

FILED

MAR 07 2007

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. ER-2007-0002

State of Missouri's Response in Opposition to AmerenUE's Combined Motion to Strike Portions of Prefiled Testimony of Steve Rackers and Suggestions in Opposition to the State's Motion to File Supplemental Surrebuttal Testimony of Michael Brosch

Comes now the State of Missouri and pursuant to Commission Order files its response in opposition to AmerenUE's Combined Motion. The State shows the Commission as follows:

1. The State filed Michael L. Brosch's supplemental surrebuttal testimony to address revisions to Cost of Removal ("COR") income tax accounting policies that AmerenUE and Staff brought up for the first time formally in surrebuttal testimony filed by Charles Mannix and Steve Rackers, respectively.

2. The State had assumed in good faith that the issue would be resolved by informal agreement based upon extensive communications with Staff and AmerenUE that occurred throughout the month of February, 2007. Thus, it was thought that neither AmerenUE nor Staff would ultimately file testimony in their surrebuttal that would contest the ratemaking income treatment of COR.

3. COR is a significant issue, representing about \$60 million within AmerenUE's revenue requirement. Thus, the Commission needs to receive testimony from all sides so it can make an informed decision. The State would prefer to have all sides heard fairly and in the open, and not suppress arguments through procedural chicanery.

4. On February 27, 2007, AmerenUE and Staff filed surrebuttal testimony seeking to materially revise their respective positions on Cost of Removal (Net Salvage) income tax accounting from the positions underlying their prefiled direct cases. At that time, Staff's revision was to adopt normalization accounting for incremental COR, matching how AmerenUE had accounted for increased COR deductions being proposed in the Company direct rate case filings. This change by Staff to adopt AmerenUE's position was expected to eliminate a difference and resolve a potential issue in the case. However, at the same time Staff was seeking to adopt AmerenUE's prefiled position on this matter, AmerenUE filed testimony of Mr. Mannix seeking to reverse its prefiled position of normalization accounting for incremental COR and instead wants to adopt the Staff's initial flow through position that Mr. Rackers abandoned as a mistake in his surrebuttal filing.

5. The potential problems with income tax issues first arose on January 3, 2007 when the State noticed a line in the Staff's reconciliation captioned "Income Taxes & Unreconciled" for \$29,487,227. However, at this time the nature of the problem was not discernable and Staff was known to be considering changes and intending to update its reconciliation. By February 5, 2007, after several changes were to be made by Staff to its prefiled evidence, the "Income Taxes and Unreconciled" line on Staff's reconciliation had been revised to \$41,908,144, as set forth in an updated Excel document titled "Electric Reconciliation-2.xls." On February 8, 2007, in discussions with Staff, the State first understood that the Staff's income tax calculations produced much higher income tax expenses than AmerenUE had requested because of Staff's application of flow-through accounting to incremental Cost of Removal accruals.

6. On February 8th, 9th, and 13th, the State discussed with the Staff, by email and telephone, various apparent problems with Staff's income tax calculations, but received insufficient detailed responses and no clear understanding of what Staff intended to do to correct its filing. Copies of those emails are attached are exhibits 1, 2 and 3, respectively. (Discussion regarding this correction occurred simultaneously with settlement discussions. To protect settlement discussions certain portions of the attached exhibits have been redacted.)

7. Throughout this time, the State believed that Staff was acting in good faith and a meeting was setup between the State, Staff and AmerenUE to discuss the income tax issues on February 15th.

8. At the February 15th meeting, AmerenUE indicated it had not treated the large proposed increase in Cost of Removal using flow-through accounting in its own filing, but instead had treated the COR amounts as if normalization accounting were used. AmerenUE agreed to provide additional information supportive of this discussion. The representation regarding AmerenUE's use of normalization accounting for incremental COR was confirmed by Ameren, through an email on February 19 that stated "any additional cost or removal would have been normalized by the Company's income tax calculation." A copy of that email is attached as Exhibit 4.

9. Via email on February 20th, Staff informed the State for the first time that Staff intended to correct and revise its already-filed income tax treatment of the Cost of Removal accruals from flow-through to normalization accounting.

10. On February 20th and 21st the State continued to seek additional detailed information from Staff to understand the calculations being used to make changes to Staff's filing, but the information received was not conclusive.

11. On February 21, the State sent some suggestions for income tax accounting treatment of the Cost of Removal accruals and the Staff then indicated that AmerenUE probably agreed with the changes. A copy of that email is attached as exhibit 5. The State believed at this time that no substantive issue would exist regarding Cost of Removal after Staff revised its case to treat incremental Cost of Removal using normalization accounting, as had been done by AmerenUE in its own filing.

12. On February 23, after yet another request to clarify information supporting Staff's intended revisions to its filing, Staff responded to State by saying, "you had the right amounts before allocation." A copy of that email is attached as exhibit 6.

13. Then, on February 27, in a surprising reversal of what the State believed was going on, AmerenUE filed surrebuttal testimony containing revisions to its initially filed income tax position, seeking to now adopt flow-through accounting for incremental cost of removal, essentially adopting as its own position Staff's erroneous rate case accounting principle that Staff was seeking to abandon.

14. Since AmerenUE unexpectedly revised its income tax accounting for incremental Cost of Removal in surrebuttal testimony without any warning or advance notice of its plans to do so, the State filed supplemental surrebuttal testimony limited to that newly revised issue. The supplemental surrebuttal testimony was filed so the Commission will be able to fully consider a substantive change in AmerenUE's filing that was first made known on February 27 and make the right decision. It is not fair to the State that Staff revised its case to conform to AmerenUE's prefiled position and simultaneously AmerenUE filed testimony abandoning that position, on an issue the State had been led to believe should be resolved. The State should be allowed to

submit testimony on an issue of this importance that was first known to be in dispute when AmerenUE filed the Surrebuttal Testimony of Mr. Mannix on February 27, 2007.

15. AmerenUE's arguments that allowing the Supplemental Surrebuttal of witness Brosch would violate paragraph D of 4 CSR 240-2.130 rings hollow. If this argument is accepted by the Commission a party, such as AmerenUE did in this case, could file what it asserts is a "correction" in its position that another party, in this case the State of Missouri, opposes. Under AmerenUE's theory so long as it is denoted a "correction" no party will have an opportunity to respond if they take issue with the underlying theory of the correction as the State does in this case. Because this is the first time in testimony AmerenUE has affirmatively indicated it has changed its position on the treatment of net salvage from the position it articulated in its direct case this is the first opportunity the State has had to respond to AmerenUE.

16. Since, the State agreed with the position AmerenUE took on this issue in its direct case the State would have had absolutely no reason to file rebuttal testimony on this issue. Nor would the State have had any reason to file rebuttal or surrebuttal testimony in response to Staff since Staff had indicated to the State that it had made a mistake on this issue and that it was going to correct that mistake. This is precisely the reason the Commission has 4 CSR 240-2.015 that allows the Commission to waive its rules for good cause shown. Applying paragraph D of 4 CSR 240-2.130 as requested by AmerenUE would inappropriately punish the State.

17. If this Commission accepts AmerenUE's arguments as they relate to Mr. Rackers, those arguments apply equally to the proposed testimony of AmerenUE witness Mannix. However, as AmerenUE point out in footnote 3 corrections may be made in surrebuttal testimony. The fact that in this case that we have two parties essentially switching positions on

the same issue is in and of itself a reason to allow the State to file its Supplemental Surrebuttal Testimony. It is clear that a \$60 million issue hangs in the balance. The State should be allowed to provide its expert testimony as to which position is correct.

18. AmerenUE loudly trumpets the fact that Staff's correction results in a \$35 million reduction in its revenue requirements, ignoring the fact that its own corrections results in a \$25 million increase in its proposed revenue requirement. The magnitude of this issue and impact on ratepayers dictates that this Commission hear all the evidence on this now important issue in AmerenUE's pending rate case. That evidence appropriately includes the supplemental surrebuttal testimony of State witness Michael Brosch.


19. If this Commission deems it appropriate, AmerenUE and Staff may file supplemental surrebuttal testimony addressing the State's opposition to the new revisions in their surrebuttals. Again, the State wishes all information to be before the Commission and has no desire to suppress or hide any information on this issue.

20. In the alternative, 4 CSR 240-2.015 allows the Commission to waive one of its rules for good cause shown. Such good cause is present here. The State was led to believe the issue was in the process of being resolved through informal discussions. But AmerenUE revised its position without warning and in a manner that denied the State an opportunity to respond on an issue worth over \$60 million. Justice and equity dictate the State be allowed to file testimony on these last minute revisions. Further, as stated above, the State wants all information to be in front of the Commission so it can make the most informed decision possible and does not to deny any party an opportunity to respond on any issue. Thus, there is good cause for this Commission to waive 4 CSR 240.2-130(7)(D) & (8) and allow the State to file Michael L. Brosch's supplemental testimony.


WHEREFORE, the State requests that AmerenUE's Combined Motion be denied and for any other relief the Commission deems appropriate.

Respectfully submitted,

JEREMIAH W. (JAY) NIXON
Attorney General



DOUGLAS E. MICHEEL
Assistant Attorney General
Missouri Bar No. 38371



ROBERT E. CARLSON
Assistant Attorney General
Missouri Bar No. 54602

Attorneys for the State of Missouri
P. O. Box 899
Jefferson City, Missouri 65102
(573) 751-3338 Telephone
(573) 751-2041 Facsimile
douglas.micheel@ago.mo.gov
bob.carlson@ago.mo.gov

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing was served by first-class U.S. Mail, postage-paid, on this 07th day of March 2007 to all parties.



Douglas E. Micheel

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Thursday, February 08, 2007 10:04 AM
To: Rackers, Steve
Cc: scarver@utilitech.net
Subject: RE: [REDACTED]

Steve, sorry to keep picking on your unreconciled/tax line item in the reconciliation. Can we talk about what is in there when you have some time? Thanks.

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Wednesday, February 07, 2007 5:58 PM
To: Harris, Felicia Michelle; Mannix, Charles A; mbrosch@utilitech.net
Subject: RE: [redacted]

Thanks.

From: Harris, Felicia Michelle [mailto:FHarris@ameren.com]
Sent: Wednesday, February 07, 2007 3:45 PM
To: Mannix, Charles A; Rackers, Steve; mbrosch@utilitech.net
Subject: RE: [REDACTED]

Gentlemen,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Thank you.

Felicia Harris
Tax Specialist
Ameren Services
314-206-1801

From: Mannix, Charles A
Sent: Wednesday, February 07, 2007 1:30 PM
To: Steve Rackers (steve.rackers@psc.mo.gov); Mike Brosch (mbrosch@utilitech.net)
Cc: Harris, Felicia Michelle
Subject: [REDACTED]

Steve and Mike,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Thanks for your patience.

Chuck Mannix
Manager of Income Taxes
Ameren Corporation
office#: 314-206-1533

fax#: 314-554-6644

email: cmannix@ameren.com

***** The information contained in this message may be privileged and/or confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Note that any views or opinions presented in this message are solely those of the author and do not necessarily represent those of Ameren. All emails are subject to monitoring and archival. Finally, the recipient should check this message and any attachments for the presence of viruses. Ameren accepts no liability for any damage caused by any virus transmitted by this email. If you have received this in error, please notify the sender immediately by replying to the message and deleting the material from any computer. Ameren Corporation

[REDACTED]

From: "Rackers, Steve" <steve.rackers@psc.mo.gov>
To: "Mike Brosch" <mbrosch@utilitech.net>
Date: 2/9/2007 1:43 pm
Subject: [REDACTED]

Gary made a comment to me that they did not change taxes for their depreciation rate change. I was unclear whether that was on purpose or an oversight. That is something we can get into Thursday.

Steve.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Friday, February 09, 2007 1:34 PM
To: Rackers, Steve
Cc: scarver@utilitech.net; Micheel, Douglas
Subject: RE: [REDACTED]

Did UE or Gary Weiss tell you they think they calculated income taxes incorrectly and your approach fixes the problem? Do you have anything documenting whether YE normalizes COR on the books?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Friday, February 09, 2007 1:25 PM
To: Mike Brosch
Subject: RE: [REDACTED]

Mike,

I will look over your questions. With regard to # 6, I think the answer is yes. However, I'm not sure though that it is an adoption of the Company's position of if they have simply not reflected their depreciation correctly in their income tax calculation.

From: Mike Brosch [mailto:mbrosch@utilitech.net]

Sent: Friday, February 09, 2007 12:19 PM
 To: Rackers, Steve
 Cc: Micheel, Douglas; scarver@utilitech.net
 Subject: RE: [REDACTED]

Steve,

I am quite concerned about the treatment of removal costs in the Staff's income tax calculation, which appears to increase revenue requirement by nearly \$50 million above the Company's request. After we discussed the matter, I looked back at Accounting Schedule 11 where you have added back book depreciation of \$272 million, while deducting only \$187M for the combination of tax SL depreciation and cash basis Cost of Removal ("COR"), but cannot find any workpaper support for these deduction values. Several other questions also occur to me:

1. Won't a flow through policy for the COR difference perpetually charge customers high current income taxes, at least until a major power plant is retired/removed?
2. If a test year had a major plant removal (sometime during our career), wouldn't the utility likely argue that year's removal costs were abnormally high?
3. What authority is relied upon by Staff to advocate flow-through of removal costs, instead of normalization? Is there an MPSC Order somewhere?
4. If Staff has a flow through policy, why are there not many schedule M items getting flowed through on Schedule 11, in addition to removal costs?
5. If Staff had a flow through policy when removal costs were not part of book depreciation rates, is that policy reasonable now?
6. Would Staff consider adopting a normalization position on COR as a correction in its next "run", essentially adopting UE's position on this matter?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
 Sent: Thursday, February 08, 2007 11:43 AM
 To: Mike Brosch
 Subject: RE: [REDACTED]

Mike I will call you this afternoon.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Thursday, February 08, 2007 10:04 AM
To: Rackers, Steve
Cc: scarver@utilitech.net
Subject: RE: [REDACTED]

Steve, sorry to keep picking on your unreconciled/tax line item in the reconciliation. Can we talk about what is in there when you have some time?
Thanks.

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Wednesday, February 07, 2007 5:58 PM
To: Harris, Felicia Michelle; Mannix, Charles A; mbrosch@utilitech.net
Subject: RE: [REDACTED]

[REDACTED]
[REDACTED]
Thanks.

From: Harris, Felicia Michelle [mailto:FHarris@ameren.com]
Sent: Wednesday, February 07, 2007 3:45 PM
To: Mannix, Charles A; Rackers, Steve; mbrosch@utilitech.net
Subject: RE: [REDACTED]

Gentlemen,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Thank you.

Felicia Harris

Tax Specialist

Ameren Services

314-206-1801

From: Mannix, Charles A
Sent: Wednesday, February 07, 2007 1:30 PM
To: Steve Rackers (steve.rackers@psc.mo.gov); Mike Brosch
(mbrosch@utilitech.net)
Cc: Harris, Felicia Michelle
Subject: [REDACTED]

Steve and Mike,

[REDACTED]

Thanks for your patience.

Chuck Mannix

Manager of Income Taxes

Ameren Corporation

office#: 314-206-1533

fax#: 314-554-6644

email: cmannix@ameren.com

***** The information contained in this message may be privileged and/or confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Note that any views or opinions presented in this message are solely those of the author and do not necessarily represent those of Ameren. All emails are subject to monitoring and archival. Finally, the recipient should check this message and any attachments for the presence of viruses. Ameren accepts no liability for any damage caused by any virus transmitted by this email. If you have received this in error, please notify the sender immediately by replying to the message and deleting the material from any computer. Ameren Corporation

From: "Rackers, Steve" <steve.rackers@psc.mo.gov>
To: "Mike Brosch" <mbrosch@utilitech.net>
Date: 2/13/2007 10:50 pm
Subject: RE: Section 199-miscellaneous deduction

CC: <scarver@utilitech.net>

Mike, I assume you got the e-mail from Bill about the 10AM meeting Thursday. The response I received to DR 350 or 351 and other discussions indicate to me that UE is flowing through COR. Regarding Town Park, Staff's adjustment

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Tue 2/13/2007 9:26 AM
To: Rackers, Steve
Cc: Micheel, Douglas; scarver@utilitech.net
Subject: RE: [REDACTED]

Steve,

1. Has this tax meeting (below) firmed up?
2. Did you find any reference to whether UE flows through COR on the books?

3. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] the need this subtraction and in fact
[REDACTED] the size of the hole.
[REDACTED]

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Friday, February 09, 2007 1:44 PM
To: Mike Brosch
Subject: RE: [REDACTED]

Gary made a comment to me that they did not change taxes for their

depreciation rate change. I was unclear whether that was on purpose or an oversight. That is something we can get into Thursday.

Steve.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Friday, February 09, 2007 1:34 PM
To: Rackers, Steve
Cc: scarver@utilitech.net; Micheel, Douglas
Subject: RE: [REDACTED]

Did UE or Gary Weiss tell you they think they calculated income taxes incorrectly and your approach fixes the problem? Do you have anything documenting whether YE normalizes COR on the books?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Friday, February 09, 2007 1:25 PM
To: Mike Brosch
Subject: RE: [REDACTED]

Mike,

I will look over your questions. With regard to # 6, I think the answer is yes. However, I'm not sure though that it is an adoption of the Company's position of if they have simply not reflected their depreciation correctly in their income tax calculation.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Friday, February 09, 2007 12:19 PM
To: Rackers, Steve
Cc: Micheel, Douglas; scarver@utilitech.net
Subject: RE: [REDACTED]

Steve,

I am quite concerned about the treatment of removal costs in the Staff's income tax calculation, which appears to increase revenue requirement by nearly \$50 million above the Company's request. After we discussed the matter, I looked back at Accounting Schedule 11 where you have added back book depreciation of \$272 million, while deducting only \$187M for the combination of tax SL depreciation and cash basis Cost of Removal ("COR"), but cannot find any workpaper support for these deduction values. Several other questions also occur to me:

1. Won't a flow through policy for the COR difference perpetually charge customers high current income taxes, at least until a major power plant is retired/removed?
2. If a test year had a major plant removal (sometime during our career), wouldn't the utility likely argue that year's removal costs were abnormally high?
3. What authority is relied upon by Staff to advocate flow-through of removal costs, instead of normalization? Is there an MPSC Order somewhere?
4. If Staff has a flow through policy, why are there not many schedule M items getting flowed through on Schedule 11, in addition to removal costs?
5. If Staff had a flow through policy when removal costs were not part of book depreciation rates, is that policy reasonable now?
6. Would Staff consider adopting a normalization position on COR as a correction in its next "run", essentially adopting UE's position on this matter?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Thursday, February 08, 2007 11:43 AM
To: Mike Brosch
Subject: RE: [REDACTED]

Mike I will call you this afternoon.

Steve, sorry to keep picking on your unreconciled/tax line item in the reconciliation. Can we talk about what is in there when you have some time? Thanks.

mbrosch@utilitech.net

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] appeared that everything
[REDACTED]
[REDACTED]

Thank you.

[REDACTED]

Felicia Harris
Tax Specialist
Ameren Services
314-206-1801

From: Mannix, Charles A
Sent: Wednesday, February 07, 2007 1:30 PM
To: Steve Rackers (steve.rackers@psc.mo.gov); Mike Brosch
(mbrosch@utilitech.net)
Cc: Harris, Felicia Michelle
Subject: [REDACTED]

Steve and Mike,

[REDACTED]

Thanks for your patience.

Chuck Mannix
Manager of Income Taxes
Ameren Corporation
office#: 314-206-1533
fax#: 314-554-6644
email: cmannix@ameren.com

***** The information contained in this message
may be privileged and/or confidential and protected from disclosure. If the
reader of this message is not the intended recipient, or an employee or

agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Note that any views or opinions presented in this message are solely those of the author and do not necessarily represent those of Ameren. All emails are subject to monitoring and archival. Finally, the recipient should check this message and any attachments for the presence of viruses. Ameren accepts no liability for any damage caused by any virus transmitted by this email. If you have received this in error, please notify the sender immediately by replying to the message and deleting the material from any computer. Ameren Corporation

From: "Mike Brosch" <mbrosch@utilitech.net>
To: "Rackers, Steve" <steve.rackers@psc.mo.gov>
Date: 2/20/2007 9:52 am
Subject: FW: Mannix Files.

CC: "Steve Carver" <scarver@utilitech.net>
Steve, Chuck Mannix provided the attached file, which you probably had already seen. His message also states that they effectively normalized "any additional accrued cost of removal", as we believed in the conference call. He did not come right out and say that they wanted to shift to prospective full normalization for cost of removal. What changes to Staff's case are you making in this area and what is proposed regarding future accounting for the COR timing difference? Thanks.

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Mannix, Charles A [mailto:CMannix@ameren.com]
Sent: Monday, February 19, 2007 1:00 PM
To: mbrosch@utilitech.net; steve.rackers@psc.mo.gov
Cc: Weiss, Gary S; Nelson, Gregory L
Subject:

Mike and Steve,

Per our discussion on Thursday, here is the schedule of flow through items broken out into more detail. You can see on this schedule the accrued cost of removal (new set up flowthrough) as well as the incurred cost of removal (reversal flow though). This schedule was put together at the beginning of the rate case using 2005 provision and 2006 forecast information. It does not reflect any proforma changes made to depreciation for the rate case.

As we discussed in our meeting on Thursday and reiterated in Mike's email on Friday, any additional accrued cost of removal (above the \$24,974,571 reflected on the schedule) would have been normalized by the Company's income tax calculation.

I will adjust this schedule on Tuesday as soon as I am provided with updated cost of removal information.

Chuck Mannix

Manager of Income Taxes

Ameren Corporation

office#: 314-206-1533

fax#: 314-554-6644

email: cmannix@ameren.com

***** The information contained in this message may be privileged and/or confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Note that any views or opinions presented in this message are solely those of the author and do not necessarily represent those of Ameren. All emails are subject to monitoring and archival. Finally, the recipient should check this message and any attachments for the presence of viruses. Ameren accepts no liability for any damage caused by any virus transmitted by this email. If you have received this in error, please notify the sender immediately by replying to the message and deleting the material from any computer. Ameren Corporation *****

From: "Rackers, Steve" <steve.rackers@psc.mo.gov>
To: "Mike Brosch" <mbrosch@utilitech.net>
Date: 2/21/2007 5:14 pm
Subject: RE: Mannix Files.

Mike, I finally got to talk to Chuck. I think he understands and believes normalization is the best way to go, but he is not the decision maker. He said he may not know before he has to respond to your DRs. Maybe you can help him out there. He said he will probably want to talk some more tomorrow and I will be back at UE at some point. If you are available, I can suggest we tie you in.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Wednesday, February 21, 2007 1:05 PM
To: Rackers, Steve
Subject: RE: Mannix Files.

Steve, I was listening to Bob's deposition and hope I didn't miss your call. Is anything set up?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Tuesday, February 20, 2007 7:53 PM
To: Mike Brosch
Subject: RE: Mannix Files.

Mike, I'm sorry to just now be getting back to you. I just got off the telephone with Chuck Mannix and I think a discussion with you and Steve Traxler on the telephone would be good. I will e-mail Steve regarding his availability tomorrow. I am going to be at UE sometime tomorrow and Mannix said he had some meetings, but would be in all day. What time are you available?

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Tuesday, February 20, 2007 3:18 PM
To: Rackers, Steve
Subject: RE: Mannix Files.

Steve,

I don't know how to interpret this data to derive meaningful ratemaking tax calculations without scheduling meetings and modeling COR deferrals and turnarounds with different input assumptions. It would seem that UE needs some direction regarding the intended normalization accounting for ratemaking in order to know what to book prospectively. If UE is presently booking flow-through on the entire difference between COR paid and COR accrued, your 90% approach will not correspond to their accounting. Would it make sense to involve Steve Traxler in a meeting to discuss KCPL accounting for COR with the UE folks?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Tuesday, February 20, 2007 2:44 PM
To: Mike Brosch
Subject: RE: Mannix Files.

The Company gave me an updated version of DR 7. Its attached.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Tuesday, February 20, 2007 12:28 PM
To: Rackers, Steve
Cc: Micheel, Douglas; 'Steve Carver'
Subject: RE: Mannix Files.

Thanks for the update. Where was your 90% basis ratio calculated - is there a DR response I should look for?

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Rackers, Steve [mailto:steve.rackers@psc.mo.gov]
Sent: Tuesday, February 20, 2007 12:15 PM
To: Mike Brosch
Subject: RE: Mannix Files.

I was not going to propose a future accounting for UE to adopt. I do not want to get locked into the recognition of some deferred tax asset in a future case. I think for the rate case, it is appropriate to calculate a tax straight-line amount that uses the whole depreciation rate, instead of just the life piece. I had previously calculated a book tax basis ratio of 90%, but I want to look at that again. On the Staff's filed Income Tax Accounting Schedule - 11 there is an add back of book depreciation = \$272,052,662, a straight-line deduction = \$166,449,955 and a COR deduction of = \$21,472,463. The current change would be to use the same book, multiply book by 90% to get the straight-line deduction and zero out the COR deduction. Running that through our model reduces revenue requirement by \$34,627,395.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Tuesday, February 20, 2007 9:52 AM
To: Rackers, Steve
Cc: 'Steve Carver'
Subject: FW: Mannix Files.

Steve, Chuck Mannix provided the attached file, which you probably had already seen. His message also states that they effectively normalized "any additional accrued cost of removal", as we believed in the conference call. He did not come right out and say that they wanted to shift to prospective full normalization for cost of removal. What changes to Staff's case are you making in this area and what is proposed regarding future accounting for the COR timing difference? Thanks.

Mike Brosch

Utilitech, Inc. 913-681-6012

mbrosch@utilitech.net

From: Mannix, Charles A [mailto:CMannix@ameren.com]
Sent: Monday, February 19, 2007 1:00 PM
To: mbrosch@utilitech.net; steve.rackers@psc.mo.gov
Cc: Weiss, Gary S; Nelson, Gregory L
Subject:

Mike and Steve,

Per our discussion on Thursday, here is the schedule of flow through items broken out into more detail. You can see on this schedule the accrued cost of removal (new set up flowthrough) as well as the incurred cost of removal (reversal flow through). This schedule was put together at the beginning of the rate case using 2005 provision and 2006 forecast information. It does not reflect any proforma changes made to depreciation for the rate case.

As we discussed in our meeting on Thursday and reiterated in Mike's email on Friday, any additional accrued cost of removal (above the \$24,974,571 reflected on the schedule) would have been normalized by the Company's income tax calculation.

I will adjust this schedule on Tuesday as soon as I am provided with updated cost of removal information.

Chuck Mannix

Manager of Income Taxes

Ameren Corporation

office#: 314-206-1533

fax#: 314-554-6644

email: cmannix@ameren.com

***** The information contained in this message may be privileged and/or confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Note that any views or opinions presented in this message are solely those of the author and do not necessarily represent those of Ameren. All emails are subject to monitoring and archival. Finally, the recipient should check this message and any attachments for the presence of viruses. Ameren accepts no liability for any damage caused by any virus transmitted by this email. If you have received this in error, please notify the sender immediately by replying to the message and deleting the material from any computer. Ameren Corporation

From: "Rackers, Steve" <steve.rackers@psc.mo.gov>
To: "Mike Brosch" <mbrosch@utilitech.net>
Date: 2/23/2007 6:38 pm
Subject: RE: Case No. ER-2007-0002 Proposed Tier 1 Settlement And Attachments A, B and C

Mike these numbers were supplied to me in response to DR 350 or a supplement. You had the right amounts before allocation. See attached. Thanks.

From: Mike Brosch [mailto:mbrosch@utilitech.net]
Sent: Friday, February 23, 2007 2:47 PM
To: Rackers, Steve; Dottheim, Steve
Cc: Micheel, Douglas; scarver@utilitech.net
Subject: RE: Case No. ER-2007-0002 Proposed Tier 1 Settlement And Attachments A, B and C

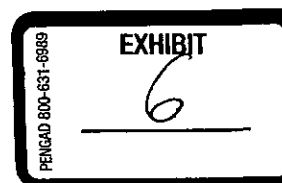
Steve Rackers,

Can you provide some calculation workpapers and data references to support the income tax correction to be made to Staff's case? We are trying to confirm the change and the only tax calculation supporting workpapers for Staff's filing that I can find contain only the following:

AmerenUE

ER-2007-0002

Tax Calculation Items



Source: Supplemental DR 350 or as noted