BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

STAFF RESPONSE TO UNION ELECTRIC COMPANY d/b/a AMERENUE'S COMBINED MOTION TO STRIKE PORTIONS OF PREFILED TESTIMONY OF STEPHEN M. RACKERS AND MOTION FOR EXPEDITED TREATMENT OF SAME AND SUGGESTIONS IN OPPOSITION TO STATE OF MISSOURI'S MOTION TO FILE SUPPLEMENTAL SURREBUTTAL TESTIMONY OF MICHAEL BROSCH

Comes now the Staff of the Missouri Public Service Commission (Staff), and files this response to the Combined Motion To Strike Portions Of The Prefiled Testimony Of Stephen M. Rackers And Suggestions In Opposition To State Of Missouri's Motion To File Supplemental Surrebuttal Testimony Of Michael Brosch. The Staff views AmerenUE's representation of events as nothing less than misleading and provides this response in support of the Surrebuttal Testimony of Stephen M. Rackers filed on February 27, 2007. The Staff requests that the Commission deny AmerenUE's Combined Motion:

1. AmerenUE claims or implies in particular in Paragraph 9 and footnote 4 that it is placed in an unfair position as a result of the subject matter covered by Staff witness Rackers and Attorney General witness Brosch just having been raised at the surrebuttal stage of hearings and AmerenUE not having an opportunity to address this material as presented by the surrebuttal testimony of Staff witness Rackers and Attorney General witness Brosch. In actuality, this subject matter is anything but new. The Jointly Proposed Procedural Schedule And Request For Other Procedural Items filed by the parties to the Commission on August 29, 2006 and the

Commission's September 12, 2006 Order Adopting Procedural Schedule and Test Year provided for a Preliminary Reconciliation to be provided to all of the parties on December 29, 2006.

2. The Staff filed its direct revenue requirement case on December 15, 2006. On Friday, evening, December 29, 2006, Staff counsel e-mailed to counsel for the other parties a Preliminary Reconciliation. A copy of that Preliminary Reconciliation is appended hereto as Attachment 1. The Staff would direct the Commissioners to page 2 of 2 of Attachment 1, the third line from the bottom of the page, the line entitled "Income Taxes & Unreconciled." In the very last column, on the right-hand side of the page, entitled "Revenue Requirement," appears the amount $29,487,227. The word "Unreconciled" was used by the Staff to indicate that there was some problem that it was struggling with regarding this entry. In subsequent iterations of the Preliminary Reconciliation which Mr. Rackers generated, the number for this line item increased to $41,908,144 and was sent to various parties including AmerenUE on February 2, 2007. An e-mail showing the distribution of this document is appended as Attachment 2. Mr. Michael Brosch, consultant to the Attorney General's Office, noticed this line item and asked questions of the Staff regarding this item in conference calls with other parties and in other inquiries of the Staff in the case.

3. On February 9, 2007, Mr. Rackers received an e-mail, a copy of which is appended hereto as Attachment 3, from Mr. Bill Powell, an attorney representing AmerenUE, inviting Steve Rackers, Steve Carver and Mike Brosch to a meeting with AmerenUE representatives Charles Mannix, Gary Weiss and Greg Nelson on February 15, 2007. This meeting was specifically called to discuss tax matters in the rate case including the treatment of net salvage. This meeting specifically discussed the normalization treatment of net salvage and Staff stated at this meeting its intention to correct its case on this item. Mr. Brosch also stated

his support of normalization of net salvage at this meeting. The very next day Mr. Brosch sent an e-mail to various individuals including Mr. Mannix wherein he states, in part: ". . . Notably, the revenue requirement difference arises because AmerenUE effectively normalized the large increase in cost of removal (COR) within the higher book depreciation accrual rates it is proposing (See UE Schedule GSW-E32 where minimal 'flow through income taxes' appear at lines 6-8)." In contrast, the Staff in error had flowed through COR. A copy of Mr. Brosch's February 16, 2007 e-mail is appended hereto as Attachment 4. On February 21, 2007 undersigned Staff counsel sent an e-mail to the other parties. The e-mail refers to the Staff's income tax change for Cost of Removal causing the Staff's case to go from ($84,595,833) to ($135,000,000). On February 23, 2007, undersigned Staff counsel sent another e-mail to the other parties relating that he had meant to add ($35,000,000) to ($84,595,833), and thus the Staff's case was at ($120,000,000), and not at ($135,000,000). Undersigned Staff counsel clearly stated in that e-mail that the ($35,000,000) change was a correction:

> . . . Attachment A needs to reflect the Staff's revenue requirement of approximately ($120,000,000) based upon the ($35,000,000) income tax correction for Cost of Removal made by the Staff. . . . The numbers that I had intended to indicate on Wednesday were the above numbers, i.e., the income tax correction for Cost of Removal is ($35,000,000) which causes the Staff's case on Attachment A to go from ($84,595,833) further negative by ($35,000,000) to approximately ($120,000,000).

4. Thus, AmerenUE was aware of a significant item in the income tax area based on the December 29, 2006 and subsequent iterations of the Preliminary Reconciliation that the Attorney General's Office and the Staff considered to be an error and knew of the Staff's and the Attorney General Office's intentions to address this matter. Any claim by AmerenUE that it was unaware or did not have an opportunity to address the correction that Mr. Rackers is supporting

is simply incorrect, as can be seen by the documentation and Mr. Mannix's own Surrebuttal Testimony.

5. AmerenUE claims at Paragraph 4 of its Combined Motion that it used flow through treatment in the preparation of its income tax calculation. This is not a correct statement. AmerenUE filed its direct case using a normalization method for the increase in the accrued net salvage that is reflected in the new depreciation rates supported by AmerenUE. (Rackers Surrebuttal, p. 6, lines 14-18). A February 19, 2007, e-mail from Mr. Mannix to Messrs. Rackers and Brosch confirms this. This e-mail from Mr. Mannix states, in part, as follows:

> As we discussed in our meeting on Thursday and reiterated in Mike's [Brosch] email on Friday, any additional accrued cost of removal (above the $24,974,571 reflected on the schedule [i.e., the amount in current depreciation rates]) would have been normalized by the Company's income tax calculation.

A copy of this e-mail is appended hereto as Attachment 5.

6. The fact that AmerenUE used normalization in its direct case is supported by the significant change in AmerenUE's own case discussed in the surrebuttal testimony of Mr. Mannix. Such a change would not be required by AmerenUE if AmerenUE had not utilized normalization treatment in its filed position until Mr. Mannix's Surrebuttal Testimony. Mr. Mannix's need to update the income tax calculation in his Surrebuttal Testimony is the result of AmerenUE's change in position from normalization to flow through regarding the increased net salvage included in AmerenUE's depreciation rate recommendation.

7. Mr. Mannix cannot directly speak to AmerenUE's July 7, 2006 case position or AmerenUE's method of calculating income tax expense since he did not prepare it. Mr. Mannix is only the author of the change now proposed by AmerenUE. He states at page 2 of his rebuttal testimony that he did not file Direct Testimony. On the contrary, AmerenUE's filed income tax

position and calculation was authored by AmerenUE witness Gary Weiss and is discussed at page 26, lines 12-26 and Schedule GSW-E13 of his Direct Testimony. Furthermore, Mr. Mannix has only worked for AmerenUE since October 2004. He has not participated in any prior AmerenUE rate cases and is not in a position to have any first hand knowledge about how this item has been handled in prior AmerenUE rate cases or before the Missouri Public Service Commission. (Mannix Rebuttal, p. 1, lines 21-24 and p. 2, lines 1-5).

8. At Paragraphs 5 and 6 of its Combined Motion, AmerenUE cites numerous cases in support of its claim that the there is a presumption that flow through is the proper methodology. AmerenUE's attempt to tie the issue in this case to prior issues involving net salvage is not valid. The flow through issue for net salvage in prior cases was related only to whether the actual cost of removal deduction (actual paid amount in current year in excess of the salvage received associated with current plant retirements) should be flowed through or normalized (deferred tax treatment). In those cases the utilities argued for normalization. No utilities attempted to separate out the accrued salvage included in the depreciation rates for flow through treatment as AmerenUE is proposing to do in this case.

9. The fact that no prior Commission decisions exist for AmerenUE regarding net salvage expense is likely due to the fact that this item was not significant in the past. In fact the difference between the net salvage included in the current depreciation rates of AmerenUE and the amounts actually being incurred is minimal. The significant differences in accrued and actually incurred net salvage have only now arisen in this case due to the significant increase in the accrued net salvage included in the depreciation rates proposed by various parties. (Rackers Surrebuttal, p. 7, lines 5-11). AmerenUE is attempting to tie a different issue that was litigated

in prior cases to the new issue involving net salvage included in the depreciation rates that is presented in this case. Such a comparison is not valid.

10. It is telling that AmerenUE chooses not to mention the dollar value of its change in position found in Mannix's Surrebuttal Testimony from its filed normalization methodology to its surrebuttal flow-through methodology respecting net salvage. AmerenUE only refers to the quantification of its "calculation mistake" as "smaller" than the Staff's asserted change in methodology, but "substantial." (Paragraph 7 of AmerenUE's Combined Motion). In his Surrebuttal Testimony at page 4, lines 13-14, Mr. Mannix states that the resulting increase in AmerenUE's revenue requirement from the specific "correction" that he is sponsoring is an increase of $24,145,184. The position that AmerenUE has taken with the filing of Mr. Mannix's surrebuttal testimony is at odds with the position that AmerenUE is taking with Mr. Racker's surrebuttal testimony.

WHEREFORE, the Staff responds to AmerenUE's March 6, 2007 Combined Motion To Strike Portions Of The Prefiled Testimony Of Stephen M. Rackers And Suggestions In Opposition To State Of Missouri's Motion To File Supplemental Surrebuttal Testimony Of Michael Brosch and requests that the Commission deny said Combined Motion.

Respectfully submitted,

/s/Steven Dottheim
Steven Dottheim
Chief Deputy General Counsel
Missouri Bar No. 29149

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 7th day of March 2007.

/s/ Steven Dottheim

UNION ELECTRIC COMPANY d/b/a AMERENUE
CASE NO. ER-2007-0002
RECONCILIATION

		Company	Staff	Difference	Revenue Requirement
Company's Revenue Requirement					**$ 374,748,565**
ROE - Pretax on Company Rate Base (Company 12% Staff Equity Midpoint 9.25)		12.86%	10.52%	-2.34%	**(136,997,040)**
Plant:					
Allocations and Other				$ 3,520,170	370,322
Incentive Compensation Capitalized			$ (16,997,733)	(16,997,733)	(1,788,162)
Pinckneyville and Kinmundy Transfer Repricing		$ 237,061,578	168,451,433	(68,610,146)	(7,217,787)
Staff capitalization Osage Headwater Costs			4,261,622	4,261,622	448,323
Plant Additions (Including Staff True-up, less Osage Relicense)		531,970,071	563,601,000	31,630,929	3,327,574
Depreciation Reserve:					
Allocations and Other				(2,732,252)	(287,433)
Incentive Compensation Capitalized			-	-	-
Pinckneyville and Kinmundy Transfer Repricing			(3,201,807)	3,201,807	336,830
Reserve Additions (Including Staff True-up)		18,276,617	163,250,000	(144,973,383)	(15,251,200)
Company Write-off of Over Accrual of for Roads, Railroads and Bridges		144,728		144,728	15,225
Fuel Inventory & Materials & Supplies	Fuel Inventory Calculation Methodology	252,895,172	237,661,086	(15,234,086)	(1,602,626)
Prepayments	Medical & Dental	5,324,708	6,751,519	1,426,811	150,101
Cash Working Capital	Expense Amounts & Lag Calculations	(37,927,090)	(57,849,479)	(19,922,389)	(2,095,835)
Customer Advances		2,403,384	2,402,813	571	60
Deferred Taxes (Including Staff True-up)	Staff Eliminated Various Items	1,117,530,118	1,256,089,552	(138,559,434)	(14,576,452)
Emmission Credits	Staff Deferral of Test Year Emission Sales		3,847,428	(3,847,428)	(404,749)
Total Rate Base				$ (366,690,213)	**(38,575,810)**
Revenues:					
Adjustment to Restate Test Year Revenues			51,958,000	51,958,000	(51,958,000)
Gross Receipts Taxes		(98,163,000)	(98,743,000)	(580,000)	580,000
Weather normalization		(51,697,000)	(34,472,000)	17,225,000	(17,225,000)
Customer Growth (Including Staff True-up)		(4,548,000)	12,713,000	17,261,000	(17,261,000)
Annualize Large General Service Customers			7,000	7,000	(7,000)
Other Revenues Including MISO Charges		(5,866,000)	(5,762,000)	104,000	(104,000)
Interchange Sales Revenues		(177,953,405)	44,113,127	222,066,532	(222,066,532)
Allocations				2,975,423	(2,975,423)

ATTACHMENT 1

UNION ELECTRIC COMPANY d/b/a AMERENUE
CASE NO. ER-2007-0002
RECONCILIATION

		Company	Staff	Difference	Revenue Requirement
Expenses:					
Labor	Different Methodology and AMS Reallocation	8,045,000	8,294,000	249,000	249,000
Callaway Refueling - Labor	Rounding	(3,577,000)	(3,563,000)	14,000	14,000
Incentive Compensation Normalization	Error in Company's calculation	(3,164,000)	(3,879,000)	(715,000)	(715,000)
Disallowance of Remaining PIP Incentive Plan Cost			(9,662,000)	(9,662,000)	(9,662,000)
Disallowance of EBP Incentive Plan cost			(575,000)	(575,000)	(575,000)
Normalize Fuel & Purchased Power (Net of MISO)		(194,071,000)	(141,866,000)	52,205,000	52,205,000
Callaway Refueling Adj - Non-labor	Rounding	(7,057,000)	(7,041,000)	16,000	16,000
CTG Expense Adj		3,259,000	1,981,000	(1,278,000)	(1,278,000)
Osage Relicense and Headwater Adj	Staff Amortized Study costs over a 25 year period	(4,764,000)	1,066,000	5,830,000	5,830,000
Emmission Credits	Staff Rate Base Deferral		3,847,000	3,847,000	3,847,000
EEI (Joppa Plant) Capacity Purchases Adjustment			1,284,000	1,284,000	1,284,000
Taum Sauk Expense	Staff Eliminated Accrual and Realocated AMS Payroll	(1,961,000)	(13,022,000)	(11,061,000)	(11,061,000)
Add'l Transmission Exp - MISO	Staff Eliminated Discontinued Charges	437,000	(4,522,000)	(4,959,000)	(4,959,000)
Tree Trimming Adj	Annualize Current Program and Adjust Storm Cost	1,585,000	(4,442,000)	(6,027,000)	(6,027,000)
New Trimming Program	Increase Tree Trimming Spending	14,973,000	6,987,000	(7,986,000)	(7,986,000)
Expense reassigned to Sales for Resale			(11,000)	(11,000)	(11,000)
Environmental Cost	Staff Eliminated Over-accrual		(1,353,000)	(1,353,000)	(1,353,000)
Uncollectibles (Including Company Gross-up)	Staff Reallocated Collections and Write-offs v. Accrual	2,098,592	(271,000)	(2,369,592)	(2,369,592)
Pay Stations	Annualize Ongoing Expense Level	861,000	696,000	(165,000)	(165,000)
Pension Adjustment	Allocation Difference Between Electric and Gas	(892,000)	(886,000)	6,000	6,000
Employee Benefits	Rounding	4,845,000	4,818,000	(27,000)	(27,000)
FAS 106	Rounding	(1,895,000)	(1,855,000)	40,000	40,000
Rate Case Expense	Staff Used Test Year Cost	1,526,000	548,000	(978,000)	(978,000)
PSC Assessment	Staff used the Latest Assessment		823,000	823,000	823,000
Lease Expense	Staff Annualization to Latest Cost		(88,000)	(88,000)	(88,000)
Insurance Exp	Staff Annualization to Latest Cost		1,992,000	1,992,000	1,992,000
Staff Disallowance of Certain Dues & Donations			(1,434,000)	(1,434,000)	(1,434,000)
Staff Disallowance of Certain Advertising			(1,061,000)	(1,061,000)	(1,061,000)
Staff Disallowance of Certain Miscellaneous Expense			(446,000)	(446,000)	(446,000)
AMS Allocation	Staff Adjustment to Reduce the AMS Cost Allocation		(3,219,000)	(3,219,000)	(3,219,000)
Depreciation (Including Staff True-up)	Metodology	387,630,635	304,941,658	(82,688,977)	(82,688,977)
Taxes Other		119,604,027	114,435,683	(5,168,344)	(5,168,344)
Income Taxes & Unreconciled					29,487,227
Total Revenues and Expenses					**(356,495,641)**
Staff Revenue Requirement @ Midpoint					**$ (157,319,926)**

Dottheim, Steve

From: Rackers, Steve
Sent: Monday, February 05, 2007 6:36 PM
To: 'BSL@drazen.com'; 'mbrubaker@consultbai.com'; 'scarver@utilitech.net'; 'khiggins@energystrat.com'; 'mbrosch@utilitech.net'; Trippensee, Russ; 'Byrne, Thomas M'; Weiss, Gary S
Subject: Revenue Requirement Changes & Reconciliation

Attachments: Electric Reconciliation-2.xls; ems changes 2-5-02007.xls

Electric :econciliation-2.xls   ems changes .2-5-02007.xls (26 ...

ATTACHMENT 2

UNION ELECTRIC COMPANY d/b/a AMERENUE
CASE NO. ER-2007-0002
RECONCILIATION

		Company	Staff	Difference	Revenue Requirement	State Difference	Revenue Requirement
Company's Revenue Requirement					**$ 374,748,565**		**$ 374,748,565**
ROE - Pretax on Company Rate Base (Company 12% Staff Equity Midpoint 9.25)		12.86%	10.52%	-2.34%	**(136,997,040)**	-2.56%	**(149,742,439)**
Plant:							
Allocations and Other				$ 3,520,170	370,322		
Incentive Compensation Capitalized			$ (16,997,733)	(16,997,733)	(1,788,162)		
Pinckneyville and Kinmundy Transfer Repricing		$ 237,061,578	168,451,433	(68,610,146)	(7,217,787)	(77,726,000)	(8,031,258)
Staff capitalization Osage Headwater Costs			4,261,622	4,261,622	448,323		
Plant Additions (Including True-up)		531,970,071	563,601,000	31,630,929	3,327,574	26,003,000	2,686,833
Depreciation Reserve:							
Allocations and Other				(2,732,252)	(287,433)		
Incentive Compensation Capitalized			(1,171,459)	1,171,459	123,237		
Pinckneyville and Kinmundy Transfer Repricing			(3,201,807)	3,201,807	336,830	3,109,000	321,246
Reserve Additions (Including True-up)		18,276,617	163,250,000	(144,973,383)	(15,251,200)	(94,763,000)	(9,791,654)
Amortization of Venice Reserve		195,536		195,536	20,570		
Fuel Inventory & Materials & Supplies	Fuel Inventory Calculation Methodology	252,895,172	237,661,086	(15,234,086)	(1,602,626)		
Prepayments	Medical & Dental	5,324,708	6,751,519	1,426,811	150,101		
Cash Working Capital	Expense Amounts & Lag Calculations	(37,927,090)	(57,849,479)	(19,922,389)	(2,095,835)		
Customer Advances		2,403,384	2,402,813	571	60		
Deferred Taxes (Including True-up)	Eliminated Various Items	1,117,530,118	1,256,089,552	(138,559,434)	(14,576,452)	(68,043,000)	(7,030,735)
Emmission Credits	Staff Deferral of Test Year Emission Sales		3,847,428	(3,847,428)	(404,749)		
Total Rate Base				$ (365,467,946)	**(38,447,228)**	(211,420,000)	**(21,845,568)**
Revenues:							
Adjustment to Restate Test Year Revenues		(4,548,000)	51,958,000	56,506,000	(56,506,000)		
Gross Receipts Taxes		(98,163,000)	(98,743,000)	(580,000)	580,000		
Weather normalization		(51,697,000)	(34,472,000)	17,225,000	(17,225,000)		
Customer Growth (Including Staff True-up)			20,805,054	20,805,054	(20,805,054)	19,860,000	(19,860,000)
Annualize Large General Service Customers			7,000	7,000	(7,000)		
Other Revenues Including MISO Charges		(5,866,000)	(5,762,000)	104,000	(104,000)		
Joppa Imputation	Capacity Charges in Expense for Staff		98,540,891	98,540,891	(98,540,891)	88,292,000	(88,292,000)
Interchange Sales Revenues		(177,953,405)	(82,045,930)	95,907,475	(95,907,475)	41,296,000	(41,296,000)
Allocations				2,975,423	(2,975,423)		

UNION ELECTRIC COMPANY d/b/a AMERENUE
CASE NO. ER-2007-0002
RECONCILIATION

		Company	Staff	Difference	Revenue Requirement	State Difference	Revenue Requirement
Expenses:							
Labor	Different Methodology and AMS Reallocation	8,045,000	8,294,000	249,000	249,000		
Callaway Refueling - Labor	Rounding	(3,577,000)	(3,563,000)	14,000	14,000		
Incentive Compensation Normalization	Error in Company's calculation	(3,164,000)	(3,879,000)	(715,000)	(715,000)		
Disallowance of Remaining PIP Incentive Plan Cost			(9,662,000)	(9,662,000)	(9,662,000)	(7,549,000)	(7,549,000)
Disallowance of EBP Incentive Plan cost			(575,000)	(575,000)	(575,000)		
Normalize Fuel & Purchased Power (Net of MISO)	Including True-up	(174,503,000)	(167,267,981)	7,235,019	7,235,019	(14,029,000)	(14,029,000)
Callaway Refueling Adj - Non-labor	Rounding	(7,057,000)	(7,041,000)	16,000	16,000		
CTG Expense Adj		3,259,000	1,981,000	(1,278,000)	(1,278,000)		
Osage Relicense and Headwater Adj	Staff Amortized Study costs over a 25 year period	(4,764,000)	(5,599,793)	(835,793)	(835,793)	(866,000)	(866,000)
Emmission Credits	Staff Rate Base Deferral		3,847,000	3,847,000	3,847,000	(16,484,000)	(16,484,000)
EEI (Joppa Plant) Capacity Purchases Adjustment		(19,568,000)	1,284,000	20,852,000	20,852,000		
Taum Sauk Expense	Staff Eliminated Accrual and Realocated AMS Payroll	(1,961,000)	(13,022,000)	(11,061,000)	(11,061,000)	(11,169,000)	(11,169,000)
Add'l Transmission Exp - MISO	Staff Eliminated Discontinued Charges	437,000	(4,522,000)	(4,959,000)	(4,959,000)	2,933,000	2,933,000
Tree Trimming Adj	Annualize Current Program and Adjust Storm Cost	1,585,000	(4,442,000)	(6,027,000)	(6,027,000)	(2,214,000)	(2,214,000)
New Trimming Program	Increase Tree Trimming Spending	14,973,000	6,987,000	(7,986,000)	(7,986,000)		
Expense reassigned to Sales for Resale			(11,000)	(11,000)	(11,000)		
Environmental Cost	Staff Eliminated accrual		524,654	524,654	524,654		
Uncollectibles (Including Company Gross-up)	Staff Reallocated Collections and Write-offs v. Accrual	2,098,592	(271,000)	(2,369,592)	(2,369,592)	(867,000)	(867,000)
Pay Stations	Annualize Ongoing Expense Level	861,000	696,000	(165,000)	(165,000)		
Pension Adjustment	Allocation Difference Between Electric and Gas	(892,000)	(886,000)	6,000	6,000		
Employee Benefits	Rounding	4,845,000	4,818,000	(27,000)	(27,000)		
FAS 106	Rounding	(1,895,000)	(1,855,000)	40,000	40,000		
Rate Case Expense	Staff Used Test Year Cost	1,526,000	548,000	(978,000)	(978,000)	(381,000)	(381,000)
PSC Assessment	Staff used the Latest Assessment		823,000	823,000	823,000		
Lease Expense	Staff Annualization to Latest Cost		(88,000)	(88,000)	(88,000)		
Insurance Exp	Staff Annualization to Latest Cost		1,992,000	1,992,000	1,992,000		
Staff Disallowance of Certain Dues & Donations			(1,414,226)	(1,414,226)	(1,414,226)		
Staff Disallowance of Certain Advertising			(1,061,000)	(1,061,000)	(1,061,000)		
Staff Disallowance of Certain Miscellaneous Expense			(446,000)	(446,000)	(446,000)		
AMS Allocation	Staff Adjustment to Reduce the AMS Cost Allocation		(3,040,973)	(3,040,973)	(3,040,973)		
Depreciation (Including Staff True-up)	Methodology, Callaway Life Extension, Pinck. & Kinm.	387,630,635	304,941,658	(82,688,977)	(82,688,977)	(40,816,000)	(40,816,000)
Amortization Expense	Expiring Merger Cost Amortization					(1,673,000)	(1,673,000)
Taxes Other	Property Taxes	119,604,027	114,435,683	(5,168,344)	(5,168,344)		
Income Taxes & Unreconciled	Includes the Value of the Production Credit Tax Deduction				41,908,144		(12,695,558)
Total Revenues and Expenses					(354,540,931)		(255,258,558)
Staff Revenue Requirement @ Midpoint					**$ (155,236,634)**		**$ (52,098,000)**
Office of Public Counsel							
ROE - Pretax on Staff Rate Base (Staff Pretax ROR 10.52% OPC 10.61%)				0.09%	4,615,933		
Pinckneyville and Kindmundy Transfer Price At OPC Pretax ROE				(65,047,600)	(6,901,550)		
Peno Creek Construction Cost At OPC Pretax ROE				(30,080,000)	(3,191,488)		
SO2 Allowance Sales Net Of Staff's rate Base Deferral				(15,858,632)	(15,858,632)		
Transfer Case Compliance Cost Disallowances				(138,303)	(138,303)		
OPC Revenue Requirement					**(176,710,675)**		

AmcrenUE
ER-2007-0002
Changes to filed EMS electric run

	Revenue Requirement			Change to Rev Req		
	Low	Mid	High	Low	Mid	High
As filed (Before True-up Estimate)	(213,693,743)	(202,864,419)	(181,205,770)			
Changes						
Reserve Adjustment for Incentive Comp.	(213,578,262)	(202,746,498)	(181,082,968)	115,481	117,921	122,803
Wtd cost of debt formula corr in tax calc	(210,307,067)	(199,473,682)	(177,806,915)	3,271,194	3,272,815	3,276,053
Dues and donations	(210,287,290)	(199,453,908)	(177,787,141)	19,777	19,774	19,774
Customer growth	(208,375,344)	(197,541,943)	(175,875,136)	1,911,946	1,911,965	1,912,004
Sync production credit with ROE	(207,473,894)	(196,941,294)	(175,876,095)	901,450	600,648	(958)
Eliminate TY accrued headwater expense	(214,118,136)	(203,585,239)	(182,519,446)	(6,644,242)	(6,643,945)	(6,643,352)
Hydro depreciation over-accrual	(214,113,121)	(203,580,123)	(182,514,125)	5,014	5,117	5,322
AMS non-labor allocation change	(213,936,876)	(203,403,885)	(182,337,904)	176,246	176,238	176,221
AMS labor allocation change	(213,935,087)	(203,402,096)	(182,336,114)	1,789	1,789	1,790
Enviornmental change	(212,063,541)	(201,530,634)	(180,464,819)	1,871,546	1,871,463	1,871,295
Revised Truc-up	45,550,000	46,294,000	47,802,000	(37,000)	707,000	2,215,000
Cumulative effect of changes	(166,513,541)	(155,236,634)	(132,662,819)	1,593,201	2,040,785	2,955,951

Dottheim, Steve

From: Rackers, Steve
Sent: Friday, February 09, 2007 10:03 PM
To: Bill Powell
Subject: RE: meeting next Thursday

Thanks Bill.

From: Bill Powell [mailto:Powell@smithlewis.com]
Sent: Fri 2/9/2007 3:28 PM
To: Rackers, Steve; mbrosch@utilitech.net; scarver@utilitech.net
Cc: Weiss, Gary S; Mannix, Charles A; Nelson, Gregory L
Subject: meeting next Thursday

TMr. Rackers, Mr. Brosch, and Mr. Carver:

I've been asked to be sure you know of the meeting scheduled to discuss various tax matters in the AmerenUE rate case. It will occur in St. Louis next Thursday, Feb. 15, at 10 a.m. Gary Weiss has indicated that he will provide you with a call-in number for this meeting if you participate via phone. Gary, Chuck Mannix, and probably Greg Nelson will participate for AmerenUE, perhaps others.

Bill Powell

ATTACHMENT 3

Dottheim, Steve

From: Mike Brosch [mbrosch@utilitech.net]

Sent: Friday, February 16, 2007 12:04 PM

To: Rackers, Steve; Traxler, Steve; Mannix, Charles A; Dottheim, Steve; robert.schallenberg@psc.mo.gov

Cc: Micheel, Douglas; scarver@utilitech.net

Subject: Ameren UE Flow Through Tax Adjustment

Attachments: Copy of Electric Reconciliation-5.xls

The attached recent iteration of Staff's reconciliation of issues in the pending AmerenUE rate case reflects a large issue that was discussed among the parties yesterday. The highlighted $40.3 million difference captioned "flow through items" indicates that Staff seeks to increase the Company's asserted revenue requirement by this amount due to a difference in income tax accounting related to flow through book/tax timing differences. I am advised by Steve Rackers that the vast majority of this difference relates to Cost of Removal ("COR"), for which the utility can only deduct actual costs paid in the tax year, even though much larger amounts are recorded as book expense under proposed new depreciation accrual rates. Notably, the revenue requirement difference arises because AmerenUE effectively normalized the large increase in COR within the higher book depreciation accrual rates it is proposing (See UE Schedule GSW-E32 where minimal "flow through income taxes" appear at lines 6-8). In contrast, Staff's income tax calculation at Accounting Schedule 11 calculates ratemaking taxable income by adding back book depreciation of $272 million and then deducting tax straight-line depreciation of $166.5 million plus COR of $21.5 million, creating an increase in taxable income related to these items of about $84 million. This matter was discussed with AmerenUE and Staff on 2/15/2007 and the Company confirmed several points:

1. Historically, cost of removal has been a flow-through timing difference in Missouri and on the Company's books, but nobody on the call could identify when or where any MPSC order was issued to authorize such accounting.
2. The Company did not increase its rate case flow-through timing differences for cost of removal to correspond with its proposed higher depreciation accrual rates – this "omission" explains why UE didn't also have a large add-back to taxable income for flow through COR. Effectively, UE has "normalized" all incremental cost of removal associated with their proposed increase in book depreciation accrual rates.
3. I suggested that it would be virtually impossible for ratepayers to ever see a current tax deduction for removal of major assets, such as a power plant, because such retirements are distant future events and if/when they occurred in a test year, some normalization accounting would be required to smooth out such an anomaly under flow-through accounting. There was no disagreement voiced regarding my concern on this point.
4. I suggested in the call that the parties consider normalization accounting for cost of removal prospectively, since Staff is now including COR in its recommended depreciation accrual rates and quantification of a flow-through COR deduction would always be problematic. UE representatives indicated an intent to take this "under advisement" for discussion with senior management.

Given the uncertain resolution of this large issue, I contacted Steve Traxler to better understand how utilities in western Missouri have been accounting for COR timing differences in calculating ratemaking income taxes. Mr. Traxler confirmed that no large COR flow-through deduction amounts are reflected as an increase to taxable income, but instead Staff routinely calculates tax straight-line depreciation using book depreciation accrual rates, such that most of accrual-basis COR is treated as if deductible currently as part of such straight-line depreciation. I offer this information to further our discussion of this issue, hoping that Staff will reconsider its position that improperly overstates revenue requirements in amounts not requested by AmerenUE. Please contact me at the number below to clarify and discuss this matter.

Mike Brosch
Utilitech, Inc. 913-681-6012
mbrosch@utilitech.net

ATTACHMENT 4

Dottheim, Steve

From:	Mannix, Charles A [CMannix@ameren.com]
Sent:	Monday, February 19, 2007 1:00 PM
To:	mbrosch@utilitech.net; Rackers, Steve
Cc:	Weiss, Gary S; Nelson, Gregory L
Attachments:	Copy of UEC Rate Case Flow thru breakout detail.xls

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

ATTACHMENT 5