Exhibit No.:	
Issue(s):	Pension and OPEB Tracker
Witness:	Randall K. Lynn
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Rebuttal Testimony
Case No.:	ER-2011-0028
Date Testimony Prepared:	March 25, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

REBUTTAL TESTIMONY

OF

RANDALL K. LYNN

On Behalf

Of

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

St. Louis, Missouri
March, 2011

REBUTTAL TESTIMONY

OF

RANDALL K. LYNN

CASE NO. ER-2011-0028

Q. Please state your name and business address.

A. My name is Randall K. Lynn. My business address is 101 South Hanley, Suite 900, St. Louis, Missouri 63105.

Q. Are you the same Randall K. Lynn who filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to discuss the changes to the Tracker for Pension and Other Post-Retirement Benefits ("Tracker") suggested by Staff witness Kofi A. Boateng, including a discussion of how non-qualified pension expense is treated by the Tracker.

Q. What is "non-qualified pension expense"?

A. Under federal law, "qualified" pension plans receive more advantageous tax treatment in exchange for following a strict set of regulations covering all operations of the plan, including how the plan is funded and designed, and how benefits are paid to employees. "Non-qualified" pension plans, on the other hand, do not have to meet the same regulations, thereby affording employers more flexibility in the manner in which they provide retirement benefits. Ameren Missouri currently has both qualified and non-qualified pension plans that provide retirement benefits to its employees.

Q. Why does Ameren Missouri provide non-qualified benefits?

A. Under federal law, a qualified pension plan may only provide pension benefits on compensation up to an annual limit. For 2011, this limit is $245,000. Similar to many other large companies, Ameren Missouri offers pension benefits through a non-qualified plan which account for pay in excess of this annual limit.

Q. Does Ameren Missouri provide any employer-paid, non-qualified pension benefits beyond benefits to offset the impact of the annual compensation limit?

A. No. Ameren Missouri's non-qualified pension plan only restores the benefits that cannot be provided to employees due to the annual limit on compensation which can be used to determine benefits from a qualified pension plan. No additional employer-paid benefits beyond those provided to Ameren Missouri's broad-based employee population through the Company's qualified plans are paid through the non-qualified pension plan.

Q. How may Ameren Missouri fund its pension plans?

A. The law allows Ameren Missouri to fund its plans in two ways. First, Ameren Missouri may set aside money in a trust to be used to pay pension benefits at a later date. This is how Ameren Missouri has been funding the qualified pension expense annually. Alternatively, Ameren Missouri may fund a pension plan by paying plan benefits to participants directly from corporate assets. Mr. Boateng's Schedule KAB 4 does not seem to include payments made directly to participants even though that is the method Ameren Missouri has chosen to fund its non-qualified plan.

Q. How does the Tracker say that Ameren Missouri should fund its expense annually?

A. In Section 3, the Tracker that is currently in effect states, in relevant part, that "[e]ach year AmerenUE shall contribute to its pension and VEBA trust the amount of its ASC 715-30 and ASC 715-60 costs for that year." The language of the Tracker does not distinguish between contributions to qualified and non-qualified plans and clearly contemplates that all of the Company's annual pension expense will be recognized, regardless of the funding mechanism used.

Q. Does the Tracker discuss plan benefit payments made directly to participants by Ameren Missouri?

A. No, it does not. As noted previously, the Tracker contemplates that all pension expense will be recognized regardless of whether Ameren Missouri chooses to fund a trust or directly pay the benefits out of corporate assets.

Q. Why are benefit payments made from corporate assets to participants considered a "contribution" to the non-qualified pension plan under the accounting rules?

A. When Ameren Missouri makes a benefit payment from corporate assets directly to a participant, it is permanently utilizing an asset of the corporation for the sole purpose of paying pension benefits. This is just the same as a contribution to a pension trust, where corporate assets are permanently set aside to pay benefits at some point in the future. In both cases, the payment results in an offset to the plan's net accounting obligation, reducing the plan's future accounting expense.

Q. What were the actual Ameren Missouri non-qualified benefit payments from 2007-2010?

A. Ameren Missouri has made over $3.6 million of non-qualified benefit payments from 2007-2010. Additionally, another $2.1 million of benefits were paid at Ameren Services; a portion of these payments are attributable to Ameren Missouri. The following table details Ameren's contribution history:

	Non-Qualified Plan Benefit Payments to Participants:	
Year	**Ameren Missouri**	**Ameren Services**
2007	$874,553	$494,063
2008	$805,610	$343,141
2009	$1,001,299	$391,820
2010	$992,728	$922,236
Total	$3,674,190	$2,151,260

Q. How do the $3,674,190 of non-qualified benefit payments at Ameren Missouri compare to Staff witness Boateng's suggested adjustment to the pension tracker for non-qualified pension plan costs allowed in rates?

A. Staff witness Boateng has proposed an adjustment of $3,099,975 for non-qualified expense that he alleges was allowed in rates but not funded to a trust. But, as I noted earlier in my rebuttal testimony, Ameren Missouri does not fund its non-qualified plan by making contributions to a trust. Instead, it funds its non-qualified pension obligations through direct payments from corporate assets. In fact, the actual cash payments that Ameren Missouri made to fund its non-qualified obligations was $3,674,190, which exceeds the amount of Mr. Boateng's adjustment. Therefore, Ameren Missouri actually funded more than the non-qualified pension expense built into rates from 2007-2010. Accordingly, no adjustment to the pension tracker seems necessary.

Q. Should benefit payments made directly to plan participants be considered the same as contributions to a trust under the Tracker?

A. Yes. Alternatively, Ameren Missouri could have set up a trust for non-qualified benefits. The Company could have made annual contributions to this new trust and then immediately paid those contributions out as benefits to participants. Under this scenario, where the cash would simply pass through a trust, the cash outlay by Ameren Missouri and by ratepayers would be unchanged. Additionally, the obligation and the future expense of the non-qualified plan would be the same. Payments made directly to participants provide the same benefit to ratepayers as benefit payments that pass through a trust first. In some cases, it is simply easier and more cost efficient to pay plan benefits directly to participants.

Q. How does Ameren Missouri intend to fund its non-qualified expense in the future under the Tracker?

A. Ameren Missouri intends to fund an amount equal to expense annually through a combination of plan benefit payments directly to participants and contributions to a trust. Contributions will be made to a trust in years when the benefit payments from corporate assets to participants are less than the non-qualified pension expense for the year, if there are any such years.

Q. Did Staff witness Boateng suggest any other changes to the Tracker?

A. Yes. Schedule KAB 4 contains two major revisions from the Tracker language I suggested in Schedule RKL-ER2. First, on page 1, Section 1.C. was deleted. This language clarifies how Ameren Missouri will account for annual changes in its net pension and OPEB obligation for ratemaking purposes. Since the pension accounting rules have not been changed, we believe this language should remain in the Tracker so there is no question about the intended ratemaking treatment of pension costs recorded under the Tracker. (Section 1.C. was included in the Tracker approved in the last rate case.) Secondly, Schedule KAB 4 does not incorporate the treatment of a contribution in excess of expense to avoid benefit restrictions, which I proposed in my direct testimony.

Q. What Tracker language should be adopted by the Commission?

A. I believe the revised Tracker language submitted as Schedule RKL-ER2, should be adopted without Staff witness Boateng's suggested edits. Specifically, I believe the Tracker should include language prescribing the treatment of contributions in excess of expense and include non-qualified pension expense. Additionally, I believe Section 3 should be revised to clarify that plan benefit payments made directly to participants are considered contributions, consistent with their accounting impact.

Q. Does this conclude your rebuttal 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-2011-0028

AFFIDAVIT OF RANDALL K. LYNN

STATE OF MISSOURI)
) **ss**
COUNTY OF ST. LOUIS)

Randall K. Lynn, being first duly sworn on his oath, states:

1. My name is Randall K. Lynn. I work in St. Louis, Missouri, and I am employed by Towers Watson as an Actuary and Retirement Strategy Advisor.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 6 pages, and Schedule RKL-ER2, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Randall K Lynn
Randall K. Lynn

Subscribed and sworn to before me this 24th day of March, 2011.

Diana M. Niemeyer
Notary Public

My commission expires: 4/25/13

Diana M. Niemeyer

DIANA M. NIEMEYER
Notary Public-Notary Seal
State of Missouri, Saint Louis City
Commission # 09701672
My Commission Expires Apr 25, 2013

Tracker For Pension and Other Post-Employment Benefits

Intent:

1. These provisions of the Stipulation and Agreement are intended to accomplish the following:

   a. To ensure that the amount collected in rates for pension and other post-employment benefit (OPEB) costs is based on the Accounting Standards Codification (ASC) 715-30 and ASC 715-60 (formerly FAS 87 and FAS 106) costs AmerenUE recognizes for financial reporting purposes; and

   b. To ensure AmerenUE recovers in rates certain contributions it makes to its pension and OPEB trusts; and

   c. To clarify, for ratemaking purposes, the accounting treatment of future charges AmerenUE would be required to record to equity (e.g., decreases to other comprehensive income) by ASC 715-20 (formerly FAS 158) or any other Financial Accounting Standards Board (FASB) codification relative to the recognition of pension and OPEB costs and / or liabilities.

Procedure:

2. The ASC 715-30 and ASC 715-60 costs AmerenUE recognizes for financial reporting purposes shall be recognized in rates. The calculation of these costs shall be, unless specifically changed by the issuance of new FASB codifications, based on the Market Related Value of Assets that reflects asset gains and losses over a 4 year period. Unrecognized gains and losses shall be, unless specifically changed by the issuance of new FASB codifications, amortized over a 10-year period. This calculation does not employ the corridor approach. AmerenUE will inform the Staff of the Missouri Public Service Commission and the Office of Public Counsel as soon as it becomes aware of a new FASB codification that would affect the calculation parameters discussed above.

3. Each year AmerenUE shall contribute to its pensions and VEBA trusts the amount of its ASC 715-30 and ASC 715-60 costs for that year, less the amount of benefit payments made

directly to participants, excluding any cost or credit triggered due to any special events as described in paragraph 9.

4. AmerenUE shall be allowed rate recovery for contributions it makes to its pension trust that exceed its ASC 715-30 cost for any of the following reasons: the minimum required contribution is greater than the ASC 715-30 cost, avoidance or reduction of Pension Benefit Guaranty Corporation (PBGC) variable premiums, and contributions necessary to avoid or lessen benefit restrictions as defined by Section 436 of the Internal Revenue Code. To track any such excess contributions, a regulatory asset will be established and will be included in rate base.

5. The difference between the level of pension (ASC 715-30) or OPEB (ASC 715-60) costs AmerenUE incurs and the level of those costs built into rates shall be tracked by means of regulatory assets and/or liabilities described in the following paragraphs.

6. Regulatory assets or liabilities shall be established on AmerenUE's books to track the difference between the level of ASC 715-30 and ASC 715-60 costs AmerenUE incurs during the period between general electric rate cases and the level of ASC 715-30 and ASC 715-60 costs built into rates for that period. If the ASC 715-30 or ASC 715-60 cost during the period is more than the ASC 715-30 or ASC 715-60 cost built into rates for the period, AmerenUE shall establish a regulatory asset which has been reduced by any existing regulatory liability for pensions, or OPEBs, maintained pursuant to the following paragraph. If the ASC 715-30 or ASC 715-60 cost during the period, adjusted for any amount of such expense used to reduce a regulatory liability maintained pursuant to the following paragraph, is less than the cost built into rates for the period, AmerenUE shall establish a regulatory liability. Since this is a cash item, the regulatory asset or liability will be included in rate base for purposes of setting new rates in the next rate case, and amortized over 5 years beginning with the effective date of the new rates.

7. If AmerenUE incurs negative ASC 715-30 or ASC 715-60 cost, AmerenUE shall set up a regulatory liability to offset the negative cost. The regulatory liability will increase by the amount of negative cost, or decrease by the amount of positive cost, in each subsequent year. Positive cost in such subsequent year will be used to reduce this regulatory liability before being used to establish a regulatory asset pursuant to the preceding paragraph. Any existing regulatory liability related to prior negative ASC 715-30 or ASC 715-60 cost will reduce the ASC 715-30 or ASC 715-60 cost included in cost of service in AmerenUE's next rate case. This regulatory liability is a non-cash item that AmerenUE shall exclude from its rate base in future rate cases.

8. The parties have designed this agreement so that AmerenUE will receive through rates reimbursement of its ASC 715-30 and ASC 715-60 costs. Therefore, AmerenUE shall set up a regulatory asset to offset any charges that would otherwise be recorded against equity (e.g., decreases to other comprehensive income) caused by applying the provisions of ASC 715-20 or any other FASB codification that requires accounting adjustments due to the funded status or other attributes of AmerenUE's Pension or OPEB plans. This regulatory asset shall not be amortized into rates or included in rate base because AmerenUE will recover for the amounts in this regulatory asset in rates through AmerenUE's ASC 715-30 or ASC 715-60 costs in future years. This regulatory asset will increase or decrease each year by the same amount that the equity charge increases or decreases.

9. If AmerenUE has a curtailment, settlement, or special termination cost or credit due to requirements of applicable accounting rules according to ASC 715-30 (formerly FAS 88) and ASC 715-60 (formerly FAS 106), the following procedure will be used to address such a cost or credit.

a. If the special event triggers a charge, then AmerenUE will establish an offsetting regulatory asset. This regulatory asset will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public Service Commission. AmerenUE shall make additional contributions to the applicable pension or OPEB trust equal to the amount of the amortization.

b. If the special event triggers a credit, then AmerenUE shall establish an offsetting regulatory liability. This regulatory liability will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public Service Commission. Generally, AmerenUE will contribute to the applicable pension or OPEB trust an amount equivalent to its ASC 715-30/715-60 costs for the year less the amortization amount, subject to the following condition:

> If pension or OPEB cost becomes negative as a result of an ASC 715-30 or ASC 715-60 credit, the Parties agree AmerenUE shall set up an offsetting regulatory liability. This regulatory liability is a non-cash item which will not require rate base treatment. When ASC 715-30 or ASC 715-60 costs becomes positive again, the regulatory liability will be amortized over five years, or longer, if necessary to avoid the net of the ASC 715-30 or ASC 715-60 cost and the offsetting amortized regulatory liability yielding a result which is less than $0 in any year.