouri
On this 2nd day of June, 2010