Exhibit No.:	
Issues:	Cost of Service; Revenue Apportionment
Witness:	Kevin C. Higgins
Sponsoring Party:	The Commercial Group
Type of Exhibit:	Direct Testimony
Case No.:	ER-2007-0002
Date Testimony Prepared:	December 29, 2006

BEFORE
THE MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0002

Direct Testimony of Kevin C. Higgins

on behalf of

The Commercial Group

Cost-of-Service / Rate Design

December 29, 2006

TABLE OF CONTENTS

DIRECT TESTIMONY OF KEVIN C. HIGGINS

Introduction

Q. Please state your name and business address.

A. Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

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

A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by The Commercial Group. The Commercial Group is comprised of the Missouri locations of Lowe's Home Centers, Inc.; Wal-Mart Stores East, LP; and J.C. Penney Corporation, Inc. Collectively, the members of The Commercial Group purchase more than 236 million kWh annually from AmerenUE in Missouri, primarily on rate schedules LGS and SPS.

Q. Are you the same Kevin C. Higgins who pre-filed direct testimony in the Revenue Requirement phase of this proceeding?

A. Yes, I am.

Overview and Conclusions

Q. What is the purpose of your testimony in this phase of the proceeding?

A. My testimony addresses the topics of: (1) Class cost-of-service, and (2) Revenue apportionment. As part of my testimony, I offer recommendations to the Commission on these topics in support of a just and reasonable outcome.

Q. What conclusions and recommendations do you offer based on your analysis?

A. I offer the following conclusions and recommendations:

(1) The cost-of-service methodologies employed by AmerenUE to allocate jurisdictional costs to customer classes are widely recognized as valid approaches and are appropriate for application in this proceeding. I recommend that the cost-of-service methodologies proposed by the Company in this proceeding be approved.

(2) The revenue apportionment, or rate spread, proposed by the Company in this proceeding would result in large subsidies paid by the non-residential classes. While some mitigation of the Company's requested rate increase for Residential customers may be reasonable, the amount of the subsidy burden proposed by the Company is inequitable and should be rejected. Instead, I recommend that revenue be apportioned such that for any rate increase, the Residential class is moved midway between the jurisdictional average percentage increase and the Residential cost-of-service-based percentage increase. The remaining revenue shortfall should be made up by applying an equal percentage increase above cost-of-service to the remaining customer classes. To the extent that the revenue requirement requested by the Company is reduced as a result of the Commission's decision in this proceeding, then the revenue apportionment should be adjusted to

move rates more in line with cost-of-service. Specifically, I recommend that each percentage point reduction in the Company's requested jurisdictional revenue increase be applied uniformly to the percentage rate increase shown for each customer class in the right-hand column of Table KCH-4, on page 11 of my testimony.

Class Cost-of-Service

Q. What is the purpose of cost-of-service analysis?

A. Cost-of-service analysis is conducted to assist in determining appropriate rates for each customer class. It involves the assignment of revenues, expenses, and rate base to each customer class, and includes the following steps:

- Separating the utility's costs in accordance with the various *functions* of its system (e.g., production, transmission, distribution);
- *Classifying* the utility's costs with respect to the manner in which they are incurred by customers (e.g., customer-related costs, demand-related costs, and energy-related costs); and
- *Allocating* responsibility for causing the utility's costs to the various customer classes.

Q. What methodologies are utilized by AmerenUE in allocating costs across customer classes?

A. AmerenUE's cost-of-service analysis is discussed in the direct testimonies of William M. Warwick and Wilbon L. Cooper. To allocate production costs, AmerenUE uses a variation of the "Average and Excess Demand" method, an

approach that is described at length in the National Association of Regulatory Utility Commissioners ("NARUC") Electric Utility Cost Allocation Manual. This method allocates fixed production costs by allocating those costs based on a combination of average demand (i.e., annual kilowatt-hours divided by 8760 hours) and the excess of class non-coincident peak over average demand. Based on my experience in other proceedings, I am aware that the Average and Excess Demand methodology has been approved for use both by the Salt River Project (Arizona) and Public Service Company of Colorado.

To allocate transmission costs, AmerenUE employs the 12-Coincident-Peak ("12-CP") method, which allocates costs based on each customer class' share of the jurisdictional peak demand for each of the twelve months of the year. This approach properly recognizes that transmission costs are fundamentally demand-related. The 12-CP method is frequently adopted by the Federal Energy Regulatory Commission ("FERC") in allocating transmission costs.

In allocating distribution-related costs in Accounts 364-369, AmerenUE employs the zero-intercept methodology that is described in the NARUC Electric Utility Cost Allocation Manual. This method identifies that portion of distribution-related plant that is associated with a hypothetical no-load situation and classifies such costs (appropriately) as customer-related. Remaining distribution-related costs in these accounts are properly classified as demand-related.

Q. What is your assessment of AmerenUE's approach to determining class cost-of-service analysis?

A. As a general proposition, the methodologies employed by AmerenUE to allocate jurisdictional costs to customer classes are widely recognized as valid approaches, and in my opinion, they are appropriate for application in this proceeding. One suggested improvement for application in future cases would be to allocate costs directly to the Lighting class, in contrast to the Company's current approach of presuming that lighting revenues cover lighting costs. However, as lighting revenues comprise only 1 percent of the jurisdictional revenues, it is unlikely that this recommended change would alter cost allocation for other classes in a material way. Consequently, I recommend that the cost-of-service methodologies proposed by the Company in this proceeding be approved by the Commission.

Revenue Apportionment

Q. What general guidelines should be followed in apportioning revenue requirements across customer classes?

A. In determining revenue apportionment, or rate spread, it is important to align rates with cost causation to the greatest extent practicable. Properly aligning rates with the costs caused by each customer class is essential for ensuring fairness, as it minimizes cross subsidies among customers. It also sends proper price signals, which improves efficiency in resource utilization. For these reasons, the results of the class cost-of-service analysis should be given very strong weighting in guiding the proper revenue apportionment.

At the same time, dramatic price changes can be disruptive to customers. For this reason, many regulatory authorities recognize a principle known as "gradualism", pursuant to which rate changes are implemented in a manner that moves customer classes *toward* cost-of-service parity, subject to constraints that limit the rate impact on any particular customer class. When employing this principle, it is important to adopt a long-term strategy of continuing to move toward cost causation in setting rates, and to avoid schemes that result in permanent cross-subsidies from other customers.

Q. What approach to revenue apportionment has AmerenUE proposed?

A. As described in the direct testimony of Mr. Cooper, AmerenUE is proposing an overall jurisdictional rate increase of 18.30 percent. At the same time, the Company is recommending that the rate increase to the Residential class be capped at 10 percent, even though the Company's cost-of-service analysis indicates that the Residential class warrants an increase of 26.81 percent (at the Company's overall requested revenue requirement). According to the Company's proposal, the ensuing revenue shortfall of $143 million[1] would be made up by imposing an additional rate increase on the remaining customer classes in proportion to each class' revenue requirement at an equalized return. That is, the remaining classes would collectively be required to pay a subsidy of $143 million in order to fund the Company's proposed 10 percent Residential rate cap. The Company's proposal is replicated in Schedule KCH-2.

[1] The $143 million shortfall is calculated by taking the difference between the Residential rate increase of $228 million that would be required at full cost-of-service and the $85 million increase recommended by AmerenUE.

Q. Can you give an example of how the proposed subsidy would be implemented?

A. Yes. At the Company's proposed overall revenue requirement, the Large General Service ("LGS") class would receive a rate increase of 7.96 percent if the increase were based on cost-of-service (i.e., equalized returns across classes). But after applying the additional increase proposed by the Company to fund the subsidy, the rate increase for the LGS class would grow to 20.27 percent – 12.31 percent above cost-of-service. Table KCH-3, below, compares the class rate increases that would result from rate increases based on cost-of-service to the class rate increases being proposed by the Company.

Table KCH-3
Rate Increase by Class at AmerenUE Requested Revenue Requirements: Cost-Based versus AmerenUE Proposal

Customer Class	Cost Based Revenue Change	AmerenUE Proposed Revenue Change	Deviation From Cost of Service
Residential	26.81%	10.00%	-16.81%
Small General Service	11.15%	23.83%	12.68%
Large General Service	7.96%	20.27%	12.31%
Small Primary Service	11.03%	23.69%	12.66%
Large Primary Service	28.56%	43.22%	14.66%
Large Transmission Service	6.93%	19.12%	12.19%
Total	18.30%	18.30%	0.00%

Q. What is your assessment of the Company's proposal?

A. In my view, AmerenUE's proposal to set the Residential increase significantly below the jurisdictional average – and to set rates for all other customer classes (except Lighting) more than 12 percent above cost-of-service in order to fund the resulting shortfall – is grossly inequitable and should be rejected.

Gradualism provides for mitigation of rate impacts – and some mitigation of the rate increase for the Residential class may be reasonable. However, the Company's proposal goes far beyond the bounds of reasonableness, as it would apply the *lowest* rate increase of all to a customer class that – on a cost-of-service basis – warrants an increase that is *significantly above* the jurisdictional average. Such a proposition draws no guidance whatsoever from the principles of cost causation, and consequently, fails to meet the most basic requirements of just and reasonable ratemaking.

To illustrate this point, recall that the LGS class warrants a cost-based rate increase of 7.96 percent. As discussed above, under the Company's proposal this customer class would receive an actual rate increase of 20.27 percent, which is more than double the required increase for this class to pay full cost-of-service. At the same time, the Residential class warrants a cost-based rate increase of 26.81 percent at the Company's overall requested revenue requirement, but would receive an actual rate increase of 10 percent – less than half the increase proposed for LGS. Based on cost-of-service results, the LGS percentage increase *should* be less than one-third the size of the Residential increase, but under the Company's proposal it would turn out to be more than double the Residential increase. This result fails to move rates adequately toward cost-of-service and is patently unreasonable.

Q. Are there any possible exceptions in which you might agree that it would be reasonable for a class that warrants an above-average increase to receive an increase that is below the jurisdictional average?

A. Such an exception might be defensible only if the utility is volunteering to fund the subsidy itself. However, in this case, AmerenUE is making no such offers. The Company's proposal for mitigating the rate impact on Residential customers is limited to having other customers pay for it.

Q. How does the Company defend its proposal to require non-residential customers to pay such a large subsidy?

A. AmerenUE witness Philip Hanser defends the Company's proposal by asserting that non-residential customers may have the ability to pass along underlying increases to their own customers, as well as having better access to capital markets to finance any changes they may need to make to respond to changes in energy prices.

Q. What is your assessment of Mr. Hanser's argument?

A. In my opinion, Mr. Hanser's revenue apportionment argument is highly unorthodox, is not grounded in accepted ratemaking principles, and should be rejected by the Commission. He appears to be arguing that rates should be set based on the *perceived* ability of some customers to pass costs on to others, as well as the *perceived* access some customers may have to capital markets. Although Mr. Hanser lists in his testimony eight ratemaking principles from Bonbright, one would be hard pressed to find these two suggested ratemaking criteria among them. Instead, Mr. Hanser's argument would take ratemaking in a new direction by setting rates based on criteria unrelated to cost, efficiency, or stability. I would also note that Mr. Hanser's approach relies on certain assumptions concerning the non-residential customer classes' access to capital

markets and ability to pass along increased energy costs, but Mr. Hansen's testimony provides no evidence that these assumptions have any basis in fact.

In my twenty years of participation in the ratemaking process I cannot recall a single instance in which rates were set higher for a customer class because it was thought to have better access to capital markets or was believed to be able to pass the cost increase on to others. When queried on this question in discovery, Mr. Hanser could not provide any examples either. I strongly recommend that Mr. Hanser's rationale be rejected in determining the appropriate revenue apportionment in this proceeding.

Q. What alternative approach to revenue apportionment do you recommend?

A. I recommend that rates be set closer to cost-of-service, while providing some mitigation for the Residential class. This objective can be accomplished by setting the rate increase for the Residential class midway between the jurisdictional average percentage increase and the Residential class' cost-of-service-based percentage increase. The remaining shortfall would be made up by applying an equal percentage increase above cost-of-service to the remaining customer classes. This calculation is shown, using the Company's requested revenue requirement, in Schedule KCH-3, and is compared to rate changes based solely on cost-of-service as well as to the Company's proposal in Table KCH-4, below.

Table KCH-4
Rate Increase by Class at AmerenUE Requested Revenue Requirements: Cost-Based vs. AmerenUE Proposal vs. Commercial Group Proposal

Customer Class	Cost Based Revenue Change	AmerenUE Proposed Revenue Change	CG Proposed Revenue Change
Residential	26.81%	10.00%	22.56%
Small General Service	11.15%	23.83%	14.38%
Large General Service	7.96%	20.27%	11.19%
Small Primary Service	11.03%	23.69%	14.26%
Large Primary Service	28.56%	43.22%	31.78%
Large Transmission Service	6.93%	19.12%	10.16%
Total	18.30%	18.30%	18.30%

Q. Please explain the impact of your recommended revenue apportionment.

A. At the Company's requested revenue requirement, my recommended approach would set the Residential rate increase midway between the jurisdictional average increase of 18.3 percent and the Residential cost-of-service-based increase of 26.81 percent – for an increase of 22.56 percent. To fund the cost of this mitigation, each remaining rate schedule would require an increase of 3.23 percentage points above its respective cost-of-service increase. So, for example, the LGS class would receive an increase of 11.19 percent, which is derived by adding 3.23 percentage points to the LGS cost-of-service-based increase of 7.96 percent.

Q. How should revenues be apportioned if the Commission reduces the allowed revenue requirement to a level below that requested by AmerenUE?

A. To the extent that the revenue requirement requested by the Company is reduced as a result of the Commission's decision in this proceeding, then the revenue apportionment should be adjusted to move rates more in line with cost-of-service. Specifically, I recommend that each percentage point reduction in the

Company's requested jurisdictional revenue increase be applied uniformly to the percentage rate increase shown for each customer class in the right-hand column of Table KCH-4. This approach would move rates closer to cost-of-service as the overall rate increase for each customer class falls.

Q. Can you provide a simple example of how this proposal would work?

A. Yes. If, for example, the Company's overall rate increase were reduced from 18.3 percent to 10.3 percent, then the rate increase for each customer class would be correspondingly reduced by 8.0 percentage points. Referring to Table KCH-4, the Residential increase would be reduced from 22.56 percent to 14.56 percent, the Small General Service increase would be reduced from 14.38 percent to 6.38 percent, and so on. In the event that the overall reduction is very significant, the Commission may wish to constrain the extent to which individual class rates may be reduced from current levels if overall rates are increased.

Q. In the event the Commission wishes to provide even greater mitigation of residential rate impacts than you are proposing, do you have any additional recommendations?

A. Yes. I believe that my proposal produces just and reasonable results. However, if the Commission wishes to provide even greater mitigation than I am proposing, I would recommend that the mitigation be constrained such that any Residential rate increase is not set below the jurisdictional average percentage increase. In general, no customer class that warrants a percentage rate increase *above* the jurisdictional average based on cost-of-service results should receive a rate increase that is *below* the jurisdictional average. Violating this decision rule

tends to perpetuate subsidies rather than move rates in the direction of cost-of-service.

Q. Have you calculated what revenue apportionment would result if the Residential increase was set at the jurisdictional average?

A. Yes. This calculation is shown in Schedule KCH-4. At the Company's requested revenue requirement, it would require each of the non-residential classes to pay rates that are an additional 6.46 percent above its respective cost-of-service.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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

AFFIDAVIT OF KEVIN C. HIGGINS

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Kevin C. Higgins, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;

2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Kevin C. Higgins;"

3. Said testimony was prepared by him and under his direction and supervision;

4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and

5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

Kevin C. Higgins

Subscribed and sworn to or affirmed before me this ___ day of December, 2006, by Kevin C. Higgins.

Margaret A. Peterson
Notary Public

My Commission No.: 134923
My Commission Expires: 02-28-08
(SEAL)

NOTARY PUBLIC
MARGARET A PETERSEN
505 EAST 200 SOUTH
SALT LAKE CITY, UT 84102
My Commission Expires 2/28/2008
STATE OF UTAH

Revenue Change by Class at AmerenUE's Proposed Revenue Requirement : Cost-of-Service versus AmerenUE's Proposal

($000s)

Line No.	(a)	(b) Class COS Present Revenue	(c) Allocated Rate Rev. Variance	(d) Adjusted Present Revenue	(e) Lighting Revenue Allocation	(f) Other Operating Revenue	(g) Revenue Req'd @ Equal ROR	(h) Allocated Rate Rev. Variance	(i) Adj. Rev. Req'd @ Equal ROR	(j) Req'd Rev. Change @ Equal ROR	(k) Percent Change @ Equal ROR
1	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 1,078,160	$ (11)	$ 1,078,149	$ 227,947	26.81%
2	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 251,997	$ (2)	$ 251,994	$ 25,286	11.15%
3	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 451,572	$ (4)	$ 451,568	$ 33,305	7.96%
4	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 202,566	$ (2)	$ 202,564	$ 20,126	11.03%
5	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 200,486	$ (2)	$ 200,484	$ 44,534	28.56%
6	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 146,718	$ (1)	$ 146,717	$ 9,509	6.93%
7	Total	$ 1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 2,331,499	$ (22)	$ 2,331,476	$ 360,707	18.30%

Data Source: Schedule WMW-E1, WMW-E2 & WLC-E7

Mitigated Revenue Spread with Residential Capped at Proposed 10% Increase; Subsidy Spread Pro Rata to Remaining Classes Based Upon Rev. Req'd @ Equal ROR

Line No.		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Req'd Rev. Change @ Equal ROR	Mitigation Adjustment	AmerenUE Proposed Target Revenue	AmerenUE Proposed Revenue Change	AmerenUE Proposed Percent Increase
8	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 227,947	$ (142,927)	$ 935,222	$ 85,020	10.00%
9	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 25,286	$ 28,737	$ 280,731	$ 54,023	23.83%
10	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 33,305	$ 51,496	$ 503,064	$ 84,801	20.27%
11	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 20,126	$ 23,100	$ 225,664	$ 43,226	23.69%
12	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 44,534	$ 22,863	$ 223,347	$ 67,397	43.22%
13	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 9,509	$ 16,731	$ 163,448	$ 26,240	19.12%
14	Total	$ 1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 360,707	$ (0)	$ 2,331,476	$ 360,707	18.30%

Data Source: Schedule WLC-E7

Revenue Change by Class at AmerenUE's Proposed Revenue Requirement : Commercial Group Proposal

($000s)

Line No.	(a)	(b) Class COS Present Revenue	(c) Allocated Rate Rev. Variance	(d) Adjusted Present Revenue	(e) Lighting Revenue Allocation	(f) Other Operating Revenue	(g) Revenue Req'd @ Equal ROR	(h) Allocated Rate Rev. Variance	(i) Adj. Rev. Req'd @ Equal ROR	(j) Req'd Rev. Change @ Equal ROR	(k) Percent Change @ Equal ROR
1	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 1,078,160	$ (11)	$ 1,078,149	$ 227,947	26.81%
2	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 251,997	$ (2)	$ 251,994	$ 25,286	11.15%
3	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 451,572	$ (4)	$ 451,568	$ 33,305	7.96%
4	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 202,566	$ (2)	$ 202,564	$ 20,126	11.03%
5	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 200,486	$ (2)	$ 200,484	$ 44,534	28.56%
6	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 146,718	$ (1)	$ 146,717	$ 9,509	6.93%
7	Total	$ 1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 2,331,499	$ (22)	$ 2,331,476	$ 360,707	18.30%

Data Source: Schedule WMW-E1, WMW-E2 & WLC-E7

Mitigated Revenue Spread with Residential Moved Halfway to Cost of Service; Subsidy Spread to Remaining Classes Based Upon Percent Change @ Equal ROR + Equal Subsidy Percent

Equal Subsidy Percent = 3.23%

Line No.		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Req'd Rev. Change @ Equal ROR	Mitigation Adjustment	CG Proposed Target Revenue	CG Proposed Revenue Change	CG Proposed Percent Increase
8											
9	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 227,947	$ (36,168)	$ 1,041,981	$ 191,779	22.56%
10	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 25,286	$ 7,317	$ 259,311	$ 32,603	14.38%
11	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 33,305	$ 13,500	$ 465,068	$ 46,805	11.19%
12	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 20,126	$ 5,888	$ 208,452	$ 26,014	14.26%
13	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 44,534	$ 5,034	$ 205,518	$ 49,568	31.78%
14	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 9,509	$ 4,429	$ 151,146	$ 13,938	10.16%
	Total	$ 1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 360,707	$ 0	$ 2,331,476	$ 360,707	18.30%

Revenue Change by Class at AmerenUE's Proposed Revenue Requirement : Assuming Residential Class Receives Jurisdictional Average Increase

($000s)

Line No.	(a)	(b) Class COS Present Revenue	(c) Allocated Rate Rev. Variance	(d) Adjusted Present Revenue	(e) Lighting Revenue Allocation	(f) Other Operating Revenue	(g) Revenue Req'd @ Equal ROR	(h) Allocated Rate Rev. Variance	(i) Adj. Rev. Req'd @ Equal ROR	(j) Req'd Rev. Change @ Equal ROR	(k) Percent Change @ Equal ROR
1	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 1,078,160	$ (11)	$ 1,078,149	$ 227,947	26.81%
2	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 251,997	$ (2)	$ 251,994	$ 25,286	11.15%
3	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 451,572	$ (4)	$ 451,568	$ 33,305	7.96%
4	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 202,566	$ (2)	$ 202,564	$ 20,126	11.03%
5	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 200,486	$ (2)	$ 200,484	$ 44,534	28.56%
6	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 146,718	$ (1)	$ 146,717	$ 9,509	6.93%
7	Total	$1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 2,331,499	$ (22)	$ 2,331,476	$ 360,707	18.30%

Data Source: Schedule WMW-E1, WMW-E2 & WLC-E7

Mitigated Revenue Spread with Residential Capped at Requested System Avg Increase - 18.3%; Subsidy Spread to Remaining Classes Based Upon Percent Change @ Equal ROR + Equal Subsidy Percent

Equal Subsidy Percent = 6.46%

Line No.		Class COS Present Revenue	Allocated Rate Rev. Variance	Adjusted Present Revenue	Lighting Revenue Allocation	Other Operating Revenue	Req'd Rev. Change @ Equal ROR	Mitigation Adjustment	CG Proposed Target Revenue	CG Proposed Revenue Change	CG Proposed Percent Increase
8	Residential	$ 850,213	$ (11)	$ 850,202	$ 13,515	$ 32,743	$ 227,947	$ (72,336)	$ 1,005,813	$ 155,611	18.30%
9	Small General Service	$ 226,710	$ (2)	$ 226,708	$ 3,093	$ 6,417	$ 25,286	$ 14,635	$ 266,629	$ 39,921	17.61%
10	Large General Service	$ 418,267	$ (4)	$ 418,263	$ 5,129	$ 10,700	$ 33,305	$ 27,000	$ 478,568	$ 60,305	14.42%
11	Small Primary Service	$ 182,440	$ (2)	$ 182,438	$ 2,117	$ 4,656	$ 20,126	$ 11,777	$ 214,341	$ 31,903	17.49%
12	Large Primary Service	$ 155,952	$ (2)	$ 155,950	$ 2,024	$ 4,991	$ 44,534	$ 10,067	$ 210,551	$ 54,601	35.01%
13	Large Transmission Service	$ 137,209	$ (1)	$ 137,208	$ 1,231	$ 3,324	$ 9,509	$ 8,857	$ 155,574	$ 18,366	13.39%
14	Total	$1,970,791	$ (22)	$ 1,970,769	$ 27,111	$ 62,831	$ 360,707	$ (0)	$ 2,331,476	$ 360,707	18.30%

Data Source: Schedule WLC-E7