

Exhibit No.:  
Witness: Michael Gorman  
Type of Exhibit: Direct Testimony  
Issues: Rate of Return  
Sponsoring Party: Missouri Industrial Energy Consumers  
Case No.: ER-2008-0318

**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-2008-0318**

Direct Testimony and Schedules of

**Michael Gorman**

On behalf of

**Missouri Industrial Energy Consumers**



**BRUBAKER & ASSOCIATES, INC.**  
ST. LOUIS, MO 63141-2000

Project 8983  
August 28, 2008

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STATE OF MISSOURI )  
 ) SS  
COUNTY OF ST. LOUIS )

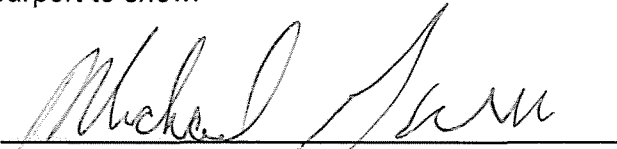
**Affidavit of Michael Gorman**

Michael Gorman, being first duly sworn, on his oath states:

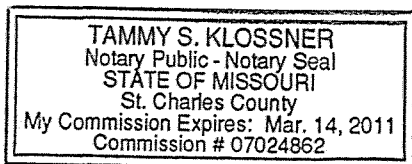
1. My name is Michael Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

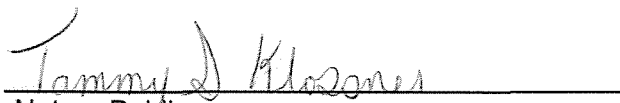
2. Attached hereto and made a part hereof for all purposes is my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2008-0318.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things they purport to show.

  
\_\_\_\_\_  
Michael Gorman

Subscribed and sworn to before me this 27th day of August, 2008.



  
\_\_\_\_\_  
Notary Public

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**Direct Testimony of Michael Gorman**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     Michael Gorman. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3         St. Louis, Missouri 63141-2000.

4    **Q     WHAT IS YOUR OCCUPATION?**

5    A     I am a consultant in the field of public utility regulation and a managing principal with  
6         the firm of Brubaker & Associates, Inc., energy, economic, and regulatory  
7         consultants.

8    **Q     PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND  
9         EXPERIENCE.**

10   A     These are set forth in Appendix A of my testimony.

11   **Q     ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

12   A     I am appearing on behalf of the Missouri Industrial Energy Consumers (MIEC).

**Michael Gorman  
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1 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A I will recommend a fair return on common equity and an overall rate of return for  
3 AmerenUE (Company).

4 **Q PLEASE SUMMARIZE YOUR RATE OF RETURN RECOMMENDATIONS.**

5 A I recommend the Missouri Public Service Commission (Commission) award  
6 AmerenUE a return on common equity of 10.20%, which is the midpoint of my  
7 estimated range of 9.81% to 10.55%. I recommend an overall rate of return of 8.00%  
8 for AmerenUE, as shown on Schedule MPG-1.

9 My recommended return on equity for AmerenUE is based on a Discounted  
10 Cash Flow (DCF), a Risk Premium (RP), and a Capital Asset Pricing Model (CAPM)  
11 analyses.

12 I demonstrate that my recommended return on equity and proposed capital  
13 structure for AmerenUE will provide AmerenUE with an opportunity to realize cash  
14 flow financial coverages and balance sheet strength that conservatively supports  
15 AmerenUE's current bond rating. Consequently, my recommended return on equity  
16 represents fair compensation for AmerenUE's investment risk, and it will preserve  
17 AmerenUE's financial integrity and credit standing.

18 **Q DID YOU ATTEMPT TO VALIDATE THE ACCURACY OF YOUR MARKET  
19 RETURN ON EQUITY ESTIMATE FOR AMERENUE?**

20 A Yes. As shown on my Schedule MPG-2, I compared my estimated range of market  
21 return on equity for AmerenUE in this case to the industry average authorized return  
22 on equity for electric utility companies over the last 5 years. I also reviewed the credit  
23 rating history, and stock investment returns for the industry over that same period.

**Michael Gorman  
Page 2**

1 Industry authorized returns on equity have averaged approximately 10.3% from 2006  
2 to date, and have averaged approximately 10.5% over the last 5 to 6 years.

3 These authorized returns on equity have supported improvement to the credit  
4 standing of the electric utility industry and have resulted in quite robust stock price  
5 performance over this time period. Indeed, electric utility stock price performance has  
6 outperformed the overall marketplace during this time period. This market evidence  
7 indicates that commission-authorized returns on equity in the range of approximately  
8 10.0% have supported stock price and credit standing of utility companies. This is  
9 market validation that the market cost of equity for AmerenUE should be consistent  
10 with the recent industry average.

11 **Q IS THERE ANY MARKET EVIDENCE THAT THE INDUSTRY AUTHORIZED**  
12 **RETURN ON EQUITY DURING THIS TIME PERIOD HAS SUPPORTED UTILITIES'**  
13 **FINANCIAL INTEGRITY AND ACCESS TO CAPITAL?**

14 **A** Yes. The Edison Electric Institute (EEI), an electric utility industry trade organization,  
15 provided an assessment of the credit rating history of U.S. electric utilities over the  
16 period 2002 through the first quarter 2008. EEI's commentary included the following:

17 COMMENTARY

18 Industry credit quality showed a modest decline during Q1 2008, as  
19 13 downgrades outnumbered five upgrades. The quarter's total  
20 activity was relatively quiet, however, and nearly half of the  
21 13 downgrades resulted from ConEd's recent rate case decision. The  
22 industry's general credit quality has actually improved steadily over the  
23 last three years, with upgrades outnumbering downgrades in ten of the  
24 prior 12 quarters and in each of the last three calendar years. The Q1  
25 downgrades were driven mostly by rate case developments, with cash  
26 flow concerns and rising debt for capital expenditure (capex) programs  
27 also cited. The upgrades resulted from companies focusing on core  
28 utility businesses and achieving a related improvement in their  
29 financial profiles. Ratings outlooks were mostly negative at

1 quarter-end for the second straight quarter, as they were for most of  
2 2007.<sup>1</sup>

3 Further, Standard & Poor's (S&P) also acknowledges the improving credit  
4 standing of the electric utility industry in its report. S&P states:

5 **Key Credit Trends**

6 The U.S. utility industry demonstrated stable credit quality in the fourth  
7 quarter of 2006, and should continue to do so in 2007 despite  
8 increasing capital spending needs related to reliability enhancements  
9 and environmental requirements. A general refocus by the industry in  
10 recent years on restoring balance sheet health and selling noncore  
11 business operations has enhanced its ability to withstand the pressure  
12 that substantial capital spending will bring.

13 A credit element during this coming growth phase, however, will be fair  
14 and equitable treatment by state regulators as utilities seek to recover  
15 the capital expenditures they will incur to address declining reserve  
16 margins, aging and increasingly fragile infrastructure, and  
17 environmental mandates. Standard & Poor's Ratings Services expects  
18 that most utilities will seek pre-approval from regulators of any  
19 substantial spending program, or at least a broad understanding of the  
20 principles that regulators will apply in granting recovery. Of  
21 comparable significance to supporting credit quality is regulatory  
22 approval for timely recovery of fuel costs, especially in an environment  
23 of elevated commodity prices.<sup>2</sup>

24 The electric utility industry and utilities in general are currently in a capital  
25 spending cycle that is producing very strong growth in rate base, and in related  
26 earnings and dividends. For the reasons set forth below, the industry is in a very  
27 strong growth period, which is tracking its capital expenditures for meeting growing  
28 demand, environmental compliance, and system upgrades and improvements. This  
29 indicates that the market is providing capital to the industry for significant capital  
30 improvements, and the market is attracted to the safe investment characteristics of  
31 regulated utility companies, which generally receive supportive regulatory treatment

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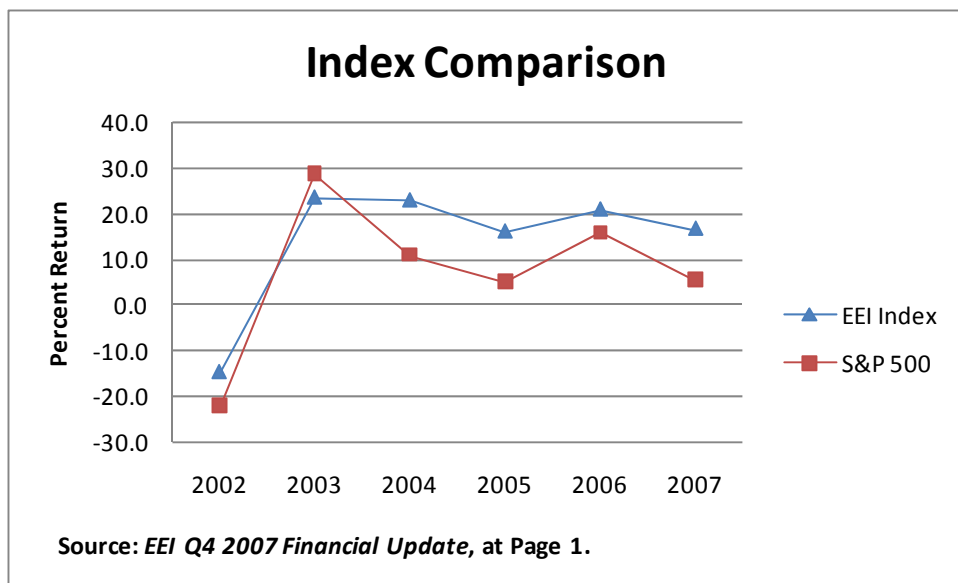
<sup>1</sup> "Q1 2008 Credit Ratings," EEI Q1 2008 *Financial Update*, emphasis added.

<sup>2</sup> "Despite Demands For Increased Capital Spending, U.S. Utility Ratings Should Remain Stable," Standard & Poor's *RatingsDirect*, January 12, 2007, at 1.

1 in terms of cost recovery of prudent and reasonable expenses. This is providing a  
2 vehicle for strong growth over at least the next 3 to 5 years.

3 **Q IS THERE EVIDENCE THAT ELECTRIC UTILITY STOCK PRICE PERFORMANCE**  
4 **HAS BEEN STRONG OVER THE LAST 5 YEARS?**

5 A Yes. As shown in the graph below, EEI has recorded electric utility stock price  
6 performance compared to the market. The EEI data shows that its Electric Utility  
7 Stock Index has outperformed the market in every year over the last 6 years. Again,  
8 this strong stock performance indicates commission-authorized returns on equity over  
9 the last several years have been positively received by the market.



10 This robust electric utility stock price performance is additional evidence that the  
11 regulatory orders over the last five years have supported regulated utilities' financial  
12 integrity and access to capital.

1 **AmerenUE's Credit Standing**

2 **Q PLEASE SUMMARIZE AMERENUE'S CURRENT CREDIT STANDING.**

3 A AmerenUE is owned by Ameren Corp. AmerenUE's current corporate bond rating  
4 from S&P and Moody's is "BBB-" and "Baa2," respectively. AmerenUE's current  
5 senior secured credit rating from S&P and Moody's is "BBB" and "Baa1," respectively.  
6 Recent comments from S&P and Moody's concerning AmerenUE's credit position  
7 include the following:

8 **S&P:**

9 **Strengths**

- 10 • A diverse service area with limited industrial exposure,
- 11 • Relatively low-cost producer with competitive rates,
- 12 • Solid stand-alone solid bondholder protection measurements, and
- 13 • Contained exposure to potential Illinois affiliates' bankruptcy.

14 **Weaknesses**

- 15 • Political and regulatory uncertainty regarding power cost recovery  
16 for Illinois affiliates,
- 17 • Challenging regulatory relationships in Missouri and recent denial  
18 of a fuel and purchased power adjustment clause by the Missouri  
19 Public Service Commission,
- 20 • Inherent operating and financial challenges of owning a nuclear  
21 unit,
- 22 • Heavy capital expenditure program for environmental compliance  
23 at coal-fired units,
- 24 • Ameren's investment in the riskier unregulated generation  
25 business, and
- 26 • Parent's financial profile is weaker than Union Electric's.<sup>3</sup>

27 **Moody's:**

28 **Rating Rationale**

29 Union Electric's credit ratings reflect financial metrics that have  
30 declined in recent years but are expected to stabilize at the mid-Baa  
31 rating range going forward. The company's ratings also consider  
32 higher operating costs, growing capital expenditures for environmental  
33 compliance, transmission and distribution system reliability, and higher  
34 debt levels being incurred to finance these investments. Ratings are  
35 constrained by significant regulatory lag for the recovery of costs and a

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<sup>3</sup> Response to MIEC 03-03, Standard & Poor's RatingsDirect: "Union Electric Co. d/b/a AmerenUE," June 25, 2007.



1 below average regulatory environment for electric utilities in the state  
2 of Missouri.<sup>4</sup>

3 **Q HOW DID YOU USE THIS INFORMATION IN ASSESSING AMERENUE'S**  
4 **INVESTMENT RISK AND TO ESTIMATE ITS CURRENT MARKET RETURN ON**  
5 **EQUITY?**

6 A I carefully considered the credit opinions of Standard & Poor's and Moody's in  
7 assessing AmerenUE's current investment risk and outlooks. Specifically, I  
8 recognized that S&P's operating risk assessment of AmerenUE is negatively  
9 impacted by AmerenUE's affiliation with its higher risk parent company, and utility  
10 affiliates in Illinois. The Ameren Illinois utility affiliates have experienced credit rating  
11 erosion due to legislative and regulatory events in Illinois. No regulatory mechanisms  
12 or decisions made in Missouri will have any impact on these Illinois affiliate company  
13 risks. I do note, however, having participated in the regulatory proceedings in Illinois,  
14 that the current credit rating issues surrounding the Ameren Illinois Utilities' credit  
15 erosion have likely been mitigated through passage of new Illinois legislation that  
16 provides assurance of cost recovery of purchased power costs incurred by the  
17 Ameren Illinois Utilities in the provision of bundled retail rates in Illinois. After the  
18 credit analysts have greater assurance that the new Illinois law will be followed by the  
19 Illinois regulators, it is reasonable to expect that the credit rating erosion to the  
20 Ameren Illinois Utilities will improve. This, in turn, should have a positive impact on  
21 AmerenUE's S&P credit rating.

22 Moody's credit rating, on the other hand, is primarily focused on AmerenUE's  
23 stand-alone financial and operating risk. As noted by Moody's above, the current

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<sup>4</sup> Response to MIEC 03-03, Moody's Investors Service Credit Opinion: "Union Electric Company," May 22, 2008.

1           uncertainty surrounding AmerenUE going forward relates to recovery of fuel costs,  
2           and timely recovery of capital investment costs. In assessing these going-forward  
3           risks, I considered that AmerenUE is proposing a fuel adjustment mechanism in this  
4           proceeding which will reduce its operating risk relative to its operating risk at the time  
5           I am performing my analysis. If a fuel adjustment mechanism is approved,  
6           AmerenUE's operating risk will decline, its credit rating will likely strengthen, and its  
7           risks will be lowered. This lower risk would warrant a reduction to the authorized  
8           return on equity I am proposing for AmerenUE.

9                       Concerning construction risk, I would note that the Missouri Public Service  
10           Commission has implemented constructive regulatory plans which have mitigated  
11           construction risk for Kansas City Power and Light, and The Empire District Electric  
12           Company after those utilities demonstrated that an extraordinary regulatory  
13           mechanism was justified. As such, to the extent AmerenUE is able to demonstrate it  
14           has construction risk that cannot be managed through traditional regulatory practices,  
15           there are opportunities for it to negotiate regulatory mechanisms to strengthen cash  
16           flow to support its credit metrics during construction periods, if needed.

17                      The bottom line: AmerenUE has investment risk characteristics typical of an  
18           integrated electric utility company. In order to maintain the competitive position of  
19           AmerenUE, it is important to estimate a return on equity that is risk compensatory to  
20           its investors, and no higher than necessary in order to achieve that objective. An  
21           unreasonably high authorized return on equity will unreasonably increase its retail  
22           rates, and unnecessarily contribute to the erosion of AmerenUE's competitive  
23           position. A noncompetitive utility would be an impediment to the attraction and  
24           retention of businesses in AmerenUE's service territory, and will also negatively  
25           impact AmerenUE's credit standing and ability to attract capital.

1 As such, I will attempt to estimate a return on equity which fairly compensates  
2 AmerenUE's investors for their investment risk, contributes toward AmerenUE's  
3 investment grade bond rating and will not unreasonably increase AmerenUE's retail  
4 rates.

5 **AmerenUE's Proposed Capital Structure**

6 **Q WHAT CAPITAL STRUCTURE IS THE COMPANY REQUESTING TO USE TO**  
7 **DEVELOP ITS OVERALL RATE OF RETURN FOR ELECTRIC OPERATIONS IN**  
8 **THIS PROCEEDING?**

9 A AmerenUE's proposed capital structure, as supported by AmerenUE's witness Mr.  
10 Michael O'Bryan, is shown below in Table 1.

<b>TABLE 1</b>	
<b><u>AmerenUE's Proposed Capital Structure</u></b>	
<b>(March 31, 2008)</b>	
<b><u>Description</u></b>	<b><u>Percent of Total Capital</u></b>
Long-Term Debt	46.558%
Short-Term Debt	0.739%
Preferred Stock	1.776%
Common Equity	<u>50.928%</u>
Total Regulatory Capital Structure	100.000%

Source: Schedule MGO-E5.

11 **Q DO YOU RECOMMEND ANY ADJUSTMENTS TO THE CAPITAL STRUCTURE**  
12 **PROPOSED BY MR. O'BRYAN TO SET AMERENUE'S RATES IN THIS**  
13 **PROCEEDING?**

14 A No.

1 **Return on Common Equity**

2 **Q PLEASE DESCRIBE WHAT IS MEANT BY A “UTILITY’S COST OF COMMON**  
3 **EQUITY.”**

4 A A utility’s cost of common equity is the return investors expect, or require, in order to  
5 make an investment. Investors expect to achieve their return requirement from  
6 receiving dividends and stock price appreciation.

7 **Q PLEASE DESCRIBE THE FRAMEWORK FOR DETERMINING A REGULATED**  
8 **UTILITY’S COST OF COMMON EQUITY.**

9 A In general, determining a fair cost of common equity for a regulated utility has been  
10 framed by two decisions of the U.S. Supreme Court, in Bluefield Water Works &  
11 Improvement Co. v. Public Serv. Commission of West Virginia, 262 U.S. 679 (1923)  
12 and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944).

13 These decisions identify the general standards to be considered in  
14 establishing the cost of common equity for a public utility. Those general standards  
15 provide that the authorized return should: (1) be sufficient to maintain financial  
16 integrity; (2) attract capital under reasonable terms; and (3) be commensurate with  
17 returns investors could earn by investing in other enterprises of comparable risk.

18 **Q PLEASE DESCRIBE THE METHODS YOU HAVE USED TO ESTIMATE THE COST**  
19 **OF COMMON EQUITY FOR AMERENUE.**

20 A I have used several models based on financial theory to estimate AmerenUE’s cost of  
21 common equity. These models are: (1) a constant growth Discounted Cash Flow  
22 (DCF) model; (2) a two-stage growth DCF model; (3) a multi-stage DCF model; (4) a  
23 Risk Premium model; and (5) a Capital Asset Pricing Model (CAPM). I have applied

1 these models to a group of publicly traded utilities that I have determined reflect  
2 investment risk similar to AmerenUE.

3 **Q HOW DID YOU SELECT A PROXY GROUP OF UTILITIES SIMILAR IN**  
4 **INVESTMENT RISK TO AMERENUE TO ESTIMATE ITS CURRENT MARKET**  
5 **COST OF EQUITY?**

6 A I relied on three proxy groups. First, I selected a group of utilities similar in  
7 investment risk to AmerenUE (Comparable Risk Proxy Group). Second, I relied on  
8 the two proxy groups used by AmerenUE witness Dr. Morin to estimate his return on  
9 equity for AmerenUE. Dr. Morin relied on two electric utility proxy groups, including:  
10 (1) a proxy group composed of integrated electric utilities followed by S&P  
11 (S&P Integrated Electric Utility Proxy Group), and (2) a proxy group composed of the  
12 Moody's Electric Utility Index (Moody's Electric Utility Proxy Group).

13 **Q PLEASE DESCRIBE HOW YOU SELECTED COMPANIES WITH RISK**  
14 **COMPARABLE TO AMERENUE TO INCLUDE IN THE COMPARABLE RISK**  
15 **PROXY GROUP.**

16 A I first started with all the companies classified by *Value Line* as electric utility  
17 companies and then eliminated companies that failed to meet the following criteria:

- 18 1. S&P's senior secured bond rating in the "BBB" and "lower A-range"  
19 categories, as published in the *AUS Utility Reports*.
- 20 2. Moody's senior secured bond rating in the "Baa" and "lower A-range"  
21 categories, as published in the *AUS Utility Reports*.
- 22 3. Common equity ratios to total capital between 40% and 60% by *Value*  
23 *Line* and *AUS Utility Reports*.
- 24 4. Had not suspended dividends over the last two years.

- 1 5. Consensus analyst growth rates estimates available from the following:  
2 Zacks, and SNL Financial.
- 3 6. No significant divestiture, merger and acquisition activities.
- 4 7. Classified as “Regulated” or “Mostly Regulated” by the EEI.
- 5 8. Not exposed to corporate or market restructuring.

6 **Q HOW DOES THE INVESTMENT RISK OF THE COMPARABLE RISK PROXY**  
7 **GROUP COMPARE TO AMERENUE’S INVESTMENT RISK?**

8 A The Comparable Risk Proxy Group is shown on page 1 of Schedule MPG-3. This  
9 proxy group has an average senior secured bond rating from S&P and Moody’s of  
10 “BBB+” and “Baa1,” respectively. AmerenUE’s S&P and Moody’s senior secured  
11 bond ratings are “BBB-” and “Baa1,” respectively. This proxy group’s average bond  
12 rating is reasonably comparable to AmerenUE’s corporate credit rating from Moody’s.  
13 While the S&P bond rating of AmerenUE is somewhat below that of the proxy group,  
14 this bond rating is heavily impacted by AmerenUE’s higher risk parent company and  
15 sister affiliate companies in Illinois as discussed above. As such, I conclude that the  
16 proxy group’s bond rating is reasonably comparable to that of AmerenUE on a stand-  
17 alone basis.

18 The Comparable Risk Proxy Group has an average common equity ratio of  
19 46.3% (including short-term debt) from AUS and 51.4% (excluding short-term debt)  
20 from *Value Line*. The common equity ratio for AmerenUE is 51.0%, including short-  
21 term debt and 51.3%, excluding short-term debt. As such, this proxy group has  
22 greater financial risk compared to AmerenUE.

23 The Comparable Risk Proxy Group’s average EEI operating risk assessment  
24 is “Regulated” and “Mostly Regulated.” This EEI rating indicates that the proxy

1 group's companies are primarily engaged in regulated utility operations, which is  
2 comparable to AmerenUE.

3 **Q PLEASE DESCRIBE EEI'S BUSINESS RISK ASSESSMENT OF ELECTRIC**  
4 **UTILITY COMPANIES.**

5 A EEI rates publicly traded companies based on their relative exposure to regulated  
6 and non-regulated operating risk. EEI rates companies that have 80% or more of  
7 total assets in regulated operations and designates them as "Regulated" entities.  
8 "Mostly Regulated" entities are those companies that have 50% to 80% of total assets  
9 in regulated operations. Finally, EEI rates companies with less than 50% of assets in  
10 regulated enterprises as "Diversified" companies.<sup>5</sup> EEI rates publicly traded  
11 companies in three categories: "Regulated," "Mostly Regulated" and "Diversified."

12 The Comparable Risk Proxy Group is made up entirely of "Regulated" and  
13 "Mostly Regulated" companies as rated by EEI. There are no "Diversified" companies  
14 included in this proxy group. EEI's operating risk assessment of AmerenUE is  
15 "Regulated." Hence, the operating risk of this proxy group is comparable to that of  
16 AmerenUE.

17 Based on this assessment, I believe the Comparable Risk Proxy Group has  
18 reasonably comparable total investment risk to AmerenUE.

19 **Q HOW DOES THE S&P INTEGRATED ELECTRIC UTILITY PROXY GROUP USED**  
20 **BY DR. MORIN COMPARE TO THE INVESTMENT RISK OF AMERENUE?**

21 A The S&P Integrated Electric Utility Proxy Group is shown on page 2 of Exhibit  
22 MPG-3. This proxy group has an average credit rating from S&P of "BBB+," which is

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<sup>5</sup> EEI Dividends Q1 2008 Financial Update.

1 higher than AmerenUE's credit rating. This proxy group's credit rating from Moody's  
2 is "A3," which is reasonably comparable to AmerenUE's credit rating from Moody's of  
3 "Baa1." As noted above, the S&P credit rating for AmerenUE does not reflect its  
4 current stand-alone credit rating; therefore, it does not suggest that AmerenUE has  
5 higher risk on a stand-alone basis relative to the proxy group. As a result, I believe  
6 this proxy group is reasonably risk comparable to AmerenUE based on a comparison  
7 of bond ratings.

8 The S&P Integrated Electric Utility Proxy Group has an average common  
9 equity ratio of 44.0% (including short-term debt) from AUS and 48.5% (excluding  
10 short-term debt) from *Value Line*. This proxy group's common equity ratio is  
11 comparable to AmerenUE's of 51.0%, excluding short-term debt. As such, this proxy  
12 group has greater financial risk than AmerenUE.

13 The EEI operating designation for most of the companies in the S&P  
14 Integrated Electric Utility Proxy Group is "Regulated" or "Mostly Regulated." Only one  
15 company is designated as "Diversified." The average for all the companies is  
16 "Regulated," which indicates similar operating risk to that of AmerenUE.

17 **Q HOW DOES THE MOODY'S ELECTRIC UTILITY PROXY GROUP INVESTMENT**  
18 **RISK USED BY DR. MORIN COMPARE TO THAT OF AMERENUE?**

19 A Moody's Electric Utility Proxy Group is shown on page 3 of Exhibit MPG-3. This  
20 proxy group has an average credit rating from S&P of "A-," which is higher than  
21 AmerenUE's credit rating. This proxy group's credit rating from Moody's is "A3,"  
22 which is reasonably comparable to AmerenUE's credit rating from Moody's of "Baa1."  
23 Again, as noted above, the S&P credit rating for AmerenUE does not reflect its  
24 current stand-alone credit rating; therefore, it does not suggest that AmerenUE has

**Michael Gorman**  
**Page 14**



1 higher risk on a stand-alone basis relative to the proxy group. As a result, I believe  
2 this proxy group is reasonably risk comparable to AmerenUE based on a comparison  
3 of bond ratings.

4 The Moody's Electric Utility Proxy Group has an average common equity ratio  
5 of 45.4% (including short-term debt) from AUS and 48.0% (excluding short-term debt)  
6 from *Value Line*. This proxy group's common equity ratio is comparable to  
7 AmerenUE's of 51.0%, excluding short-term debt. As such, this proxy group has  
8 greater financial risk than AmerenUE.

9 The Moody's Electric Utility Proxy Group has an EEI rating primarily of  
10 "Regulated" and "Mostly Regulated." This indicates an operating risk similar to that of  
11 AmerenUE.

12 **Discounted Cash Flow Model**

13 **Q PLEASE DESCRIBE THE DCF MODEL.**

14 A The DCF model posits that a stock price is valued by summing the present value of  
15 expected future cash flows discounted at the investor's required rate of return (ROR)  
16 or cost of capital. This model is expressed mathematically as follows:

17 
$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} + \dots + \frac{D_\infty}{(1+K)^\infty}$$
 where (Equation 1)

18  $P_0$  = Current stock price

19  $D$  = Dividends in periods 1 -  $\infty$

20  $K$  = Investor's required return

1 This model can be rearranged in order to estimate the discount rate or investor  
2 required return, "K." If it is reasonable to assume that earnings and dividends will  
3 grow at a constant rate, then Equation 1 can be rearranged as follows:

4  $K = D1/Po + G$  (Equation 2)

5 K = Investor's required return

6 D1 = Dividend in first year

7 Po = Current stock price

8 G = Expected constant dividend growth rate

9 Equation 2 is referred to as the annual "constant growth" DCF model.

10 **Q PLEASE DESCRIBE THE INPUTS TO YOUR CONSTANT GROWTH DCF MODEL.**

11 A As shown under Equation 2 above, the DCF model requires a current stock price,  
12 expected dividend, and expected growth rate in dividends.

13 **Q WHAT STOCK PRICE AND DIVIDEND HAVE YOU RELIED ON IN YOUR**  
14 **CONSTANT GROWTH DCF MODEL?**

15 A I relied on the average of the weekly high and low stock prices over a 13-week period  
16 ended August 15, 2008. An average stock price is less susceptible to market price  
17 variations than is a spot price. Therefore, an average stock price is less susceptible  
18 to aberrant market price movements, which may not be reflective of the stock's  
19 long-term value.

20 A 13-week average stock price is short enough to contain data that  
21 reasonably reflects current market expectations, but is not so short a period as to be  
22 susceptible to market price variations that may not be reflective of the security's  
23 long-term value. Therefore, in my judgment, a 13-week average stock price is a

1 reasonable balance between the need to reflect current market expectations and the  
2 need to capture sufficient data to smooth out aberrant market movements.

3 I used the most recently paid quarterly dividend, as reported in The *Value Line*  
4 Investment Survey. This dividend was annualized (multiplied by 4) and adjusted for  
5 next year's growth to produce the D1 factor for use in Equation 2 above.

6 **Q WHAT DIVIDEND GROWTH RATES HAVE YOU USED IN YOUR CONSTANT**  
7 **GROWTH DCF MODEL?**

8 A There are several methods one can use in order to estimate the expected growth in  
9 dividends. However, for purposes of determining the market required return on  
10 common equity, one must attempt to estimate investors' consensus about what the  
11 dividend or earnings growth rate will be, and not what an individual investor or analyst  
12 may use to form individual investment decisions.

13 Security analysts' growth estimates have been shown to be more accurate  
14 predictors of future returns than growth rates derived from historical data because  
15 they are more reliable estimates.<sup>6</sup> Assuming the market generally makes rational  
16 investment decisions, analysts' growth projections are more likely the growth  
17 estimates considered by the market that influence observable stock prices than are  
18 growth rates derived from only historical data.

19 For my constant growth DCF analysis, I have relied on a consensus, or mean,  
20 of professional security analysts' earnings growth estimates as a proxy for the  
21 investor consensus dividend growth rate expectations. I used the average of two  
22 sources of analysts' growth rate estimates: Zacks, and SNL Financial. All consensus  
23 analysts' projections used were available on August 21, 2008, as reported on-line.

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<sup>6</sup> See, e.g., David Gordon, Myron Gordon, and Lawrence Gould, "Choice Among Methods of Estimating Share Yield," The Journal of Portfolio Management, Spring 1989.

1           Each consensus growth rate projection is based on a survey of security  
2 analysts. The consensus estimate is a simple arithmetic average, or mean, of  
3 surveyed analysts' earnings growth forecasts. A simple average of the growth  
4 forecasts gives equal weight to all surveyed analysts' projections. It is problematic as  
5 to whether any particular analyst's forecast is most representative of general market  
6 expectations. Therefore, a simple average, or arithmetic mean, of analyst forecasts is  
7 a good proxy for market consensus expectations. The growth rates I used in my DCF  
8 analysis are shown on Schedule MPG-4.

9   **Q    WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF MODEL?**

10  A    As shown on Schedule MPG-5, the constant growth DCF return results are as  
11 follows:

<u>Group</u>	<u>Return</u>
Comparable Risk Proxy Group	11.34%
S&P Integrated Electric Utility Proxy Group	11.85%
Moody's Electric Utility Proxy Group	12.40%
<b>Average</b>	<b>11.86%</b>

17  **Q    DO YOU HAVE ANY COMMENTS CONCERNING THE RESULTS OF YOUR**  
18 **CONSTANT GROWTH DCF ANALYSIS?**

19  A    Yes. The constant growth DCF return is not reasonable and represents an inflated  
20 return for AmerenUE at this time. The average 3-5 year growth rates for the proxy  
21 groups are 6.80%, 7.25% and 8.03%, respectively (shown on Schedule MPG-5).  
22 These growth rates are far too high to be a rational estimate of the proxy groups'  
23 long-term sustainable growth. Because the current 3-5 year growth rates are too high

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1 to be reasonable long-term sustainable growth rate estimates, the constant growth  
2 DCF model is currently producing an inflated DCF return and should not be used in  
3 the calculation of AmerenUE's return on equity.

4 **Q WHY DO YOU BELIEVE THE PROXY GROUPS' 3-5 YEAR GROWTH RATES ARE**  
5 **IN EXCESS OF A RATIONAL ESTIMATE OF LONG-TERM SUSTAINABLE**  
6 **GROWTH?**

7 A The 3-5 year growth rate of the proxy groups exceeds the growth rate of the overall  
8 U.S. economy. Based on consensus economic projections, as published by *Blue*  
9 *Chip Economic Indicators*, the nominal 5-year and 10-year Gross Domestic Product  
10 (GDP) growth rate estimate is 5.0% and 4.8%, respectively.<sup>7</sup> A company cannot  
11 grow, indefinitely, at a faster rate than the market in which it sells its products. The  
12 U.S. economy, or GDP, growth projection represents a ceiling, or high-end,  
13 sustainable growth rate for a utility over an indefinite period of time.

14 **Q WHY IS THE GDP GROWTH PROJECTION CONSIDERED A CEILING GROWTH**  
15 **RATE FOR A UTILITY?**

16 A Utilities cannot indefinitely sustain a growth rate that exceeds the growth rate of the  
17 overall economy. Utilities' earnings/dividend growth is created by increased utility  
18 investment or rate base. Utility plant investment, in turn, is driven by service area  
19 economic growth and demand for utility service. In other words, utilities invest in  
20 plant to meet sales demand growth, and sales growth in turn is tied to economic  
21 growth in their service areas. The Energy Information Administration (EIA) has  
22 observed that utility sales growth is less than U.S. economic growth, as shown on

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<sup>7</sup> *Blue Chip Economic Indicators*, March 10, 2008 at 15.

1 Schedule MPG-6. Utility sales growth has lagged the GDP growth. Hence, nominal  
2 GDP growth is a very conservative, albeit overstated, proxy for electric utility sales  
3 growth, rate base growth, and earnings growth. Therefore, GDP growth is a  
4 reasonable proxy for the highest sustainable long-term growth rate of a utility.

5 **Q HOW HAVE THE PROXY GROUPS' HISTORICAL GROWTH RATES COMPARED**  
6 **TO HISTORICAL NOMINAL GDP GROWTH RATES?**

7 A As shown on Schedule MPG-7, the historical growth of the proxy groups' dividend is  
8 substantially lower than the nominal GDP growth. Indeed, over the last 5 and  
9 10 years, each proxy group's dividend growth has tracked inflation growth much more  
10 closely than nominal GDP growth. Therefore, the proxy groups' 3-5 year projected  
11 growth rate estimates are considerably higher than historical growth in relation to  
12 nominal GDP growth inflation, and are thus unreasonable.

13 **Q IS THERE REASON TO BELIEVE THAT THE PROXY GROUP'S GROWTH COULD**  
14 **BE HIGHER GOING FORWARD THAN IT HAS BEEN HISTORICALLY?**

15 A Yes. As shown on Schedule MPG-8, the Comparable Risk Proxy Group's payout  
16 ratio has been decreasing considerably over the last few years, and is projected to  
17 decrease from approximately 68% in 2007 down to 58% over the next 3-5 years.  
18 *Value Line* data for the S&P Integrated Electric Utility Proxy Group and Moody's  
19 Electric Utility Proxy Group also show a declining dividend payout ratio. This  
20 reduction in the dividend payout ratio corresponds to an increase in the earnings  
21 retention ratio which fuels stronger growth because more earnings are retained to  
22 invest in utility plant and grow earnings and dividends.

1 Q IS THERE RESEARCH THAT SUPPORTS YOUR CONTENTION THAT OVER THE  
2 LONG TERM, A COMPANY'S EARNINGS AND DIVIDENDS CANNOT GROW AT  
3 A RATE GREATER THAN THE GROWTH OF THE U.S. GDP?

4 A Yes. This concept is supported both in published analyst literature and in academic  
5 work. Specifically, in a textbook entitled "Fundamentals of Financial Management,"  
6 published by Eugene Brigham and Joel F. Houston, the authors stated as follows:

7 The constant growth model is most appropriate for mature companies  
8 with a stable history of growth and stable future expectations.  
9 Expected growth rates vary somewhat among companies, but  
10 dividends for mature firms are often expected to grow in the future at  
11 about the same rate as nominal gross domestic product (real GDP  
12 plus inflation).<sup>8</sup>

13 Also, Morningstar's Stocks, Bonds, Bills and Inflation 2008 Yearbook  
14 Valuation Edition tracked dividends of the stock market in comparison to GDP growth  
15 over the period 1929 through the end of 2006.<sup>9</sup> Based on that study, the authors  
16 found that earnings and dividends for the market have historically grown in tandem  
17 with the overall economy. It is important to note that the growth of companies  
18 included in the overall market will normally be higher than that of utility companies.  
19 These non-utility companies achieve a higher level of growth because they retain a  
20 larger percentage of their earnings and pay out a much smaller percentage of their  
21 earnings as dividends. Retaining higher percentages of total earnings fuels stronger  
22 growth for these non-utility companies. Since the market in general grows at the  
23 overall GDP growth rate, it is very conservative to assume that utility companies  
24 could achieve this same level of sustained growth without a material reduction in their  
25 dividend payout ratios. As such, using the GDP as a maximum sustainable growth

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<sup>8</sup>"Fundamentals of Financial Management," Eugene F. Grigham and Joel F. Houston, Eleventh Edition 2007, Thomson South-Western, a Division of Thomson Corporation at 298.

<sup>9</sup> *Stocks, Bonds, Bills and Inflation 2008 Yearbook Valuation Edition* (Morningstar, Inc.) at 92-93.

1 rate is a very conservative and high-end estimate for utility companies.

2 **Q WHY DO YOU BELIEVE GROWTH RATES FOR ELECTRIC UTILITY COMPANIES**  
3 **ARE PROJECTED TO BE HIGHER OVER THE NEXT 3-5 YEARS?**

4 **A** Electric utility companies are in the midst of major construction programs, which are  
5 significantly increasing their outstanding capital and net plant investment. In the  
6 fourth quarter 2007, EEI published a stock performance assessment for electric utility  
7 stocks. EEI stated the following concerning rate base growth:

8 **Accelerating Regulated Rate Base Growth**

9 U.S. electricity demand is growing slowly but steadily and reserve  
10 margins are shrinking in many power markets nationwide. The utility  
11 industry is in the early stages of a sizeable long-term capital  
12 investment cycle that includes rising spending on emissions control  
13 equipment, transmission and distribution upgrades and, over the  
14 longer term, a new round of baseload generation. Much of this will  
15 likely be built in regulated rate base.

16 EEI's spring 2007 study of industry capital spending based on 10-K  
17 data and discussions with companies indicated that the industry is  
18 projecting \$73.1 billion of capital expenditures in 2007 – a 21.1% rise  
19 from the \$60.3 billion spent in 2006 and 51.1% above the \$48.4 billion  
20 in 2005. Based on current projections, industry capex should reach at  
21 least \$75 billion in 2008 and \$75.5 billion in 2009. And Wall Street  
22 analysts forecast strong investment by the industry beyond the end of  
23 the decade. The prospect of carbon regulation adds to the potential  
24 longevity of the current build cycle, should carbon capture and  
25 sequestration become the most economically viable way of complying  
26 with likely future carbon limits.

27 EEI's assessment indicates that annual capital spending will increase through  
28 2009. After that date, the amount of capital expenditures by utilities may stay at a  
29 relatively constant rate, albeit one that is significantly higher than it had been in prior  
30 years. This elevated capital spending level may continue over a relatively long period  
31 of time. This indicates that rate base growth will drive earnings growth over the next  
32 3-5 years. Afterward, the relatively high level of capital expenditures and related



1 increases in rate base and earnings will slow, but stay at an historically high level,  
2 near the GDP growth.

3 **Q IS THERE A WAY OF TESTING WHETHER IT IS RATIONAL TO EXPECT THAT**  
4 **THE ANALYSTS' 3-5 YEAR EARNINGS GROWTH OUTLOOKS CAN BE A**  
5 **REASONABLE ESTIMATE OF SUSTAINABLE LONG-TERM GROWTH?**

6 A Yes. This can be tested using an internal growth rate calculation for the companies  
7 included in the proxy groups using *Value Line's* 3-5 year earnings and dividends  
8 projections, and estimated earned return on equity. An internal growth rate  
9 methodology estimates the sustainable growth rate based on the percentage of the  
10 utility's earnings that are retained in the company and reinvested in utility plant and  
11 equipment. These reinvested earnings then increase the earnings base, and will  
12 increase the earned return on equity as those additional earnings are put into service  
13 and the company is allowed to earn its authorized return on the additional investment.

14 As shown on Schedule MPG-9, the average sustainable growth rate for the  
15 Comparable Risk Proxy Group using this internal growth rate model is approximately  
16 4.95%. This sustainable growth rate could be increased/decreased slightly by  
17 reflecting the issuance of additional shares at prices above/below book value, but that  
18 should only modestly increase/decrease this growth rate estimate to 4.95%.  
19 Similarly, the sustainable growth rates for the S&P Integrated Electric Utility Proxy  
20 Group and Moody's Electric Utility Proxy Group are 4.57% and 5.65%, respectively,  
21 as shown on pages 2 and 3 of Schedule MPG-9.

22 In comparison, using the Comparable Risk Proxy Group average growth rate  
23 of 6.80%, and a 3-5 year dividend payout ratio of 58%, would require an earned  
24 return on book equity of 16.19%. In comparison, *Value Line* is projecting a group

1 average return on book equity of 11.20%, and 10.31% excluding Exelon. I conclude  
2 from this estimate of a sustainable growth estimate, and a book return on equity  
3 needed to support the analysts' 3-5 year growth rate estimate, as evidence that the  
4 3-5 year earnings growth rate estimates are much higher than a reasonable estimate  
5 of long-term sustainable growth for these companies. As such, an expansion of the  
6 traditional constant growth DCF model is appropriate in order to produce a  
7 reasonable and reliable DCF return estimate in this proceeding.

8 **Q DO VALUE LINE'S OVERALL GROWTH PROJECTIONS SUPPORT YOUR**  
9 **CONCLUSION THAT A UTILITY'S GROWTH RATES ARE NOT CURRENTLY IN A**  
10 **LONG-TERM SUSTAINABLE GROWTH RATE PERIOD?**

11 A Yes. In a constant growth model construct, a utility's earnings, dividends and book  
12 value will all grow at approximately the same rate. However, *Value Line's* projected  
13 growth rates for earnings, dividends and book value exhibit significant divergence  
14 from this constant growth rate outlook. Specifically, my Schedule MPG-10 shows the  
15 earnings, dividends and book value growth for each of the three proxy groups. As  
16 shown on each one of these schedules, the earnings outlook for each proxy group of  
17 companies is considerably stronger than the expected growth in dividends and book  
18 value. This significant divergence in projected growth in earnings, dividends and  
19 book value is another a strong indication that the market does not expect these  
20 utilities to grow at the current 3-5 year consensus projections over a long-term  
21 sustained period of time.

1 Q SINCE YOU HAVE CONCLUDED THAT THE GROWTH RATES USED IN YOUR  
2 CONSTANT GROWTH DCF MODEL ARE HIGHER THAN THE LONG-TERM  
3 SUSTAINABLE GROWTH, DO YOU BELIEVE THAT YOUR CONSTANT GROWTH  
4 DCF RESULT IS REASONABLE?

5 A No. My constant growth DCF is based on consensus analysts' growth rate  
6 projections, so it is a reasonable reflection of rational investment expectations over  
7 the next 3-5 years. The limitation on the constant growth DCF model is that it cannot  
8 reflect a rational expectation that a period of high/low short-term growth can be  
9 followed by a change in growth to a rate that is more reflective of long-term  
10 sustainable growth. Hence, I performed two-stage and multi-stage DCF analyses to  
11 reflect this outlook of changing growth expectations.

## 12 Two-Stage DCF Model

13 Q PLEASE DESCRIBE YOUR TWO-STAGE DCF MODEL.

14 A The two-stage DCF growth model reflects the possibility of non-constant growth for a  
15 company over time. The two-stage model reflects two growth periods: (1) a  
16 short-term growth period, which consists of the first 5 years; and (2) a long-term  
17 growth period, which consists of each year starting in year six through perpetuity. For  
18 the short-term growth period, I relied on the consensus analysts' growth projections  
19 described above in relationship to my constant growth DCF model. For the long-term  
20 growth period, I assumed each company's growth would converge on the maximum  
21 sustainable growth rate for a utility company as proxied by the consensus analysts'  
22 projected growth for the U.S. GDP.

1 Q WHAT STOCK PRICE AND DIVIDEND DID YOU USE IN YOUR TWO-STAGE DCF  
2 ANALYSIS?

3 A I relied on the same 13-week stock price, the most recent quarterly dividend payment,  
4 and consensus analysts' growth rate projections discussed above in my constant  
5 growth DCF model. For the long-term sustainable growth rate starting in year six, I  
6 used 4.9%, the average of the consensus economists' 5-10 year projected nominal  
7 GDP growth rate (5.0% to 4.8%).

8 Q WHAT ARE THE RESULTS OF YOUR TWO-STAGE GROWTH DCF MODEL?

9 A As shown on Schedule MPG-11, the two-stage DCF return on equity results are as  
10 follows:

11	<u>Group</u>	<u>Return</u>
12	Comparable Risk Proxy Group	9.70%
13	S&P Integrated Electric Utility Proxy Group	9.82%
14	Moody's Electric Utility Proxy Group	9.66%
15	<b>Average</b>	<b>9.73%</b>

16 **Multi-Stage DCF Model**

17 Q PLEASE DESCRIBE YOUR MULTI-STAGE DCF MODEL.

18 A Similar, to the two-stage DCF, the multi-stage DCF growth model reflects the  
19 possibility of non-constant growth for a company over time. The multi-stage model  
20 reflects three growth periods: (1) a short-term growth period, which consists of the  
21 first 5 years; (2) a transition period, which consists of the next 5 years (6 through 10);  
22 and (3) a long-term growth period, which consists of each year starting in year 11  
23 through perpetuity. This multi-stage DCF model differs from the two-stage growth

1 model by allowing for a longer period of abnormally high growth and a more gradual  
2 decline from the abnormally high short-term growth rate to a lower long-term  
3 sustainable growth rate.

4 For the short-term growth period, I relied on the consensus analysts' growth  
5 projections described above in relationship to my constant growth DCF model. For  
6 the transition period the growth rates were reduced or increased by an equal factor,  
7 which reflects the difference between the analysts' growth rates and the GDP growth  
8 rate. For the long-term growth period, I assumed each company's growth would  
9 converge to the maximum sustainable growth rate for a utility company as proxied by  
10 the consensus analysts' projected growth for the U.S. GDP of 4.9%.

11 **Q WHAT STOCK PRICE AND DIVIDEND DID YOU USE IN YOUR MULTI-STAGE**  
12 **DCF ANALYSIS?**

13 **A** I relied on the same 13-week average stock price and the most recent annualized  
14 quarterly dividend payment.

15 **Q WHAT ARE THE RESULTS OF YOUR MULTI-STAGE GROWTH DCF MODEL?**

16 **A** As shown on Schedule MPG-12, the multi-stage DCF return on equity results are as  
17 follows:

<u>Group</u>	<u>Return</u>
Comparable Risk Proxy Group	9.83%
S&P Integrated Electric Utility Proxy Group	9.98%
Moody's Electric Utility Proxy Group	9.87%
<b>Average</b>	<b>9.89%</b>

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1 **Risk Premium Model**

2 **Q PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.**

3 A This model is based on the principle that investors require a higher return to assume  
4 greater risk. Common equity investments have greater risk than bonds because  
5 bonds have more security of payment in bankruptcy proceedings than common equity  
6 and the coupon payments on bonds represent contractual obligations. In contrast,  
7 companies are not required to pay dividends on common equity, or to guarantee  
8 returns on common equity investments. Therefore, common equity securities are  
9 considered to be more risky than bond securities.

10 This risk premium model is based on two estimates of an equity risk premium.  
11 First, I estimated the difference between the required return on utility common equity  
12 investments and Treasury bonds. The difference between the required return on  
13 common equity and the bond yield is the risk premium. I estimated the risk premium  
14 on an annual basis for each year over the period 1986 through the second quarter of  
15 2008. The common equity required returns were based on regulatory commission-  
16 authorized returns for electric utility companies. Authorized returns are typically  
17 based on expert witnesses' estimates of the contemporary investor required return.

18 The second equity risk premium method is based on the difference between  
19 regulatory commission-authorized returns on common equity and contemporary  
20 "A" rated utility bond yields. This time period was selected because over the period  
21 1986 through the second quarter of 2008, public utility stocks have consistently  
22 traded at a premium to book value. This is illustrated on Schedule MPG-13, where  
23 the market to book ratio since 1986 for the electric utility industry was consistently  
24 above 1.0. Therefore, over this time period, regulatory authorized returns were  
25 sufficient to support market prices that at least exceeded book value. This is an

1 indication that regulatory authorized returns on common equity supported a utility's  
2 ability to issue additional common stock, without diluting existing shares. It further  
3 demonstrates that utilities were able to access equity markets without a detrimental  
4 impact on current shareholders.

5 Based on this analysis, as shown on Schedule MPG-14, the average indicated  
6 equity risk premium over U.S. Treasury bond yields has been 5.08%. Of the 23  
7 observations, 17 indicated risk premiums fall in the range of 4.40% to 5.89%. Since  
8 the risk premium can vary depending upon market conditions and changing investor  
9 risk perceptions, I believe using an estimated range of risk premiums provides the  
10 best method to measure the current return on common equity using this  
11 methodology.

12 As shown on Schedule MPG-15, the average indicated equity risk premium  
13 over contemporary Moody's utility bond yields was 3.68% over the period 1986  
14 through the second quarter of 2008. The equity risk premium estimates based on this  
15 analysis primarily fall in the range of 3.03% to 4.39% over this time period.

16 **Q BASED ON HISTORICAL DATA, WHAT RISK PREMIUM HAVE YOU USED TO**  
17 **ESTIMATE AMERENUE'S COST OF EQUITY IN THIS PROCEEDING?**

18 **A** The equity risk premium should reflect the relative market perception of risk in the  
19 utility industry today. I have gauged investor perceptions in utility risk today on  
20 Schedule MPG-16. On that exhibit, I show the yield spread between utility bonds and  
21 Treasury bonds over the last 28 years. As shown on this exhibit, the 2007 utility bond  
22 yield spreads over Treasury bonds for "A" rated and "Baa" rated utility bonds are  
23 1.23% and 1.49%, respectively. The "A" Treasury and "Baa" Treasury spreads during  
24 the second quarter of 2008 were 1.74% and 2.21%, respectively. These utility bond

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1 yield spreads over Treasury bond yields are comparable to, albeit somewhat higher  
2 than, the 28-year average “A” and “Baa” yield spreads of 1.57% and 1.94%,  
3 respectively.

4 The current spread between spot 30-year Treasury bonds, 4.5%,<sup>10</sup> and “A”  
5 rated utility bond yields, 6.4%, is 1.9 percentage points, which is about the average  
6 yield spread over the last 28 years. Hence, this comparison of utility bond yield  
7 spreads indicates the market perception of utility risk to be about average relative to  
8 this historical time period.

9 **Q HOW DID YOU ESTIMATE AMERENUE’S COST OF COMMON EQUITY WITH**  
10 **THIS RISK MODEL?**

11 A I added a projected long-term Treasury bond yield to my estimated equity risk  
12 premium over Treasury yields. *Blue Chip Financial Forecasts* projects the 30-year  
13 Treasury bond yield to be 5.1%, and a 10-year Treasury bond yield to be 4.6%.<sup>11</sup>  
14 Using the projected 30-year bond yield of 5.1%, and a Treasury bond risk premium of  
15 4.40% to 5.89%, as developed above, produces an estimated common equity return  
16 in the range of 9.50% to 10.99%, with a midpoint estimate of 10.25%.

17 I next added my equity risk premium over utility bond yields to a current  
18 13-week average yield on “Baa” rated utility bonds for the period ending August 15,  
19 2008 of 6.95%. This current “Baa” utility bond yield is developed on Schedule  
20 MPG-17. Adding the utility equity risk premium of 3.03% to 4.39%, as developed  
21 above, to a “Baa” rated bond yield of 6.95%, produces a cost of equity in the range of  
22 9.98% to 11.34%, with a midpoint of 10.66%.

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<sup>10</sup> <http://online.wsj.com>, Market Data Center, downloaded on August 15, 2008.

<sup>11</sup> *Blue Chip Financial Forecasts*, August 1, 2008 at 2.



1 My risk premium analyses produce a return estimate in the range of 10.25% to  
2 10.66%, with a midpoint estimate of 10.46%.

### 3 **Capital Asset Pricing Model**

4 **Q PLEASE DESCRIBE THE CAPM.**

5 A The CAPM method of analysis is based upon the theory that the market required rate  
6 of return for a security is equal to the risk-free rate, plus a risk premium associated  
7 with the specific security. This relationship between risk and return can be expressed  
8 mathematically as follows:

9  $R_i = R_f + B_i \times (R_m - R_f)$  where:

10  $R_i$  = Required return for stock i  
11  $R_f$  = Risk-free rate  
12  $R_m$  = Expected return for the market portfolio  
13  $B_i$  = Beta - Measure of the risk for stock

14 The stock-specific risk term in the above equation is beta. Beta represents  
15 the investment risk that cannot be diversified away when the security is held in a  
16 diversified portfolio. When stocks are held in a diversified portfolio, firm-specific risks  
17 can be eliminated by balancing the portfolio with securities that react in the opposite  
18 direction to firm-specific risk factors (e.g., business cycle, competition, product mix  
19 and production limitations).

20 The risks that cannot be eliminated when held in a diversified portfolio are  
21 nondiversifiable risks. Nondiversifiable risks are related to the market in general and  
22 are referred to as systematic risks. Risks that can be eliminated by diversification are  
23 regarded as nonsystematic risks. In a broad sense, systematic risks are market risks,  
24 and nonsystematic risks are business risks. The CAPM theory suggests that the  
25 market will not compensate investors for assuming risks that can be diversified away.

1           Therefore, the only risk that investors will be compensated for are systematic or  
2           nondiversifiable risks. The beta is a measure of the systematic or nondiversifiable  
3           risks.

4   **Q       PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.**

5   A       The CAPM requires an estimate of the market risk-free rate, the company's beta, and  
6           the market risk premium.

7   **Q       WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE RATE?**

8   A       *Blue Chip Financial Forecasts'* projected 30-year Treasury bond yield is 5.1%.<sup>12</sup> The  
9           current 30-year bond yield is 4.6%. I used *Blue Chip Financial Forecasts'* projected  
10          30-year Treasury bond yield of 5.1% for my CAPM analysis.

11   **Q       WHY DID YOU USE LONG-TERM TREASURY BOND YIELDS AS AN ESTIMATE**  
12          **OF THE RISK-FREE RATE?**

13   A       Treasury securities are backed by the full faith and credit of the United States  
14          government. Therefore, long-term Treasury bonds are considered to have negligible  
15          credit risk. Also, long-term Treasury bonds have an investment horizon similar to that  
16          of common stock. As a result, investor-anticipated long-run inflation expectations are  
17          reflected in both common stock required returns and long-term bond yields.  
18          Therefore, the nominal risk-free rate (or expected inflation rate and real risk-free rate)  
19          included in a long-term bond yield is a reasonable estimate of the nominal risk-free  
20          rate included in common stock returns.

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<sup>12</sup> *Blue Chip Financial Forecasts*, August 1, 2008 at 2.

1 Treasury bond yields, however, do include risk premiums related to  
2 unanticipated future inflation and interest rates. Therefore, a Treasury bond yield is  
3 not a risk-free rate. Risk premiums related to unanticipated inflation and interest rates  
4 are systematic or market risks. Consequently, for companies with betas less than  
5 1.0, using the Treasury bond yield as a proxy for the risk-free rate in the CAPM  
6 analysis can produce an overstated estimate of the CAPM return.

7 **Q WHAT BETA DID YOU USE IN YOUR ANALYSIS?**

8 A As shown on Schedule MPG-18, the proxy group average *Value Line* beta estimate is  
9 as follows:

<u>Group</u>	<u>Beta</u>
Comparable Risk Proxy Group	0.86
S&P Integrated Electric Utility Proxy Group	0.84
Moody's Electric Utility Proxy Group	0.84
<b>Average</b>	<b>0.85</b>

15 I will use a beta of 0.85 for my CAPM. However, I note that this beta is very  
16 high by historical measures and will produce a very conservative, high CAPM return  
17 estimate.

18 **Q HOW DID YOU DERIVE YOUR MARKET RISK PREMIUM ESTIMATE?**

19 A I derived two market risk premium estimates, a forward-looking estimate and one  
20 based on a long-term historical average.

21 The forward-looking estimate was derived by estimating the expected return  
22 on the market (as represented by the S&P 500) and subtracting the risk-free rate from  
23 this estimate. I estimated the expected return on the S&P 500 by adding an expected

**Michael Gorman**  
**Page 33**

1 inflation rate to the long-term historical arithmetic average real return on the market.  
2 The real return on the market represents the achieved return above the rate of  
3 inflation.

4 Morningstar's Stocks, Bonds, Bills and Inflation 2008 Yearbook publication  
5 estimates the historical arithmetic average real market return over the period 1929-  
6 2007 as 9.0%. A current consensus analysts' inflation projection, as measured by the  
7 Consumer Price Index, is 2.4%.<sup>13</sup> Using these estimates, the expected market return  
8 is 11.62%.<sup>14</sup> The market premium then is the difference between the 11.62%  
9 expected market return, and my 5.1% risk-free rate estimate, or 6.52%.

10 The historical estimate of the market risk premium was also estimated by  
11 Morningstar in Stocks, Bonds, Bills and Inflation 2008 Yearbook. Over the period  
12 1929 through 2007, Morningstar's study estimated that the arithmetic average of the  
13 achieved total return on the S&P 500 was 12.30%, and the total return on long-term  
14 Treasury bonds was 5.80%. The indicated equity risk premium is 6.50% (12.30% -  
15 5.80% = 6.50%).

16 **Q HOW DOES YOUR ESTIMATED MARKET RISK PREMIUM RANGE COMPARE TO**  
17 **THAT ESTIMATED BY MORNINGSTAR?**

18 A Morningstar estimates a forward-looking market risk premium based on actual  
19 achieved data from the historical period of 1926 through year-end 2007. Using this  
20 data, Morningstar estimates a market risk premium derived from the total return on  
21 large company stocks (S&P 500), less the income return on Treasury bonds. The  
22 total return includes capital appreciation, dividend or coupon reinvestment returns,  
23 and annual yields received from coupons and/or dividend payments. The income

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<sup>13</sup> Blue Chip Financial Forecasts, August 1, 2008 at 2.

<sup>14</sup>  $\{ [(1 + 0.090) * (1 + 0.024)] - 1 \} * 100$ .

1 return, in contrast, only reflects the income return received from dividend payments or  
2 coupon yields. Morningstar argues that the income return is the only true riskless rate  
3 associated with the Treasury bond and is the best approximation of a truly risk-free  
4 rate. While I disagree with this assessment from Morningstar, because it does not  
5 reflect a true investment option available to the marketplace, and therefore does not  
6 produce a legitimate estimate of the expected premium of investing in the stock  
7 market versus that of Treasury bonds, I will use Morningstar's conclusion to show the  
8 reasonableness of my market risk premium estimates.

9 Morningstar's analysis indicates that a market risk premium falls somewhere  
10 in the range of 6.2% to 7.1%. This range is based on several methodologies. First,  
11 Morningstar estimates a market risk premium of 7.1% based on the difference  
12 between the total market return on common stocks (S&P 500) less the income return  
13 on Treasury bond investments. Second, Morningstar found that if the New York  
14 Stock Exchange (the "NYSE") was used as the market index rather than the S&P  
15 500, that the market risk premium would be 6.8% and not 7.1%. Third, if only the two  
16 deciles of the largest companies included in the NYSE were considered, the market  
17 risk premium would be 6.35%.<sup>15</sup>

18 Finally, Morningstar found that the 7.1% market risk premium based on the  
19 S&P 500 was impacted by an abnormal expansion of price-to-earnings ("P/E") ratios  
20 relative to earnings and dividend growth during the period 1980 through 2001.  
21 Morningstar believes this abnormal P/E expansion is not sustainable. Therefore,  
22 Morningstar adjusted this market risk premium estimate to normalize the growth in the  
23 P/E ratio to be more in line with the growth in dividends and earnings. Based on this

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<sup>15</sup> Morningstar observes that the S&P 500 and the NYSE Decile 1-2 are both large capitalization benchmarks. *Ibbotson SBBI 2008 Valuation Yearbook* (Morningstar, Inc.) at 72 and 74.

1 alternative methodology, Morningstar published a long-horizon supply-side market  
2 risk premium of 6.2%.<sup>16</sup>

3 Thus, based on all of Morningstar's estimates, the market risk premium falls  
4 somewhere in the range of 6.2% to 7.1%. This range supports my use of a 6.50%  
5 market risk premium in my CAPM study.

6 **Q WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?**

7 A As shown on page 1 of Schedule MPG-19, based on my historical and prospective  
8 market risk premium of 6.50% and 6.52%, respectively, a beta of 0.85 and a risk-free  
9 rate of 5.1%, my analysis produces a return range of 10.63% to 10.64%, with a  
10 midpoint of 10.63%.

11 **Return on Equity Summary**

12 **Q BASED ON THE RESULTS OF YOUR RATE OF RETURN ON COMMON EQUITY**  
13 **ANALYSES DESCRIBED ABOVE, WHAT RETURN ON COMMON EQUITY DO**  
14 **YOU RECOMMEND FOR AMERENUE?**

15 A Based on my analyses, I estimate AmerenUE's current market cost of equity to be  
16 10.18%, rounded up to 10.2%.

<b>TABLE 2</b>	
<b><u>Return on Common Equity Summary</u></b>	
<b><u>Description</u></b>	<b><u>Results</u></b>
Two-Stage Growth DCF	9.73%
Multi-Stage Growth DCF	9.89%
Risk Premium	10.46%
CAPM	10.63%

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<sup>16</sup> *Id.* at 92-98.

1 My recommended return on equity of 10.2% is at the midpoint of my estimated  
2 return on equity range for AmerenUE of 9.81% to 10.55%. The high end of my  
3 estimated range of 10.55% is based on the average of my CAPM, 10.63%, and my  
4 risk premium, 10.46%  $((10.63\% + 10.46\%) \div 2)$ . The low end of my estimated range  
5 of 9.81% is based on the average of my two-stage growth DCF analysis, 9.73%, and  
6 my multi stage growth DCF analysis, 9.89%  $(9.73\% + 9.89\%) \div 2)$ .

### 7 **Financial Integrity**

#### 8 **Q WILL YOUR RECOMMENDED OVERALL RATE OF RETURN SUPPORT AN** 9 **INVESTMENT GRADE BOND RATING FOR AMERENUE?**

10 A Yes. I have reached this conclusion by comparing the key credit rating financial  
11 ratios for AmerenUE at its proposed capital structure, and my return on equity to  
12 S&P's benchmark financial ratios using S&P's new credit metric ranges. In addition, I  
13 compared AmerenUE's key credit financial ratios to S&P benchmark financial ratios  
14 and to the old S&P credit metric ranges for an "A" rated utility and "BBB" rated utility  
15 with a business profile score (BPS) of '6,' AmerenUE's S&P rating under S&P's old  
16 credit metric benchmarks.

#### 17 **Q WHY ARE YOU COMPARING YOUR CREDIT METRIC CALCULATIONS TO** 18 **S&P'S NEW AND OLD CREDIT METRIC GUIDELINES?**

19 A S&P's new credit metrics are not as transparent and do not clearly identify utility-  
20 specific credit metric guidance ranges based on S&P business risk assessment.  
21 Specifically, S&P has not published a range, that I am aware of, where it sets out  
22 specific credit metric ranges for a utility with an "Aggressive" financial rating, and a  
23 business rating score of "Strong," AmerenUE's current rating. However, S&P has

1 published guidelines which appear to be generally reflective of credit metrics at  
2 various credit rating levels. In order to more clearly identify credit metric ranges that  
3 are appropriate to support AmerenUE's credit ratings, I will use both S&P's old and  
4 new credit metric benchmarks.

5 **Q PLEASE DESCRIBE S&P'S USE OF THE FINANCIAL BENCHMARK RATIOS IN**  
6 **ITS CREDIT RATING REVIEW.**

7 A S&P evaluates a utility's credit rating based on an assessment of its financial and  
8 business risks. A combination of financial and business risks equates to the overall  
9 assessment of AmerenUE's total credit risk exposure. S&P publishes a matrix of  
10 financial ratios that defines the level of financial risk as a function of the level of  
11 business risk.

12 S&P publishes ranges for three primary financial ratios that it uses as  
13 guidance in its credit review for utility companies. The three primary financial ratio  
14 benchmarks it relies on in its credit rating process include: (1) funds from operations  
15 (FFO) to debt interest expense, (2) FFO to total debt, and (3) total debt to total  
16 capital.

17 **Q HOW DID YOU APPLY S&P'S FINANCIAL RATIOS TO TEST THE REASON-**  
18 **ABLENESS OF YOUR RATE OF RETURN RECOMMENDATIONS?**

19 A I calculated each of S&P's financial ratios based on AmerenUE's cost of service for  
20 retail operations. While S&P would normally look at total Ameren Corp. consolidated  
21 financial ratios in its credit review process, my investigation in this proceeding is to  
22 judge the reasonableness of my proposed cost of capital for rate setting in  
23 AmerenUE's utility operations. Hence, I am attempting to determine whether the rate



1 of return and cash flow generation opportunity reflected in my proposed utility rates  
2 for AmerenUE will support target investment grade bond ratings and financial  
3 integrity.

4 **Q HAVE YOU INCLUDED ANY OFF-BALANCE SHEET DEBT?**

5 A Yes. I relied on the S&P report provided in response to MIEC 3-3. Based on this  
6 report, Ameren Corp. has \$272 million operating leases. To allocate the operating  
7 leases to Ameren Corp. subsidiaries I relied on the Company's 10-K report. This  
8 allocation is developed on my Schedule MPG-20.

9 **Q PLEASE DESCRIBE THE RESULTS OF THIS CREDIT METRIC ANALYSIS FOR**  
10 **AMERENUE.**

11 A The S&P financial metric calculations for AmerenUE are developed on Schedule  
12 MPG-20.

13 As shown on Schedule MPG-20, page 1, column 1, based on an equity return  
14 of 10.20%, AmerenUE will be provided an opportunity to produce an FFO to debt  
15 interest expense of 4.8x. This FFO to interest coverage ratio is within S&P's old  
16 benchmark ratio guideline of 4.2x to 5.2x<sup>17</sup> for an "A" rated utility company with a  
17 business profile score of '6,' and is slightly above (stronger than) S&P's new guideline  
18 range of 3.0x to 4.5x.<sup>18</sup> This ratio supports an improvement of AmerenUE's "BBB"  
19 bond rating to "A."

20 AmerenUE's retail operations FFO to total debt coverage at a 10.20% equity  
21 return would be 22%, which is within S&P's old credit metric guideline range of 18%

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<sup>17</sup> Standard & Poor's: New Business Profile Scores Assigned to U.S. Utilities and Power Companies; Financial Guidelines Revised, June 2, 2004.

<sup>18</sup> Standard & Poor's: U.S. Utilities Rating Analysis Now Portrayed in the S&P Corporate Ratings Matrix; November 30, 2007.

1 to 28% for a “Baa” bond rating and slightly below the new metric guideline range of  
2 25% to 45%. The FFO/total debt ratio will support a “Baa” rated investment grade  
3 bond rating, an improvement to AmerenUE’s current bond rating.

4 Finally, AmerenUE’s total debt ratio to total capital is 48%. This is at the high  
5 end of S&P’s “A” rated utility old guideline range of 40% to 48%, and within the new  
6 guideline range of 35% to 50%. This total debt ratio will support a strong “BBB” or  
7 weak “A” investment grade bond rating.

8 With AmerenUE’s proposed capital structure and my return on equity,  
9 AmerenUE’s financial credit metrics are supportive of a strong “BBB” utility bond  
10 rating.

11 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 **A** Yes, it does.

## Appendix A

### Qualifications of Michael Gorman

1    **Q    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A    Michael Gorman. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3    St. Louis, Missouri 63141.

4    **Q    PLEASE STATE YOUR OCCUPATION.**

5    A    I am a consultant in the field of public utility regulation and a managing principal with  
6    Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7    **Q    PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK  
8    EXPERIENCE.**

9    A    In 1983 I received a Bachelors of Science Degree in Electrical Engineering from  
10    Southern Illinois University, and in 1986, I received a Masters Degree in Business  
11    Administration with a concentration in Finance from the University of Illinois at  
12    Springfield. I have also completed several graduate level economics courses.

13            In August of 1983, I accepted an analyst position with the Illinois Commerce  
14    Commission (ICC). In this position, I performed a variety of analyses for both formal  
15    and informal investigations before the ICC, including: marginal cost of energy, central  
16    dispatch, avoided cost of energy, annual system production costs, and working  
17    capital. In October of 1986, I was promoted to the position of Senior Analyst. In this  
18    position, I assumed the additional responsibilities of technical leader on projects, and  
19    my areas of responsibility were expanded to include utility financial modeling and  
20    financial analyses.

1           In 1987, I was promoted to Director of the Financial Analysis Department. In  
2 this position, I was responsible for all financial analyses conducted by the staff.  
3 Among other things, I conducted analyses and sponsored testimony before the ICC  
4 on rate of return, financial integrity, financial modeling and related issues. I also  
5 supervised the development of all Staff analyses and testimony on these same  
6 issues. In addition, I supervised the Staff's review and recommendations to the  
7 Commission concerning utility plans to issue debt and equity securities.

8           In August of 1989, I accepted a position with Merrill-Lynch as a financial  
9 consultant. After receiving all required securities licenses, I worked with individual  
10 investors and small businesses in evaluating and selecting investments suitable to  
11 their requirements.

12           In September of 1990, I accepted a position with Drazen-Brubaker &  
13 Associates, Inc. In April 1995 the firm of Brubaker & Associates, Inc. (BAI) was  
14 formed. It includes most of the former DBA principals and Staff. Since 1990, I have  
15 performed various analyses and sponsored testimony on cost of capital, cost/benefits  
16 of utility mergers and acquisitions, utility reorganizations, level of operating expenses  
17 and rate base, cost of service studies, and analyses relating industrial jobs and  
18 economic development. I also participated in a study used to revise the financial  
19 policy for the municipal utility in Kansas City, Kansas.

20           At BAI, I also have extensive experience working with large energy users to  
21 distribute and critically evaluate responses to requests for proposals (RFPs) for  
22 electric, steam, and gas energy supply from competitive energy suppliers. These  
23 analyses include the evaluation of gas supply and delivery charges, cogeneration  
24 and/or combined cycle unit feasibility studies, and the evaluation of third-party  
25 asset/supply management agreements. I have also analyzed commodity pricing

1 indices and forward pricing methods for third party supply agreements, and have also  
2 conducted regional electric market price forecasts.

3 In addition to our main office in St. Louis, the firm also has branch offices in  
4 Phoenix, Arizona and Corpus Christi, Texas.

5 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

6 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of  
7 service and other issues before the Federal Energy Regulatory Commission and  
8 numerous state regulatory commissions including: Arkansas, Arizona, California,  
9 Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas,  
10 Louisiana, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, North  
11 Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Vermont,  
12 Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before the provincial  
13 regulatory boards in Alberta and Nova Scotia, Canada. I have also sponsored  
14 testimony before the Board of Public Utilities in Kansas City, Kansas; presented rate  
15 setting position reports to the regulatory board of the municipal utility in Austin, Texas,  
16 and Salt River Project, Arizona, on behalf of industrial customers; and negotiated rate  
17 disputes for industrial customers of the Municipal Electric Authority of Georgia in the  
18 LaGrange, Georgia district.

19 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**  
20 **ORGANIZATIONS TO WHICH YOU BELONG.**

21 A I earned the designation of Chartered Financial Analyst (CFA) from the CFA Institute.  
22 The CFA charter was awarded after successfully completing three examinations  
23 which covered the subject areas of financial accounting, economics, fixed income and

1 equity valuation and professional and ethical conduct. I am a member of the CFA  
2 Institute's Financial Analyst Society.

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# AmerenUE

## Rate of Return

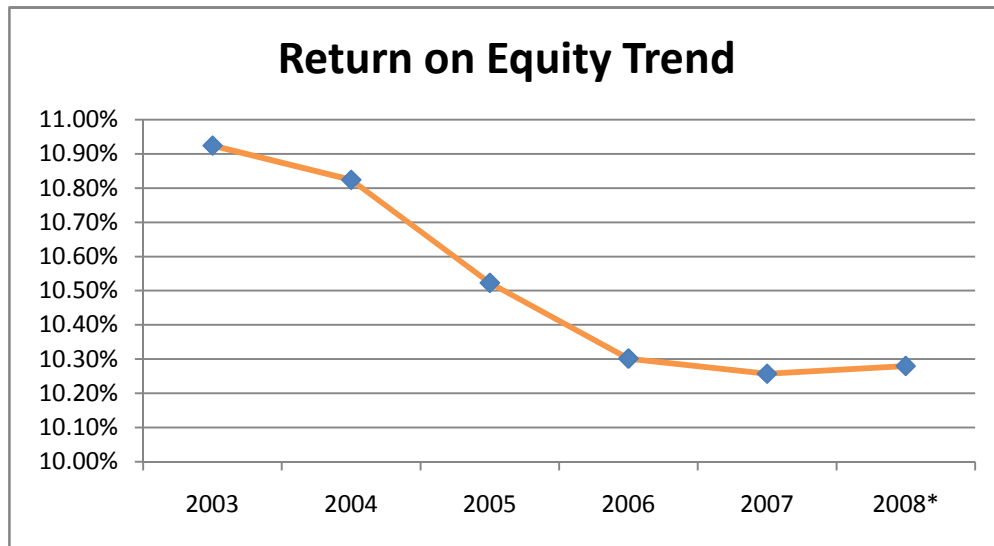
<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<b>Weighted</b> <u>Cost</u> (4)
1	Long-Term Debt	\$ 3,001,633,545	46.558%	5.774%	2.69%
2	Short-Term Debt	\$ 47,612,601	0.739%	3.384%	0.02%
3	Preferred Stock	\$ 114,502,040	1.776%	5.189%	0.09%
4	Common Equity	<u>\$ 3,283,398,137</u>	<u>50.928%</u>	<b>10.200%</b>	<u>5.19%</u>
5	<b>Total</b>	<b>\$ 6,447,146,323</b>	<b>100.00%</b>		<b>8.00%</b>

Source:  
Schedule MGO-E5.

# AmerenUE

## Electric Utility Authorized Returns on Equity

<u>Line</u>	<u>Year</u>	<u>Electric Return on Equity</u>
1	2003	10.92%
2	2004	10.82%
3	2005	10.52%
4	2006	10.30%
5	2007	10.26%
6	2008*	10.28%



Source:

*Edison Electric Institute; Rate Case Summary, 2Q 2008 Financial Update.*

\*The data for 2008 includes the period January - June 2008.



# AmerenUE

## Comparable Risk Proxy Group

<u>Line</u>	<u>Company</u>	<u>Bond Ratings<sup>1</sup></u>		<u>Common Equity Ratios</u>		<u>EI Risk Assessment<sup>3</sup></u>
		<u>S&amp;P</u> (1)	<u>Moody's</u> (2)	<u>AUS<sup>1</sup></u> (3)	<u>Value Line<sup>2</sup></u> (4)	
1	Ameren Corp.	BBB	Baa2	47.0%	53.4%	Regulated
2	Avista Corp.	BBB+	Baa2	47.0%	59.0%	Regulated
3	Cleco Corp.	BBB	Baa1	51.0%	56.7%	Regulated
4	DTE Energy	A-	A3	45.0%	45.6%	Mostly Regulated
5	Empire Dist. Elec.	BBB+	Baa1	45.0%	49.9%	Regulated
6	Exelon Corp.	A-	A3	44.0%	45.7%	Mostly Regulated
7	FirstEnergy Corp.	BBB	Baa2	41.0%	50.3%	Mostly Regulated
8	IDACORP, Inc.	A-	A3	46.0%	51.1%	Regulated
9	NiSource Inc.	BBB-	Baa2	45.0%	47.6%	Mostly Regulated
10	Northeast Utilities	BBB+	Baa1	42.0%	48.8%	Regulated
11	OGE Energy	BBB+	Baa1	48.0%	55.6%	Mostly Regulated
12	Otter Tail Corp.	BBB+	A3	52.0%	59.4%	Mostly Regulated
13	Pepco Holdings	BBB+	Baa1	46.0%	45.9%	Mostly Regulated
14	PG&E Corp.	BBB+	A3	50.0%	50.4%	Regulated
15	Pinnacle West Capital	BBB-	Baa2	49.0%	53.0%	Regulated
16	Xcel Energy Inc.	A-	A3	43.0%	49.4%	Regulated
<b>17</b>	<b>Average</b>	<b>BBB+</b>	<b>Baa1</b>	<b>46.3%</b>	<b>51.4%</b>	<b>Regulated</b>
18	AmerenUE	BBB-	Baa1	51.0%	51.3%	Regulated

Sources:

<sup>1</sup> *AUS Utility Reports*; August 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Edison Electric Institute; Rate Case Summary, 2Q 2008 Financial Update.*

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

<u>Line</u>	<u>Company</u>	<u>Bond Ratings<sup>1</sup></u>		<u>Common Equity Ratios</u>		<u>EI Risk Assessment<sup>3</sup></u>
		<u>S&amp;P</u> (1)	<u>Moody's</u> (2)	<u>AUS<sup>1</sup></u> (3)	<u>Value Line<sup>2</sup></u> (4)	
1	ALLETE	A-	N/R	60.0%	64.4%	Regulated
2	Alliant Energy	A-	A2	59.0%	61.9%	Mostly Regulated
3	Amer. Elec. Power	BBB	Baa1	39.0%	41.4%	Regulated
4	Ameren Corp.	BBB	Baa2	47.0%	53.4%	Regulated
5	Cleco Corp.	BBB	Baa1	51.0%	56.7%	Regulated
6	CMS Energy Corp.	BBB	Baa1	24.0%	25.9%	Regulated
7	DPL Inc.	A-	A2	36.0%	35.8%	Regulated
8	DTE Energy	A-	A3	45.0%	45.6%	Mostly Regulated
9	Edison Int'l	A	A2	43.0%	46.0%	Mostly Regulated
10	Empire Dist. Elec.	BBB+	Baa1	45.0%	49.9%	Regulated
11	Energy East Corp.	A-	A3	45.0%	45.1%	Regulated
12	Entergy Corp.	A-	Baa2	40.0%	43.9%	Mostly Regulated
13	FPL Group	A	Aa3	43.0%	48.8%	Mostly Regulated
14	Hawaiian Elec.	BBB	Baa2	29.0%	51.0%	Diversified
15	IDACORP Inc.	A-	A3	46.0%	51.1%	Regulated
16	MGE Energy	AA-	Aa2	55.0%	64.8%	Regulated
17	Northeast Utilities	BBB+	Baa1	42.0%	48.8%	Regulated
18	PG&E Corp.	BBB+	A3	50.0%	50.4%	Regulated
19	Pinnacle West Capital	BBB-	Baa2	49.0%	53.0%	Regulated
20	PNM Resources	BB+	Baa3	40.0%	57.6%	Regulated
21	Portland General	A	Baa1	63.0%	50.1%	Regulated
22	Progress Energy	A-	A2	46.0%	48.8%	Regulated
23	Puget Energy Inc.	BBB+	Baa2	49.0%	48.5%	Regulated
24	Southern Co.	A	A2	41.0%	44.9%	Regulated
25	TECO Energy	BBB-	Baa2	39.0%	39.0%	Regulated
26	UniSource Energy	BBB	Baa2	27.0%	31.2%	Regulated
27	Westar Energy	BBB-	Baa2	38.0%	48.9%	Regulated
28	Wisconsin Energy	A-	Aa3	42.0%	49.2%	Regulated
29	Xcel Energy Inc.	A-	A3	43.0%	49.4%	Regulated
30	<b>Average</b>	<b>BBB+</b>	<b>A3</b>	<b>44.0%</b>	<b>48.5%</b>	<b>Regulated</b>
31	AmerenUE	BBB-	Baa1	51.0%	51.3%	Regulated

Sources:

<sup>1</sup> *AUS Utility Reports*; August 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Edison Electric Institute; Rate Case Summary*, 2Q 2008 Financial Update.

# AmerenUE

## Moody's Electric Utility Proxy Group

<u>Line</u>	<u>Company</u>	<u>Bond Ratings<sup>1</sup></u>		<u>Common Equity Ratios</u>		<u>EEl Risk Assessment<sup>3</sup></u>
		<u>S&amp;P</u> (1)	<u>Moody's</u> (2)	<u>AUS<sup>1</sup></u> (3)	<u>Value Line<sup>2</sup></u> (4)	
1	Amer. Elec. Power	BBB	Baa1	39.0%	41.4%	Regulated
2	CH Energy Group	A	A2	53.0%	55.2%	Regulated
3	Consol. Edison	A-	A1	49.0%	53.1%	Regulated
4	Constellation Energy	BBB+	Baa2	54.0%	52.4%	Diversified
5	Dominion Resources	A-	Baa1	39.0%	41.1%	Mostly Regulated
6	DPL Inc.	A-	A2	36.0%	35.8%	Regulated
7	DTE Energy	A-	A3	45.0%	45.6%	Mostly Regulated
8	Duke Energy	A	A3	64.0%	69.1%	Mostly Regulated
9	Energy East Corp.	A-	A3	45.0%	45.1%	Regulated
10	Exelon Corp.	A-	A3	44.0%	45.7%	Mostly Regulated
11	FirstEnergy Corp.	BBB	Baa2	41.0%	50.3%	Mostly Regulated
12	IDACORP Inc.	A-	A3	46.0%	51.1%	Regulated
13	NiSource Inc.	BBB-	Baa2	45.0%	47.6%	Mostly Regulated
14	OGE Energy	BBB+	Baa1	48.0%	55.6%	Mostly Regulated
15	PPL Corp.	A-	A3	41.0%	43.6%	Mostly Regulated
16	Progress Energy	A-	A2	46.0%	48.8%	Regulated
17	Public Serv. Enterprise	A-	A3	50.0%	45.5%	Mostly Regulated
18	Southern Co.	A	A2	41.0%	44.9%	Regulated
19	TECO Energy	BBB-	Baa2	39.0%	39.0%	Regulated
20	Xcel Energy Inc.	A-	A3	43.0%	49.4%	Regulated
21	<b>Average</b>	<b>A-</b>	<b>A3</b>	<b>45.4%</b>	<b>48.0%</b>	<b>Regulated</b>
22	AmerenUE	BBB-	Baa1	51.0%	51.3%	Regulated

Sources:

<sup>1</sup> *AUS Utility Reports*; August 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Edison Electric Institute; Rate Case Summary*, 2Q 2008 Financial Update.

# AmerenUE

## Comparable Risk Proxy Group

### Growth Rate Estimates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Average of Growth Rates (5)</u>
		<u>Estimated Growth %<sup>1</sup> (1)</u>	<u>Number of Estimates (2)</u>	<u>Estimated Growth %<sup>2</sup> (3)</u>	<u>Number of Estimates (4)</u>	
1	Ameren Corp.	5.00%	5	4.00%	3	4.50%
2	Avista Corp.	5.00%	1	4.50%	2	4.75%
3	Cleco Corp.	14.00%	1	12.00%	2	13.00%
4	DTE Energy	6.33%	3	6.00%	1	6.17%
5	Empire Dist. Elec.	N/A	N/A	6.00%	1	6.00%
6	Exelon Corp.	11.50%	4	9.00%	5	10.25%
7	FirstEnergy Corp.	7.50%	4	8.00%	3	7.75%
8	IDACORP, Inc.	6.00%	2	6.00%	2	6.00%
9	NiSource Inc.	3.00%	3	3.00%	5	3.00%
10	Northeast Utilities	10.00%	3	9.00%	6	9.50%
11	OGE Energy	4.00%	1	N/A	N/A	4.00%
12	Otter Tail Corp.	8.00%	2	8.00%	2	8.00%
13	Pepco Holdings	9.60%	5	6.00%	3	7.80%
14	PG&E Corp.	7.75%	4	7.30%	6	7.53%
15	Pinnacle West Capital	6.67%	3	3.00%	3	4.84%
16	Xcel Energy Inc.	5.40%	5	6.00%	5	5.70%
17	<b>Average</b>	<b>7.32%</b>	<b>3</b>	<b>6.52%</b>	<b>3</b>	<b>6.80%</b>

Sources:

<sup>1</sup> www.zackselite.com; downloaded on August 21, 2008.

<sup>2</sup> www.snl.com; downloaded on August 21, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Growth Rate Estimates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Average of Growth Rates</u> <u>(5)</u>
		<u>Estimated</u>	<u>Number of</u>	<u>Estimated</u>	<u>Number of</u>	
		<u>Growth %<sup>1</sup></u> <u>(1)</u>	<u>Estimates</u> <u>(2)</u>	<u>Growth %<sup>2</sup></u> <u>(3)</u>	<u>Estimates</u> <u>(4)</u>	
1	ALLETE	5.00%	1	6.00%	2	5.50%
2	Alliant Energy	6.10%	2	5.00%	3	5.55%
3	Amer. Elec. Power	6.25%	4	6.00%	5	6.13%
4	Ameren Corp.	5.00%	5	4.00%	3	4.50%
5	Cleco Corp.	14.00%	1	12.00%	2	13.00%
6	CMS Energy Corp.	10.50%	4	7.20%	5	8.85%
7	DPL Inc.	10.67%	3	11.50%	4	11.09%
8	DTE Energy	6.33%	3	6.00%	1	6.17%
9	Edison Int'l	8.75%	4	7.00%	3	7.88%
10	Empire Dist. Elec.	N/A	N/A	6.00%	1	6.00%
11	Energy East Corp.	N/A	N/A	N/A	N/A	N/A
12	Entergy Corp.	12.00%	5	11.50%	6	11.75%
13	FPL Group	10.26%	7	10.00%	5	10.13%
14	Hawaiian Elec.	4.17%	3	7.00%	3	5.59%
15	IDACORP Inc.	6.00%	2	6.00%	2	6.00%
16	MGE Energy	N/A	N/A	N/A	N/A	N/A
17	Northeast Utilities	10.00%	3	9.00%	6	9.50%
18	PG&E Corp.	7.75%	4	7.30%	6	7.53%
19	Pinnacle West Capital	6.67%	3	3.00%	3	4.84%
20	PNM Resources	7.80%	5	7.50%	6	7.65%
21	Portland General	7.00%	2	6.90%	3	6.95%
22	Progress Energy	4.71%	7	6.00%	7	5.36%
23	Puget Energy Inc.	6.00%	2	6.00%	2	6.00%
24	Southern Co.	4.67%	6	5.70%	7	5.19%
25	TECO Energy	10.05%	4	5.10%	5	7.58%
26	UniSource Energy	N/A	N/A	N/A	N/A	N/A
27	Westar Energy	4.75%	4	4.10%	5	4.43%
28	Wisconsin Energy	9.60%	5	9.90%	4	9.75%
29	Xcel Energy Inc.	5.40%	5	6.00%	5	5.70%
30	<b>Average</b>	<b>7.58%</b>	<b>4</b>	<b>6.99%</b>	<b>4</b>	<b>7.25%</b>

Sources:

<sup>1</sup> www.zackselite.com; downloaded on August 21, 2008.

<sup>2</sup> www.snl.com; downloaded on August 21, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Growth Rate Estimates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Average of Growth Rates (5)</u>
		<u>Estimated Growth %<sup>1</sup> (1)</u>	<u>Number of Estimates (2)</u>	<u>Estimated Growth %<sup>2</sup> (3)</u>	<u>Number of Estimates (4)</u>	
1	Amer. Elec. Power	6.25%	4	6.00%	5	6.13%
2	CH Energy Group	N/A	N/A	N/A	N/A	N/A
3	Consol. Edison	3.20%	5	3.00%	5	3.10%
4	Constellation Energy	22.00%	1	14.80%	3	18.40%
5	Dominion Resources	10.83%	6	8.00%	6	9.42%
6	DPL Inc.	10.67%	3	11.50%	4	11.09%
7	DTE Energy	6.33%	3	6.00%	1	6.17%
8	Duke Energy	5.83%	6	5.00%	7	5.42%
9	Energy East Corp.	N/A	N/A	N/A	N/A	N/A
10	Exelon Corp.	11.50%	4	9.00%	5	10.25%
11	FirstEnergy Corp.	7.50%	4	8.00%	3	7.75%
12	IDACORP Inc.	6.00%	2	6.00%	2	6.00%
13	NiSource Inc.	3.00%	3	3.00%	5	3.00%
14	OGE Energy	4.00%	1	N/A	N/A	4.00%
15	PPL Corp.	16.25%	4	18.00%	5	17.13%
16	Progress Energy	4.71%	7	6.00%	7	5.36%
17	Public Serv. Enterprise	14.33%	3	11.50%	2	12.92%
18	Southern Co.	4.67%	6	5.70%	7	5.19%
19	TECO Energy	10.05%	4	5.10%	5	7.58%
20	Xcel Energy Inc.	5.40%	5	6.00%	5	5.70%
21	<b>Average</b>	<b>8.47%</b>	<b>4</b>	<b>7.80%</b>	<b>5</b>	<b>8.03%</b>

Sources:

<sup>1</sup> www.zackselite.com; downloaded on August 21, 2008.

<sup>2</sup> www.snl.com; downloaded on August 21, 2008.

# AmerenUE

## Comparable Risk Proxy Group

### Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Average Growth (%)</u> (2)	<u>Annual Dividend<sup>2</sup></u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Ameren Corp.	\$42.42	4.50%	\$2.54	6.26%	10.76%
2	Avista Corp.	\$21.47	4.75%	\$0.66	3.22%	7.97%
3	Cleco Corp.	\$24.60	13.00%	\$0.90	4.13%	17.13%
4	DTE Energy	\$42.78	6.17%	\$2.12	5.26%	11.43%
5	Empire Dist. Elec.	\$19.99	6.00%	\$1.28	6.79%	12.79%
6	Exelon Corp.	\$85.17	10.25%	\$2.00	2.59%	12.84%
7	FirstEnergy Corp.	\$77.37	7.75%	\$2.20	3.06%	10.81%
8	IDACORP, Inc.	\$30.20	6.00%	\$1.20	4.21%	10.21%
9	NiSource Inc.	\$17.45	3.00%	\$0.92	5.43%	8.43%
10	Northeast Utilities	\$25.88	9.50%	\$0.85	3.60%	13.10%
11	OGE Energy	\$32.48	4.00%	\$1.39	4.46%	8.46%
12	Otter Tail Corp.	\$40.23	8.00%	\$1.19	3.20%	11.20%
13	Pepco Holdings	\$25.62	7.80%	\$1.08	4.54%	12.34%
14	PG&E Corp.	\$38.98	7.53%	\$1.56	4.30%	11.83%
15	Pinnacle West Capital	\$32.68	4.84%	\$2.10	6.74%	11.57%
16	Xcel Energy Inc.	\$20.46	5.70%	\$0.95	4.92%	10.62%
17	<b>Average</b>	<b>\$36.11</b>	<b>6.80%</b>	<b>\$1.43</b>	<b>4.55%</b>	<b>11.34%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 21, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Average Growth (%)</u> (2)	<u>Annual Dividend<sup>2</sup></u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	ALLETE	\$42.75	5.50%	\$1.72	4.25%	9.75%
2	Alliant Energy	\$34.95	5.55%	\$1.40	4.23%	9.78%
3	Amer. Elec. Power	\$40.87	6.13%	\$1.64	4.26%	10.38%
4	Ameren Corp.	\$42.42	4.50%	\$2.54	6.26%	10.76%
5	Cleco Corp.	\$24.60	13.00%	\$0.90	4.13%	17.13%
6	CMS Energy Corp.	\$14.57	8.85%	\$0.36	2.69%	11.54%
7	DPL Inc.	\$26.78	11.09%	\$1.10	4.56%	15.65%
8	DTE Energy	\$42.78	6.17%	\$2.12	5.26%	11.43%
9	Edison Int'l	\$50.32	7.88%	\$1.22	2.62%	10.49%
10	Empire Dist. Elec.	\$19.99	6.00%	\$1.28	6.79%	12.79%
11	Energy East Corp.	\$25.05	N/A	\$1.24	N/A	N/A
12	Entergy Corp.	\$115.23	11.75%	\$3.00	2.91%	14.66%
13	FPL Group	\$64.67	10.13%	\$1.78	3.03%	13.16%
14	Hawaiian Elec.	\$25.40	5.59%	\$1.24	5.15%	10.74%
15	IDACORP Inc.	\$30.20	6.00%	\$1.20	4.21%	10.21%
16	MGE Energy	\$34.29	N/A	\$1.42	N/A	N/A
17	Northeast Utilities	\$25.88	9.50%	\$0.85	3.60%	13.10%
18	PG&E Corp.	\$38.98	7.53%	\$1.56	4.30%	11.83%
19	Pinnacle West Capital	\$32.68	4.84%	\$2.10	6.74%	11.57%
20	PNM Resources	\$12.77	7.65%	\$0.92	7.76%	15.41%
21	Portland General	\$23.54	6.95%	\$0.98	4.45%	11.40%
22	Progress Energy	\$42.23	5.36%	\$2.46	6.14%	11.49%
23	Puget Energy Inc.	\$26.72	6.00%	\$1.00	3.97%	9.97%
24	Southern Co.	\$35.61	5.19%	\$1.68	4.96%	10.15%
25	TECO Energy	\$19.94	7.58%	\$0.80	4.32%	11.89%
26	UniSource Energy	\$32.03	N/A	\$0.96	N/A	N/A
27	Westar Energy	\$22.53	4.43%	\$1.16	5.38%	9.80%
28	Wisconsin Energy	\$46.13	9.75%	\$1.08	2.57%	12.32%
29	Xcel Energy Inc.	\$20.46	5.70%	\$0.95	4.92%	10.62%
30	<b>Average</b>	<b>\$34.98</b>	<b>7.25%</b>	<b>\$1.40</b>	<b>4.59%</b>	<b>11.85%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.



# AmerenUE

## Moody's Electric Utility Proxy Group

### Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Average Growth (%)</u> (2)	<u>Annual Dividend<sup>2</sup></u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Amer. Elec. Power	\$40.87	6.13%	\$1.64	4.26%	10.38%
2	CH Energy Group	\$36.97	N/A	\$2.16	N/A	N/A
3	Consol. Edison	\$39.77	3.10%	\$2.34	6.07%	9.17%
4	Constellation Energy	\$81.50	18.40%	\$1.91	2.78%	21.18%
5	Dominion Resources	\$45.51	9.42%	\$1.58	3.80%	13.21%
6	DPL Inc.	\$26.78	11.09%	\$1.10	4.56%	15.65%
7	DTE Energy	\$42.78	6.17%	\$2.12	5.26%	11.43%
8	Duke Energy	\$17.72	5.42%	\$0.88	5.23%	10.65%
9	Energy East Corp.	\$25.05	N/A	\$1.24	N/A	N/A
10	Exelon Corp.	\$85.17	10.25%	\$2.00	2.59%	12.84%
11	FirstEnergy Corp.	\$77.37	7.75%	\$2.20	3.06%	10.81%
12	IDACORP Inc.	\$30.20	6.00%	\$1.20	4.21%	10.21%
13	NiSource Inc.	\$17.45	3.00%	\$0.92	5.43%	8.43%
14	OGE Energy	\$32.48	4.00%	\$1.39	4.46%	8.46%
15	PPL Corp.	\$49.31	17.13%	\$1.34	3.18%	20.31%
16	Progress Energy	\$42.23	5.36%	\$2.46	6.14%	11.49%
17	Public Serv. Enterprise	\$43.59	12.92%	\$1.29	3.35%	16.26%
18	Southern Co.	\$35.61	5.19%	\$1.68	4.96%	10.15%
19	TECO Energy	\$19.94	7.58%	\$0.80	4.32%	11.89%
20	Xcel Energy Inc.	\$20.46	5.70%	\$0.95	4.92%	10.62%
21	<b>Average</b>	<b>\$40.54</b>	<b>8.03%</b>	<b>\$1.56</b>	<b>4.37%</b>	<b>12.40%</b>

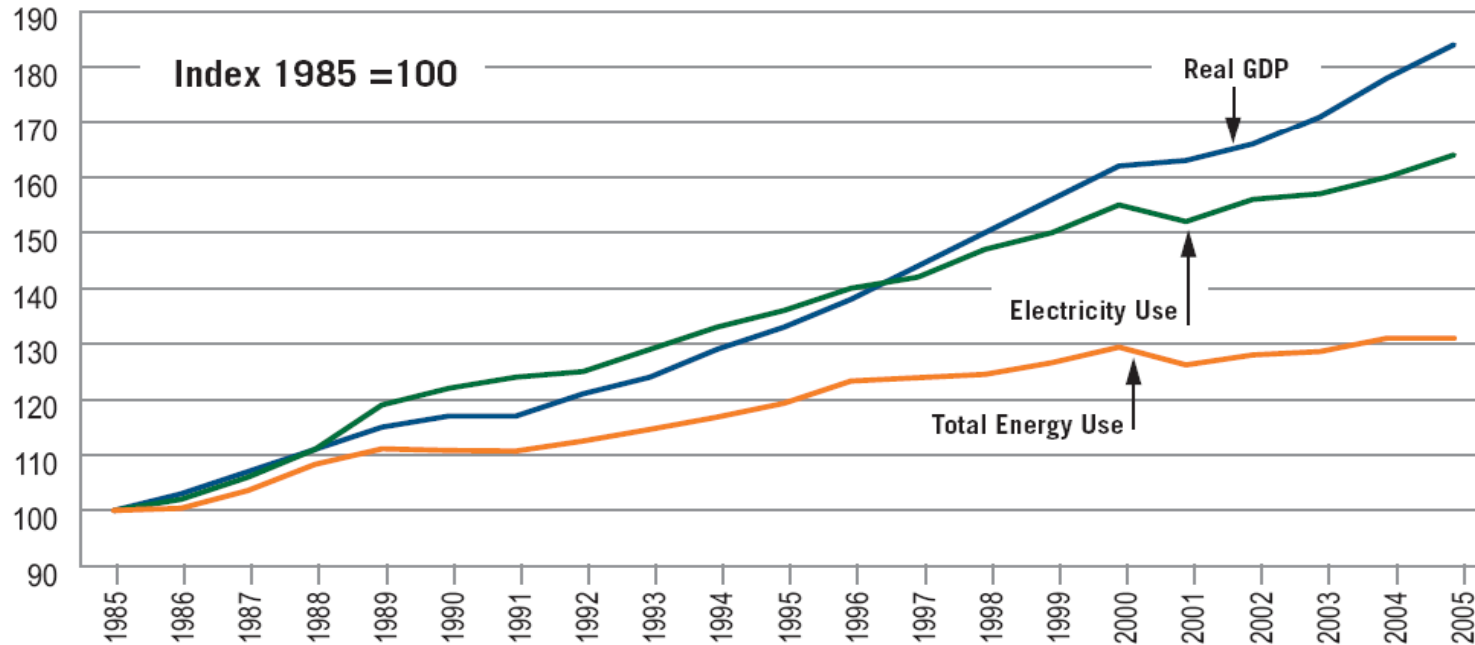
Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Electricity Sales Are Linked to U.S. Economic Growth



1985 represents the base year. Graph depicts increases or decreases from the base year.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

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# AmerenUE

## Comparable Risk Proxy Group

### Historical Growth Rates

Line	Company	Dividend Growth			Inflation (CPI)			Nominal GDP			
		Past		3-5 Years	Past		3-5 Years	Past		Projected*	
		10 Years	5 Years	Projection	5 Years	10 Years	Projection	5 Years	10 Years	5 Years	10 Years
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Ameren Corp.	N/A	N/A	N/A							
2	Avista Corp.	-7.5%	3.5%	12.5%							
3	Cleco Corp.	1.5%	0.5%	9.0%							
4	DTE Energy	N/A	N/A	1.5%							
5	Empire Dist. Elec.	N/A	N/A	1.5%							
6	Exelon Corp.	N/A	23.0%	6.0%							
7	FirstEnergy Corp.	2.0%	4.5%	8.5%							
8	IDACORP, Inc.	-4.5%	-8.5%	N/A							
9	NiSource Inc.	0.5%	-2.5%	1.5%							
10	Northeast Utilities	-4.5%	10.0%	6.0%							
11	OGE Energy	N/A	N/A	2.5%							
12	Otter Tail Corp.	2.5%	2.0%	1.5%							
13	Pepco Holdings	N/A	N/A	15.0%							
14	PG&E Corp.	-3.0%	N/A	9.0%							
15	Pinnacle West Capital	7.0%	5.5%	2.0%							
16	Xcel Energy Inc.	-4.5%	-8.5%	3.0%							
17	<b>Average</b>	<b>-1.1%</b>	<b>3.0%</b>	<b>5.7%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.8%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>4.8%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

\* *Blue Chip Economic Indicators*, March 10, 2008, at 15.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Historical Growth Rates

Line	Company	Dividend Growth			Inflation (CPI)			Nominal GDP			
		Past		3-5 Years	Past		3-5 Years	Past		Projected*	
		10 Years	5 Years	Projection	5 Years	10 Years	Projection	5 Years	10 Years	5 Years	10 Years
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	N/A	N/A	5.5%							
2	Alliant Energy	-5.0%	-10.5%	9.0%							
3	Amer. Elec. Power	-4.5%	-9.0%	8.0%							
4	Ameren Corp.	N/A	N/A	N/A							
5	Cleco Corp.	1.5%	0.5%	9.0%							
6	CMS Energy Corp.	N/A	N/A	N/A							
7	DPL Inc.	1.5%	1.0%	5.0%							
8	DTE Energy	N/A	N/A	1.5%							
9	Edison Int'l	1.0%	N/A	7.0%							
10	Empire Dist. Elec.	N/A	N/A	1.5%							
11	Energy East Corp.	5.0%	5.0%	2.0%							
12	Entergy Corp.	2.5%	12.5%	13.0%							
13	FPL Group	5.0%	6.5%	7.5%							
14	Hawaiian Elec.	0.5%	N/A	1.0%							
15	IDACORP Inc.	-4.5%	-8.5%	N/A							
16	MGE Energy	1.0%	1.0%	0.5%							
17	Northeast Utilities	-4.5%	10.0%	6.0%							
18	PG&E Corp.	-3.0%	N/A	9.0%							
19	Pinnacle West Capital	7.0%	5.5%	2.0%							
20	PNM Resources	14.5%	9.5%	1.5%							
21	Portland General	N/A	N/A	N/A							
22	Progress Energy	3.0%	2.5%	1.0%							
23	Puget Energy Inc.	-6.0%	-9.5%	4.5%							
24	Southern Co.	2.0%	2.5%	4.5%							
25	TECO Energy	-3.5%	-11.0%	3.0%							
26	UniSource Energy	N/A	15.5%	6.5%							
27	Westar Energy	-7.0%	-5.0%	5.0%							
28	Wisconsin Energy	-4.5%	-1.0%	9.5%							
29	Xcel Energy Inc.	-4.5%	-8.5%	3.0%							
30	<b>Average</b>	<b>-0.1%</b>	<b>0.5%</b>	<b>5.0%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.8%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>4.8%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

\* *Blue Chip Economic Indicators*, March 10, 2008, at 15.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Historical Growth Rates

<u>Line</u>	<u>Company</u>	<u>Dividend Growth</u>			<u>Inflation (CPI)</u>			<u>Nominal GDP</u>			
		<u>Past</u>		<u>3-5 Years</u>	<u>Past</u>		<u>3-5 Years</u>	<u>Past</u>		<u>Projected*</u>	
		<u>10 Years</u>	<u>5 Years</u>	<u>Projection</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Projection</u>	<u>5 Years</u>	<u>10 Years</u>	<u>5 Years</u>	<u>10 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Amer. Elec. Power	-4.5%	-9.0%	8.0%							
2	CH Energy Group	N/A	N/A	0.5%							
3	Consol. Edison	1.0%	1.0%	1.0%							
4	Constellation Energy	-0.5%	8.0%	10.0%							
5	Dominion Resources	1.0%	1.5%	8.0%							
6	DPL Inc.	1.5%	1.0%	5.0%							
7	DTE Energy	N/A	N/A	1.5%							
8	Duke Energy	N/A	N/A	4.5%							
9	Energy East Corp.	5.0%	5.0%	2.0%							
10	Exelon Corp.	N/A	23.0%	6.0%							
11	FirstEnergy Corp.	2.0%	4.5%	8.5%							
12	IDACORP Inc.	-4.5%	-8.5%	N/A							
13	NiSource Inc.	0.5%	-2.5%	1.5%							
14	OGE Energy	N/A	N/A	2.5%							
15	PPL Corp.	2.5%	13.0%	14.0%							
16	Progress Energy	3.0%	2.5%	1.0%							
17	Public Serv. Enterprise	0.5%	1.0%	6.5%							
18	Southern Co.	2.0%	2.5%	4.5%							
19	TECO Energy	-3.5%	-11.0%	3.0%							
20	Xcel Energy Inc.	-4.5%	-8.5%	3.0%							
21	<b>Average</b>	<b>0.1%</b>	<b>1.5%</b>	<b>4.8%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.8%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>4.8%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

\* *Blue Chip Economic Indicators*, March 10, 2008, at 15.

# AmerenUE

## Comparable Risk Proxy Group

### Dividend Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2007</u> (1)	<u>3-5 Years</u> (2)	<u>2007</u> (3)	<u>3-5 Years</u> (4)	<u>2007</u> (5)	<u>3-5 Years</u> (6)
1	Ameren Corp.	\$2.54	\$2.54	\$3.34	\$3.55	76.05%	71.55%
2	Avista Corp.	\$0.60	\$1.15	\$0.72	\$1.75	83.33%	65.71%
3	Cleco Corp.	\$0.90	\$1.50	\$1.32	\$2.50	68.18%	60.00%
4	DTE Energy	\$2.12	\$2.30	\$2.66	\$3.75	79.70%	61.33%
5	Empire Dist. Elec.	\$1.28	\$1.40	\$1.09	\$2.00	117.43%	70.00%
6	Exelon Corp.	\$1.82	\$2.40	\$4.03	\$6.00	45.16%	40.00%
7	FirstEnergy Corp.	\$2.05	\$3.05	\$4.22	\$6.75	48.58%	45.19%
8	IDACORP, Inc.	\$1.20	\$1.20	\$1.86	\$2.25	64.52%	53.33%
9	NiSource Inc.	\$0.92	\$1.00	\$1.14	\$1.50	80.70%	66.67%
10	Northeast Utilities	\$0.78	\$1.03	\$1.59	\$2.40	49.06%	42.92%
11	OGE Energy	\$1.37	\$1.55	\$2.64	\$3.00	51.89%	51.67%
12	Otter Tail Corp.	\$1.17	\$1.27	\$1.78	\$2.25	65.73%	56.44%
13	Pepco Holdings	\$1.04	\$1.80	\$1.53	\$3.10	67.97%	58.06%
14	PG&E Corp.	\$1.41	\$2.04	\$2.78	\$3.50	50.72%	58.29%
15	Pinnacle West Capital	\$2.10	\$2.30	\$2.96	\$3.15	70.95%	73.02%
16	Xcel Energy Inc.	\$0.91	\$1.06	\$1.35	\$2.00	67.41%	53.00%
17	<b>Average</b>	<b>\$1.39</b>	<b>\$1.72</b>	<b>\$2.19</b>	<b>\$3.09</b>	<b>67.96%</b>	<b>57.95%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Dividend Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2007</u>	<u>3-5 Years</u>	<u>2007</u>	<u>3-5 Years</u>	<u>2007</u>	<u>3-5 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)
1	ALLETE	\$1.64	\$2.00	\$3.08	\$3.25	53.25%	61.54%
2	Alliant Energy	\$1.27	\$1.92	\$2.69	\$3.30	47.21%	58.18%
3	Amer. Elec. Power	\$1.58	\$2.40	\$2.86	\$4.25	55.24%	56.47%
4	Ameren Corp.	\$2.54	\$2.54	\$3.34	\$3.55	76.05%	71.55%
5	Cleco Corp.	\$0.90	\$1.50	\$1.32	\$2.50	68.18%	60.00%
6	CMS Energy Corp.	\$0.20	\$1.00	\$0.64	\$1.50	31.25%	66.67%
7	DPL Inc.	\$1.04	\$1.34	\$1.81	\$2.35	57.46%	57.02%
8	DTE Energy	\$2.12	\$2.30	\$2.66	\$3.75	79.70%	61.33%
9	Edison Int'l	\$1.16	\$1.64	\$3.34	\$4.50	34.73%	36.44%
10	Empire Dist. Elec.	\$1.28	\$1.40	\$1.09	\$2.00	117.43%	70.00%
11	Energy East Corp.	\$1.21	\$1.30	\$1.61	\$1.65	75.16%	78.79%
12	Entergy Corp.	\$2.58	\$4.80	\$5.60	\$9.00	46.07%	53.33%
13	FPL Group	\$1.64	\$2.34	\$3.28	\$5.10	50.00%	45.88%
14	Hawaiian Elec.	\$1.24	\$1.30	\$1.11	\$2.00	111.71%	65.00%
15	IDACORP Inc.	\$1.20	\$1.20	\$1.86	\$2.25	64.52%	53.33%
16	MGE Energy	\$1.41	\$1.50	\$2.27	\$2.75	62.11%	54.55%
17	Northeast Utilities	\$0.78	\$1.03	\$1.59	\$2.40	49.06%	42.92%
18	PG&E Corp.	\$1.41	\$2.04	\$2.78	\$3.50	50.72%	58.29%
19	Pinnacle West Capital	\$2.10	\$2.30	\$2.96	\$3.15	70.95%	73.02%
20	PNM Resources	\$0.91	\$0.92	\$0.76	\$1.30	119.74%	70.77%
21	Portland General	\$0.93	\$1.20	\$2.33	\$2.25	39.91%	53.33%
22	Progress Energy	\$2.44	\$2.55	\$2.69	\$3.40	90.71%	75.00%
23	Puget Energy Inc.	\$1.00	\$1.30	\$1.56	\$2.00	64.10%	65.00%
24	Southern Co.	\$1.60	\$2.00	\$2.28	\$3.00	70.18%	66.67%
25	TECO Energy	\$0.78	\$0.90	\$1.27	\$1.50	61.42%	60.00%
26	UniSource Energy	\$0.90	\$1.20	\$1.55	\$1.75	58.06%	68.57%
27	Westar Energy	\$1.08	\$1.32	\$1.84	\$1.95	58.70%	67.69%
28	Wisconsin Energy	\$1.00	\$1.60	\$2.84	\$4.25	35.21%	37.65%
29	Xcel Energy Inc.	\$0.91	\$1.06	\$1.35	\$2.00	67.41%	53.00%
30	<b>Average</b>	<b>\$1.34</b>	<b>\$1.72</b>	<b>\$2.22</b>	<b>\$2.97</b>	<b>64.35%</b>	<b>60.07%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Dividend Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2007</u>	<u>3-5 Years</u>	<u>2007</u>	<u>3-5 Years</u>	<u>2007</u>	<u>3-5 Years</u>
		(1)	(2)	(3)	(4)	(5)	(6)
1	Amer. Elec. Power	\$1.58	\$2.40	\$2.86	\$4.25	55.24%	56.47%
2	CH Energy Group	\$2.16	\$2.25	\$2.70	\$3.00	80.00%	75.00%
3	Consol. Edison	\$2.32	\$2.42	\$3.48	\$3.55	66.67%	68.17%
4	Constellation Energy	\$1.74	\$2.70	\$4.29	\$8.00	40.56%	33.75%
5	Dominion Resources	\$1.46	\$2.20	\$2.13	\$4.00	68.54%	55.00%
6	DPL Inc.	\$1.04	\$1.34	\$1.81	\$2.35	57.46%	57.02%
7	DTE Energy	\$2.12	\$2.30	\$2.66	\$3.75	79.70%	61.33%
8	Duke Energy	\$0.86	\$1.06	\$1.20	\$1.50	71.67%	70.67%
9	Energy East Corp.	\$1.21	\$1.30	\$1.61	\$1.65	75.16%	78.79%
10	Exelon Corp.	\$1.82	\$2.40	\$4.03	\$6.00	45.16%	40.00%
11	FirstEnergy Corp.	\$2.05	\$3.05	\$4.22	\$6.75	48.58%	45.19%
12	IDACORP Inc.	\$1.20	\$1.20	\$1.86	\$2.25	64.52%	53.33%
13	NiSource Inc.	\$0.92	\$1.00	\$1.14	\$1.50	80.70%	66.67%
14	OGE Energy	\$1.37	\$1.55	\$2.64	\$3.00	51.89%	51.67%
15	PPL Corp.	\$1.22	\$2.40	\$2.63	\$5.00	46.39%	48.00%
16	Progress Energy	\$2.44	\$2.55	\$2.69	\$3.40	90.71%	75.00%
17	Public Serv. Enterprise	\$1.17	\$1.65	\$2.59	\$3.45	45.17%	47.83%
18	Southern Co.	\$1.60	\$2.00	\$2.28	\$3.00	70.18%	66.67%
19	TECO Energy	\$0.78	\$0.90	\$1.27	\$1.50	61.42%	60.00%
20	Xcel Energy Inc.	\$0.91	\$1.06	\$1.35	\$2.00	67.41%	53.00%
21	<b>Average</b>	<b>\$1.50</b>	<b>\$1.89</b>	<b>\$2.47</b>	<b>\$3.50</b>	<b>63.36%</b>	<b>58.18%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.



# AmerenUE

## Comparable Risk Proxy Group

### Sustainable Growth Rate

Line	Company	3 to 5 Year Projections							Growth Rate Plus S * V (8)
		Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	ROE (4)	Payout Ratio (5)	Retention Rate (6)	Internal Growth Rate (7)	
		1	Ameren Corp.	\$2.54	\$3.55	\$37.40	9.49%	71.55%	
2	Avista Corp.	\$1.15	\$1.75	\$21.25	8.24%	65.71%	34.29%	2.82%	2.84%
3	Cleco Corp.	\$1.50	\$2.50	\$21.75	11.49%	60.00%	40.00%	4.60%	4.81%
4	DTE Energy	\$2.30	\$3.75	\$41.75	8.98%	61.33%	38.67%	3.47%	3.47%
5	Empire Dist. Elec.	\$1.40	\$2.00	\$18.25	10.96%	70.00%	30.00%	3.29%	3.50%
6	Exelon Corp.	\$2.40	\$6.00	\$24.50	24.49%	40.00%	60.00%	14.69%	11.54%
7	FirstEnergy Corp.	\$3.05	\$6.75	\$44.25	15.25%	45.19%	54.81%	8.36%	8.36%
8	IDACORP, Inc.	\$1.20	\$2.25	\$28.90	7.79%	53.33%	46.67%	3.63%	3.76%
9	NiSource Inc.	\$1.00	\$1.50	\$20.25	7.41%	66.67%	33.33%	2.47%	2.44%
10	Northeast Utilities	\$1.03	\$2.40	\$25.80	9.30%	42.92%	57.08%	5.31%	5.32%
11	OGE Energy	\$1.55	\$3.00	\$25.50	11.76%	51.67%	48.33%	5.69%	6.19%
12	Otter Tail Corp.	\$1.27	\$2.25	\$22.00	10.23%	56.44%	43.56%	4.45%	6.13%
13	Pepco Holdings	\$1.80	\$3.10	\$24.20	12.81%	58.06%	41.94%	5.37%	5.39%
14	PG&E Corp.	\$2.04	\$3.50	\$28.95	12.09%	58.29%	41.71%	5.04%	5.31%
15	Pinnacle West Capital	\$2.30	\$3.15	\$39.10	8.06%	73.02%	26.98%	2.17%	2.14%
16	Xcel Energy Inc.	\$1.06	\$2.00	\$18.50	10.81%	53.00%	47.00%	5.08%	5.13%
17	<b>Average</b>	<b>\$1.72</b>	<b>\$3.09</b>	<b>\$27.65</b>	<b>11.20%</b>	<b>57.95%</b>	<b>42.05%</b>	<b>4.95%</b>	<b>4.95%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Sustainable Growth Rate

Line	Company	3 to 5 Year Projections							Growth Rate Plus S * V (8)
		Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	ROE (4)	Payout Ratio (5)	Retention Rate (6)	Internal Growth Rate (7)	
		1	ALLETE	\$2.00	\$3.25	\$32.50	10.00%	61.54%	
2	Alliant Energy	\$1.92	\$3.30	\$31.95	10.33%	58.18%	41.82%	4.32%	4.46%
3	Amer. Elec. Power	\$2.40	\$4.25	\$35.00	12.14%	56.47%	43.53%	5.29%	5.41%
4	Ameren Corp.	\$2.54	\$3.55	\$37.40	9.49%	71.55%	28.45%	2.70%	2.87%
5	Cleco Corp.	\$1.50	\$2.50	\$21.75	11.49%	60.00%	40.00%	4.60%	4.81%
6	CMS Energy Corp.	\$1.00	\$1.50	\$13.25	11.32%	66.67%	33.33%	3.77%	3.86%
7	DPL Inc.	\$1.34	\$2.35	\$12.50	18.80%	57.02%	42.98%	8.08%	7.76%
8	DTE Energy	\$2.30	\$3.75	\$41.75	8.98%	61.33%	38.67%	3.47%	3.47%
9	Edison Int'l	\$1.64	\$4.50	\$39.45	11.41%	36.44%	63.56%	7.25%	7.25%
10	Empire Dist. Elec.	\$1.40	\$2.00	\$18.25	10.96%	70.00%	30.00%	3.29%	3.50%
11	Energy East Corp.	\$1.30	\$1.65	\$21.75	7.59%	78.79%	21.21%	1.61%	1.61%
12	Entergy Corp.	\$4.80	\$9.00	\$62.25	14.46%	53.33%	46.67%	6.75%	7.26%
13	FPL Group	\$2.34	\$5.10	\$39.65	12.86%	45.88%	54.12%	6.96%	7.59%
14	Hawaiian Elec.	\$1.30	\$2.00	\$17.00	11.76%	65.00%	35.00%	4.12%	4.76%
15	IDACORP Inc.	\$1.20	\$2.25	\$28.90	7.79%	53.33%	46.67%	3.63%	3.76%
16	MGE Energy	\$1.50	\$2.75	\$21.05	13.06%	54.55%	45.45%	5.94%	7.60%
17	Northeast Utilities	\$1.03	\$2.40	\$25.80	9.30%	42.92%	57.08%	5.31%	5.32%
18	PG&E Corp.	\$2.04	\$3.50	\$28.95	12.09%	58.29%	41.71%	5.04%	5.31%
19	Pinnacle West Capital	\$2.30	\$3.15	\$39.10	8.06%	73.02%	26.98%	2.17%	2.14%
20	PNM Resources	\$0.92	\$1.30	\$21.00	6.19%	70.77%	29.23%	1.81%	0.46%
21	Portland General	\$1.20	\$2.25	\$26.00	8.65%	53.33%	46.67%	4.04%	3.66%
22	Progress Energy	\$2.55	\$3.40	\$35.75	9.51%	75.00%	25.00%	2.38%	2.65%
23	Puget Energy Inc.	\$1.30	\$2.00	\$23.00	8.70%	65.00%	35.00%	3.04%	3.17%
24	Southern Co.	\$2.00	\$3.00	\$21.75	13.79%	66.67%	33.33%	4.60%	5.44%
25	TECO Energy	\$0.90	\$1.50	\$12.00	12.50%	60.00%	40.00%	5.00%	5.32%
26	UniSource Energy	\$1.20	\$1.75	\$22.75	7.69%	68.57%	31.43%	2.42%	2.95%
27	Westar Energy	\$1.32	\$1.95	\$22.75	8.57%	67.69%	32.31%	2.77%	2.75%
28	Wisconsin Energy	\$1.60	\$4.25	\$36.00	11.81%	37.65%	62.35%	7.36%	7.36%
29	Xcel Energy Inc.	\$1.06	\$2.00	\$18.50	10.81%	53.00%	47.00%	5.08%	5.13%
30	<b>Average</b>	<b>\$1.72</b>	<b>\$2.97</b>	<b>\$27.85</b>	<b>10.69%</b>	<b>60.07%</b>	<b>39.93%</b>	<b>4.37%</b>	<b>4.57%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Sustainable Growth Rate

Line	Company	3 to 5 Year Projections							Growth Rate Plus S * V (8)
		Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	ROE (4)	Payout Ratio (5)	Retention Rate (6)	Internal Growth Rate (7)	
		1	Amer. Elec. Power	\$2.40	\$4.25	\$35.00	12.14%	56.47%	
2	CH Energy Group	\$2.25	\$3.00	\$35.50	8.45%	75.00%	25.00%	2.11%	2.07%
3	Consol. Edison	\$2.42	\$3.55	\$38.65	9.18%	68.17%	31.83%	2.92%	2.96%
4	Constellation Energy	\$2.70	\$8.00	\$50.00	16.00%	33.75%	66.25%	10.60%	10.71%
5	Dominion Resources	\$2.20	\$4.00	\$27.00	14.81%	55.00%	45.00%	6.67%	7.70%
6	DPL Inc.	\$1.34	\$2.35	\$12.50	18.80%	57.02%	42.98%	8.08%	7.76%
7	DTE Energy	\$2.30	\$3.75	\$41.75	8.98%	61.33%	38.67%	3.47%	3.47%
8	Duke Energy	\$1.06	\$1.50	\$19.00	7.89%	70.67%	29.33%	2.32%	2.29%
9	Energy East Corp.	\$1.30	\$1.65	\$21.75	7.59%	78.79%	21.21%	1.61%	1.61%
10	Exelon Corp.	\$2.40	\$6.00	\$24.50	24.49%	40.00%	60.00%	14.69%	11.54%
11	FirstEnergy Corp.	\$3.05	\$6.75	\$44.25	15.25%	45.19%	54.81%	8.36%	8.36%
12	IDACORP Inc.	\$1.20	\$2.25	\$28.90	7.79%	53.33%	46.67%	3.63%	3.76%
13	NiSource Inc.	\$1.00	\$1.50	\$20.25	7.41%	66.67%	33.33%	2.47%	2.44%
14	OGE Energy	\$1.55	\$3.00	\$25.50	11.76%	51.67%	48.33%	5.69%	6.19%
15	PPL Corp.	\$2.40	\$5.00	\$23.75	21.05%	48.00%	52.00%	10.95%	10.29%
16	Progress Energy	\$2.55	\$3.40	\$35.75	9.51%	75.00%	25.00%	2.38%	2.65%
17	Public Serv. Enterprise	\$1.65	\$3.45	\$23.75	14.53%	47.83%	52.17%	7.58%	7.89%
18	Southern Co.	\$2.00	\$3.00	\$21.75	13.79%	66.67%	33.33%	4.60%	5.44%
19	TECO Energy	\$0.90	\$1.50	\$12.00	12.50%	60.00%	40.00%	5.00%	5.32%
20	Xcel Energy Inc.	\$1.06	\$2.00	\$18.50	10.81%	53.00%	47.00%	5.08%	5.13%
21	<b>Average</b>	<b>\$1.89</b>	<b>\$3.50</b>	<b>\$28.00</b>	<b>12.64%</b>	<b>58.18%</b>	<b>41.82%</b>	<b>5.67%</b>	<b>5.65%</b>

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Comparable Risk Proxy Group

### Sustainable Growth

<u>Line</u>	<u>Company</u>	<u>13 Week</u>	<u>3-5 Year</u>	<u>Market</u>	<u>Common Shares</u>		<u>Growth</u>	<u>S Factor</u> <sup>3</sup>	<u>V Factor</u> <sup>4</sup>	<u>S * V</u>
		<u>Average</u>	<u>Book Value P/S</u>	<u>to Book</u>	<u>Outstanding (in millions)<sup>2</sup></u>					
		<u>Stock Price</u> <sup>1</sup>	<u>Projection</u> <sup>2</sup>	<u>Ratio</u>	<u>2007</u>	<u>3-5 Years</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
		(1)	(2)	(3)	(4)	(5)				
1	Ameren Corp.	\$42.42	\$37.40	1.13	208.73	222.00	1.24%	1.41%	11.83%	0.17%
2	Avista Corp.	\$21.47	\$21.25	1.01	52.91	56.50	1.32%	1.34%	1.00%	0.01%
3	Cleco Corp.	\$24.60	\$21.75	1.13	59.94	65.00	1.63%	1.85%	11.58%	0.21%
4	DTE Energy	\$42.78	\$41.75	1.02	163.23	163.25	0.00%	0.00%	2.41%	0.00%
5	Empire Dist. Elec.	\$19.99	\$18.25	1.10	33.61	37.50	2.21%	2.43%	8.69%	0.21%
6	Exelon Corp.	\$85.17	\$24.50	3.48	661.00	620.00	-1.27%	-4.42%	71.23%	-3.15%
7	FirstEnergy Corp.	\$77.37	\$44.25	1.75	304.84	304.85	0.00%	0.00%	42.81%	0.00%
8	IDACORP, Inc.	\$30.20	\$28.90	1.04	45.06	51.60	2.75%	2.87%	4.30%	0.12%
9	NiSource Inc.	\$17.45	\$20.25	0.86	274.18	277.50	0.24%	0.21%	-16.08%	-0.03%
10	Northeast Utilities	\$25.88	\$25.80	1.00	156.22	192.00	4.21%	4.22%	0.31%	0.01%
11	OGE Energy	\$32.48	\$25.50	1.27	91.80	100.50	1.83%	2.33%	21.49%	0.50%
12	Otter Tail Corp.	\$40.23	\$22.00	1.83	29.85	33.00	2.03%	3.71%	45.32%	1.68%
13	Pepco Holdings	\$25.62	\$24.20	1.06	200.51	204.00	0.35%	0.37%	5.56%	0.02%
14	PG&E Corp.	\$38.98	\$28.95	1.35	378.39	393.00	0.76%	1.02%	25.74%	0.26%
15	Pinnacle West Capital	\$32.68	\$39.10	0.84	100.49	101.50	0.20%	0.17%	-19.63%	-0.03%
16	Xcel Energy Inc.	\$20.46	\$18.50	1.11	428.78	438.00	0.43%	0.47%	9.58%	0.05%
17	<b>Average</b>	<b>\$36.11</b>	<b>\$27.65</b>	<b>1.31</b>	<b>199.35</b>	<b>203.76</b>	<b>1.12%</b>	<b>1.12%</b>	<b>14.13%</b>	<b>0.00%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 4, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> Expected Growth in the Number of Shares.

<sup>4</sup> Expected Profitability of Stock Investment.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Sustainable Growth

Line	Company	13 Week	3-5 Year	Market	Common Shares		Growth	S Factor <sup>3</sup>	V Factor <sup>4</sup>	S * V
		Average	Book Value P/S	to Book	Outstanding (in millions) <sup>2</sup>					
		Stock Price <sup>1</sup>	Projection <sup>2</sup>	Ratio	2007	3-5 Years				
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	ALLETE	\$42.75	\$32.50	1.32	30.80	36.50	3.45%	4.54%	23.97%	1.09%
2	Alliant Energy	\$34.95	\$31.95	1.09	110.36	119.00	1.52%	1.66%	8.60%	0.14%
3	Amer. Elec. Power	\$40.87	\$35.00	1.17	400.43	415.00	0.72%	0.84%	14.36%	0.12%
4	Ameren Corp.	\$42.42	\$37.40	1.13	208.73	222.00	1.24%	1.41%	11.83%	0.17%
5	Cleco Corp.	\$24.60	\$21.75	1.13	59.94	65.00	1.63%	1.85%	11.58%	0.21%
6	CMS Energy Corp.	\$14.57	\$13.25	1.10	225.15	235.00	0.86%	0.95%	9.07%	0.09%
7	DPL Inc.	\$26.78	\$12.50	2.14	113.60	112.00	-0.28%	-0.61%	53.32%	-0.32%
8	DTE Energy	\$42.78	\$41.75	1.02	163.23	163.25	0.00%	0.00%	2.41%	0.00%
9	Edison Int'l	\$50.32	\$39.45	1.28	325.81	326.00	0.01%	0.01%	21.61%	0.00%
10	Empire Dist. Elec.	\$19.99	\$18.25	1.10	33.61	37.50	2.21%	2.43%	8.69%	0.21%
11	Energy East Corp.	\$25.05	\$21.75	1.15	158.28	158.30	0.00%	0.00%	13.18%	0.00%
12	Entergy Corp.	\$115.23	\$62.25	1.85	193.12	199.00	0.60%	1.11%	45.98%	0.51%
13	FPL Group	\$64.67	\$39.65	1.63	407.37	428.00	0.99%	1.62%	38.69%	0.63%
14	Hawaiian Elec.	\$25.40	\$17.00	1.49	83.43	89.00	1.30%	1.94%	33.07%	0.64%
15	IDACORP Inc.	\$30.20	\$28.90	1.04	45.06	51.60	2.75%	2.87%	4.30%	0.12%
16	MGE Energy	\$34.29	\$21.05	1.63	21.95	25.00	2.64%	4.30%	38.62%	1.66%
17	Northeast Utilities	\$25.88	\$25.80	1.00	156.22	192.00	4.21%	4.22%	0.31%	0.01%
18	PG&E Corp.	\$38.98	\$28.95	1.35	378.39	393.00	0.76%	1.02%	25.74%	0.26%
19	Pinnacle West Capital	\$32.68	\$39.10	0.84	100.49	101.50	0.20%	0.17%	-19.63%	-0.03%
20	PNM Resources	\$12.77	\$21.00	0.61	76.81	91.00	3.45%	2.10%	-64.44%	-1.35%
21	Portland General	\$23.54	\$26.00	0.91	62.53	76.00	3.98%	3.60%	-10.46%	-0.38%
22	Progress Energy	\$42.23	\$35.75	1.18	260.10	280.00	1.49%	1.75%	15.35%	0.27%
23	Puget Energy Inc.	\$26.72	\$23.00	1.16	129.68	135.00	0.81%	0.94%	13.93%	0.13%
24	Southern Co.	\$35.61	\$21.75	1.64	763.10	815.00	1.32%	2.17%	38.93%	0.84%
25	TECO Energy	\$19.94	\$12.00	1.66	210.90	216.00	0.48%	0.80%	39.82%	0.32%
26	UniSource Energy	\$32.03	\$22.75	1.41	35.32	37.70	1.31%	1.85%	28.98%	0.54%
27	Westar Energy	\$22.53	\$22.75	0.99	95.46	104.40	1.81%	1.79%	-0.99%	-0.02%
28	Wisconsin Energy	\$46.13	\$36.00	1.28	116.94	117.00	0.01%	0.01%	21.96%	0.00%
29	Xcel Energy Inc.	\$20.46	\$18.50	1.11	428.78	438.00	0.43%	0.47%	9.58%	0.05%
30	<b>Average</b>	<b>\$34.98</b>	<b>\$27.85</b>	<b>1.26</b>	<b>186.05</b>	<b>195.82</b>	<b>1.38%</b>	<b>1.58%</b>	<b>15.11%</b>	<b>0.20%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> Expected Growth in the Number of Shares.

<sup>4</sup> Expected Profitability of Stock Investment.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Sustainable Growth

Line	Company	13 Week	3-5 Year	Market	Common Shares		Growth	S Factor <sup>3</sup>	V Factor <sup>4</sup>	S * V
		Average	Book Value P/S	to Book	Outstanding (in millions) <sup>2</sup>					
		<u>Stock Price<sup>1</sup></u>	<u>Projection<sup>2</sup></u>	<u>Ratio</u>	<u>2007</u>	<u>3-5 Years</u>	(6)	(7)	(8)	(9)
		(1)	(2)	(3)	(4)	(5)				
1	Amer. Elec. Power	\$40.87	\$35.00	1.17	400.43	415.00	0.72%	0.84%	14.36%	0.12%
2	CH Energy Group	\$36.97	\$35.50	1.04	15.76	15.00	-0.98%	-1.02%	3.98%	-0.04%
3	Consol. Edison	\$39.77	\$38.65	1.03	272.02	288.00	1.15%	1.18%	2.83%	0.03%
4	Constellation Energy	\$81.50	\$50.00	1.63	178.44	180.00	0.17%	0.28%	38.65%	0.11%
5	Dominion Resources	\$45.51	\$27.00	1.69	577.00	622.00	1.51%	2.55%	40.68%	1.04%
6	DPL Inc.	\$26.78	\$12.50	2.14	113.60	112.00	-0.28%	-0.61%	53.32%	-0.32%
7	DTE Energy	\$42.78	\$41.75	1.02	163.23	163.25	0.00%	0.00%	2.41%	0.00%
8	Duke Energy	\$17.72	\$19.00	0.93	1262.00	1285.00	0.36%	0.34%	-7.19%	-0.02%
9	Energy East Corp.	\$25.05	\$21.75	1.15	158.28	158.30	0.00%	0.00%	13.18%	0.00%
10	Exelon Corp.	\$85.17	\$24.50	3.48	661.00	620.00	-1.27%	-4.42%	71.23%	-3.15%
11	FirstEnergy Corp.	\$77.37	\$44.25	1.75	304.84	304.85	0.00%	0.00%	42.81%	0.00%
12	IDACORP Inc.	\$30.20	\$28.90	1.04	45.06	51.60	2.75%	2.87%	4.30%	0.12%
13	NiSource Inc.	\$17.45	\$20.25	0.86	274.18	277.50	0.24%	0.21%	-16.08%	-0.03%
14	OGE Energy	\$32.48	\$25.50	1.27	91.80	100.50	1.83%	2.33%	21.49%	0.50%
15	PPL Corp.	\$49.31	\$23.75	2.08	373.27	362.00	-0.61%	-1.27%	51.84%	-0.66%
16	Progress Energy	\$42.23	\$35.75	1.18	260.10	280.00	1.49%	1.75%	15.35%	0.27%
17	Public Serv. Enterprise	\$43.59	\$23.75	1.84	508.52	518.00	0.37%	0.68%	45.52%	0.31%
18	Southern Co.	\$35.61	\$21.75	1.64	763.10	815.00	1.32%	2.17%	38.93%	0.84%
19	TECO Energy	\$19.94	\$12.00	1.66	210.90	216.00	0.48%	0.80%	39.82%	0.32%
20	Xcel Energy Inc.	\$20.46	\$18.50	1.11	428.78	438.00	0.43%	0.47%	9.58%	0.05%
21	<b>Average</b>	<b>\$40.54</b>	<b>\$28.00</b>	<b>1.49</b>	<b>353.12</b>	<b>361.10</b>	<b>0.48%</b>	<b>0.46%</b>	<b>24.35%</b>	<b>-0.03%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> Expected Growth in the Number of Shares.

<sup>4</sup> Expected Profitability of Stock Investment.

# AmerenUE

## Comparable Risk Proxy Group

### Value Line Growth Projections

<u>Line</u>	<u>Company</u>	<u>3-5 Year Growth Rate</u>		
		<u>Earnings Per Share</u>	<u>Dividends Per Share</u>	<u>Book Value Per Share</u>
		(1)	(2)	(3)
1	Ameren Corp.	3.5%	N/A	3.0%
2	Avista Corp.	9.0%	12.5%	3.5%
3	Cleco Corp.	10.5%	9.0%	6.0%
4	DTE Energy	5.0%	1.5%	3.5%
5	Empire Dist. Elec.	10.0%	1.5%	2.5%
6	Exelon Corp.	9.0%	6.0%	9.0%
7	FirstEnergy Corp.	11.0%	8.5%	7.5%
8	IDACORP, Inc.	2.0%	N/A	2.0%
9	NiSource Inc.	5.0%	1.5%	1.5%
10	Northeast Utilities	13.5%	6.0%	6.0%
11	OGE Energy	4.5%	2.5%	7.0%
12	Otter Tail Corp.	4.5%	1.5%	4.5%
13	Pepco Holdings	13.0%	15.0%	3.0%
14	PG&E Corp.	5.0%	9.0%	5.5%
15	Pinnacle West Capital	2.0%	2.0%	2.0%
16	Xcel Energy Inc.	7.5%	3.0%	4.5%
17	<b>Average</b>	<b>7.2%</b>	<b>5.7%</b>	<b>4.4%</b>

Source:

*The Value Line Investment Survey; May 30, June 27, and August 8, 2008.*

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Value Line Growth Projections

<u>Line</u>	<u>Company</u>	<u>3-5 Year Growth Rate</u>		
		<u>Earnings Per Share</u> (1)	<u>Dividends Per Share</u> (2)	<u>Book Value Per Share</u> (3)
1	ALLETE	2.5%	5.5%	6.5%
2	Alliant Energy	6.0%	9.0%	6.0%
3	Amer. Elec. Power	7.5%	8.0%	6.5%
4	Ameren Corp.	3.5%	N/A	3.0%
5	Cleco Corp.	10.5%	9.0%	6.0%
6	CMS Energy Corp.	11.5%	N/A	5.0%
7	DPL Inc.	11.0%	5.0%	9.0%
8	DTE Energy	5.0%	1.5%	3.5%
9	Edison Int'l	5.0%	7.0%	9.0%
10	Empire Dist. Elec.	10.0%	1.5%	2.5%
11	Energy East Corp.	-0.5%	2.0%	1.5%
12	Entergy Corp.	10.0%	13.0%	8.0%
13	FPL Group	9.5%	7.5%	8.5%
14	Hawaiian Elec.	7.5%	1.0%	2.5%
15	IDACORP Inc.	2.0%	N/A	2.0%
16	MGE Energy	6.0%	0.5%	7.0%
17	Northeast Utilities	13.5%	6.0%	6.0%
18	PG&E Corp.	5.0%	9.0%	5.5%
19	Pinnacle West Capital	2.0%	2.0%	2.0%
20	PNM Resources	-1.0%	1.5%	N/A
21	Portland General	7.0%	N/A	4.5%
22	Progress Energy	5.0%	1.0%	1.5%
23	Puget Energy Inc.	5.0%	4.5%	3.5%
24	Southern Co.	5.5%	4.5%	6.0%
25	TECO Energy	4.5%	3.0%	6.0%
26	UniSource Energy	2.0%	6.5%	3.5%
27	Westar Energy	1.5%	5.0%	4.5%
28	Wisconsin Energy	8.0%	9.5%	6.5%
29	Xcel Energy Inc.	7.5%	3.0%	4.5%
30	<b>Average</b>	<b>5.9%</b>	<b>5.0%</b>	<b>5.0%</b>

Source:

*The Value Line Investment Survey; May 30, June 27, and August 8, 2008.*



# AmerenUE

## Moody's Electric Utility Proxy Group

### Value Line Growth Projections

<u>Line</u>	<u>Company</u>	<u>3-5 Year Growth Rate</u>		
		<u>Earnings Per Share</u> (1)	<u>Dividends Per Share</u> (2)	<u>Book Value Per Share</u> (3)
1	Amer. Elec. Power	7.5%	8.0%	6.5%
2	CH Energy Group	2.0%	0.5%	1.5%
3	Consol. Edison	2.0%	1.0%	3.5%
4	Constellation Energy	13.0%	10.0%	10.5%
5	Dominion Resources	12.0%	8.0%	8.5%
6	DPL Inc.	11.0%	5.0%	9.0%
7	DTE Energy	5.0%	1.5%	3.5%
8	Duke Energy	4.5%	4.5%	2.5%
9	Energy East Corp.	-0.5%	2.0%	1.5%
10	Exelon Corp.	9.0%	6.0%	9.0%
11	FirstEnergy Corp.	11.0%	8.5%	7.5%
12	IDACORP Inc.	2.0%	N/A	2.0%
13	NiSource Inc.	5.0%	1.5%	1.5%
14	OGE Energy	4.5%	2.5%	7.0%
15	PPL Corp.	14.0%	14.0%	10.0%
16	Progress Energy	5.0%	1.0%	1.5%
17	Public Serv. Enterprise	10.0%	6.5%	10.5%
18	Southern Co.	5.5%	4.5%	6.0%
19	TECO Energy	4.5%	3.0%	6.0%
20	Xcel Energy Inc.	7.5%	3.0%	4.5%
21	<b>Average</b>	<b>6.7%</b>	<b>4.8%</b>	<b>5.6%</b>

Source:

*The Value Line Investment Survey; May 30, June 27, and August 8, 2008.*

# AmerenUE

## Comparable Risk Proxy Group

### Two-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Annual Dividend<sup>2</sup></u> (2)	<u>First Stage Growth</u> (3)	<u>Second Stage Growth<sup>3</sup></u> (4)	<u>Two-Stage Growth DCF</u> (5)
1	Ameren Corp.	\$42.42	\$2.54	4.50%	4.90%	11.07%
2	Avista Corp.	\$21.47	\$0.66	4.75%	4.90%	8.10%
3	Cleco Corp.	\$24.60	\$0.90	13.00%	4.90%	10.29%
4	DTE Energy	\$42.78	\$2.12	6.17%	4.90%	10.39%
5	Empire Dist. Elec.	\$19.99	\$1.28	6.00%	4.90%	11.93%
6	Exelon Corp.	\$85.17	\$2.00	10.25%	4.90%	8.01%
7	FirstEnergy Corp.	\$77.37	\$2.20	7.75%	4.90%	8.28%
8	IDACORP, Inc.	\$30.20	\$1.20	6.00%	4.90%	9.27%
9	NiSource Inc.	\$17.45	\$0.92	3.00%	4.90%	9.99%
10	Northeast Utilities	\$25.88	\$0.85	9.50%	4.90%	9.11%
11	OGE Energy	\$32.48	\$1.39	4.00%	4.90%	9.22%
12	Otter Tail Corp.	\$40.23	\$1.19	8.00%	4.90%	8.46%
13	Pepco Holdings	\$25.62	\$1.08	7.80%	4.90%	9.91%
14	PG&E Corp.	\$38.98	\$1.56	7.53%	4.90%	9.60%
15	Pinnacle West Capital	\$32.68	\$2.10	4.84%	4.90%	11.62%
16	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	4.90%	9.95%
17	<b>Average</b>	<b>\$36.11</b>	<b>\$1.43</b>	<b>6.80%</b>	<b>4.90%</b>	<b>9.70%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 21, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Two-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u>	<u>Annual Dividend<sup>2</sup></u>	<u>First Stage Growth</u>	<u>Second Stage Growth<sup>3</sup></u>	<u>Two-Stage Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)
1	ALLETE	\$42.75	\$1.72	5.50%	4.90%	9.23%
2	Alliant Energy	\$34.95	\$1.40	5.55%	4.90%	9.22%
3	Amer. Elec. Power	\$40.87	\$1.64	6.13%	4.90%	9.34%
4	Ameren Corp.	\$42.42	\$2.54	4.50%	4.90%	11.07%
5	Cleco Corp.	\$24.60	\$0.90	13.00%	4.90%	10.29%
6	CMS Energy Corp.	\$14.57	\$0.36	8.85%	4.90%	7.98%
7	DPL Inc.	\$26.78	\$1.10	11.09%	4.90%	10.49%
8	DTE Energy	\$42.78	\$2.12	6.17%	4.90%	10.39%
9	Edison Int'l	\$50.32	\$1.22	7.88%	4.90%	7.79%
10	Empire Dist. Elec.	\$19.99	\$1.28	6.00%	4.90%	11.93%
11	Energy East Corp.	\$25.05	\$1.24	N/A	4.90%	N/A
12	Entergy Corp.	\$115.23	\$3.00	11.75%	4.90%	8.57%
13	FPL Group	\$64.67	\$1.78	10.13%	4.90%	8.52%
14	Hawaiian Elec.	\$25.40	\$1.24	5.59%	4.90%	10.17%
15	IDACORP Inc.	\$30.20	\$1.20	6.00%	4.90%	9.27%
16	MGE Energy	\$34.29	\$1.42	N/A	4.90%	N/A
17	Northeast Utilities	\$25.88	\$0.85	9.50%	4.90%	9.11%
18	PG&E Corp.	\$38.98	\$1.56	7.53%	4.90%	9.60%
19	Pinnacle West Capital	\$32.68	\$2.10	4.84%	4.90%	11.62%
20	PNM Resources	\$12.77	\$0.92	7.65%	4.90%	13.35%
21	Portland General	\$23.54	\$0.98	6.95%	4.90%	9.67%
22	Progress Energy	\$42.23	\$2.46	5.36%	4.90%	11.13%
23	Puget Energy Inc.	\$26.72	\$1.00	6.00%	4.90%	9.02%
24	Southern Co.	\$35.61	\$1.68	5.19%	4.90%	9.91%
25	TECO Energy	\$19.94	\$0.80	7.58%	4.90%	9.63%
26	UniSource Energy	\$32.03	\$0.96	N/A	4.90%	N/A
27	Westar Energy	\$22.53	\$1.16	4.43%	4.90%	10.19%
28	Wisconsin Energy	\$46.13	\$1.08	9.75%	4.90%	7.93%
29	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	4.90%	9.95%
30	<b>Average</b>	<b>\$34.98</b>	<b>\$1.40</b>	<b>7.25%</b>	<b>4.90%</b>	<b>9.82%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Two-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Annual Dividend<sup>2</sup></u> (2)	<u>First Stage Growth</u> (3)	<u>Second Stage Growth<sup>3</sup></u> (4)	<u>Two-Stage Growth DCF</u> (5)
1	Amer. Elec. Power	\$40.87	\$1.64	6.13%	4.90%	9.34%
2	CH Energy Group	\$36.97	\$2.16	N/A	4.90%	N/A
3	Consol. Edison	\$39.77	\$2.34	3.10%	4.90%	10.61%
4	Constellation Energy	\$81.50	\$1.91	18.40%	4.90%	9.23%
5	Dominion Resources	\$45.51	\$1.58	9.42%	4.90%	9.33%
6	DPL Inc.	\$26.78	\$1.10	11.09%	4.90%	10.49%
7	DTE Energy	\$42.78	\$2.12	6.17%	4.90%	10.39%
8	Duke Energy	\$17.72	\$0.88	5.42%	4.90%	10.22%
9	Energy East Corp.	\$25.05	\$1.24	N/A	4.90%	N/A
10	Exelon Corp.	\$85.17	\$2.00	10.25%	4.90%	8.01%
11	FirstEnergy Corp.	\$77.37	\$2.20	7.75%	4.90%	8.28%
12	IDACORP Inc.	\$30.20	\$1.20	6.00%	4.90%	9.27%
13	NiSource Inc.	\$17.45	\$0.92	3.00%	4.90%	9.99%
14	OGE Energy	\$32.48	\$1.39	4.00%	4.90%	9.22%
15	PPL Corp.	\$49.31	\$1.34	17.13%	4.90%	9.65%
16	Progress Energy	\$42.23	\$2.46	5.36%	4.90%	11.13%
17	Public Serv. Enterprise	\$43.59	\$1.29	12.92%	4.90%	9.28%
18	Southern Co.	\$35.61	\$1.68	5.19%	4.90%	9.91%
19	TECO Energy	\$19.94	\$0.80	7.58%	4.90%	9.63%
20	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	4.90%	9.95%
21	<b>Average</b>	<b>\$40.54</b>	<b>\$1.56</b>	<b>8.03%</b>	<b>4.90%</b>	<b>9.66%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## Comparable Risk Proxy Group

### Multi-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG</u>	<u>Annual</u>	<u>First Stage</u>	<u>Second Stage Growth</u>				<u>Third Stage</u>	<u>Multi-Stage</u>
		<u>Stock Price</u> <sup>1</sup>	<u>Dividend</u> <sup>2</sup>	<u>Growth</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Growth</u> <sup>3</sup>	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Ameren Corp.	\$42.42	\$2.54	4.50%	4.58%	4.66%	4.74%	4.82%	4.90%	11.04%
2	Avista Corp.	\$21.47	\$0.66	4.75%	4.78%	4.81%	4.84%	4.87%	4.90%	8.09%
3	Cleco Corp.	\$24.60	\$0.90	13.00%	11.38%	9.76%	8.14%	6.52%	4.90%	10.92%
4	DTE Energy	\$42.78	\$2.12	6.17%	5.91%	5.66%	5.41%	5.15%	4.90%	10.49%
5	Empire Dist. Elec.	\$19.99	\$1.28	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	12.03%
6	Exelon Corp.	\$85.17	\$2.00	10.25%	9.18%	8.11%	7.04%	5.97%	4.90%	8.28%
7	FirstEnergy Corp.	\$77.37	\$2.20	7.75%	7.18%	6.61%	6.04%	5.47%	4.90%	8.43%
8	IDACORP, Inc.	\$30.20	\$1.20	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	9.35%
9	NiSource Inc.	\$17.45	\$0.92	3.00%	3.38%	3.76%	4.14%	4.52%	4.90%	9.85%
10	Northeast Utilities	\$25.88	\$0.85	9.50%	8.58%	7.66%	6.74%	5.82%	4.90%	9.41%
11	OGE Energy	\$32.48	\$1.39	4.00%	4.18%	4.36%	4.54%	4.72%	4.90%	9.16%
12	Otter Tail Corp.	\$40.23	\$1.19	8.00%	7.38%	6.76%	6.14%	5.52%	4.90%	8.63%
13	Pepco Holdings	\$25.62	\$1.08	7.80%	7.22%	6.64%	6.06%	5.48%	4.90%	10.12%
14	PG&E Corp.	\$38.98	\$1.56	7.53%	7.00%	6.48%	5.95%	5.43%	4.90%	9.79%
15	Pinnacle West Capital	\$32.68	\$2.10	4.84%	4.85%	4.86%	4.87%	4.89%	4.90%	11.62%
16	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	5.54%	5.38%	5.22%	5.06%	4.90%	10.01%
17	<b>Average</b>	<b>\$36.11</b>	<b>\$1.43</b>	<b>6.80%</b>	<b>6.42%</b>	<b>6.04%</b>	<b>5.66%</b>	<b>5.28%</b>	<b>4.90%</b>	<b>9.83%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 21, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### Multi-Stage Growth DCF Model

Line	Company	13-Week AVG	Annual	First Stage	Second Stage Growth				Third Stage	Multi-Stage
		Stock Price <sup>1</sup>	Dividend <sup>2</sup>	Growth	Year 6	Year 7	Year 8	Year 9	Growth <sup>3</sup>	Growth DCF
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	ALLETE	\$42.75	\$1.72	5.50%	5.38%	5.26%	5.14%	5.02%	4.90%	9.27%
2	Alliant Energy	\$34.95	\$1.40	5.55%	5.42%	5.29%	5.16%	5.03%	4.90%	9.26%
3	Amer. Elec. Power	\$40.87	\$1.64	6.13%	5.88%	5.64%	5.39%	5.15%	4.90%	9.42%
4	Ameren Corp.	\$42.42	\$2.54	4.50%	4.58%	4.66%	4.74%	4.82%	4.90%	11.04%
5	Cleco Corp.	\$24.60	\$0.90	13.00%	11.38%	9.76%	8.14%	6.52%	4.90%	10.92%
6	CMS Energy Corp.	\$14.57	\$0.36	8.85%	8.06%	7.27%	6.48%	5.69%	4.90%	8.18%
7	DPL Inc.	\$26.78	\$1.10	11.09%	9.85%	8.61%	7.37%	6.14%	4.90%	10.98%
8	DTE Energy	\$42.78	\$2.12	6.17%	5.91%	5.66%	5.41%	5.15%	4.90%	10.49%
9	Edison Int'l	\$50.32	\$1.22	7.88%	7.28%	6.69%	6.09%	5.50%	4.90%	7.94%
10	Empire Dist. Elec.	\$19.99	\$1.28	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	12.03%
11	Energy East Corp.	\$25.05	\$1.24	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
12	Entergy Corp.	\$115.23	\$3.00	11.75%	10.38%	9.01%	7.64%	6.27%	4.90%	8.97%
13	FPL Group	\$64.67	\$1.78	10.13%	9.08%	8.04%	6.99%	5.95%	4.90%	8.83%
14	Hawaiian Elec.	\$25.40	\$1.24	5.59%	5.45%	5.31%	5.17%	5.04%	4.90%	10.23%
15	IDACORP Inc.	\$30.20	\$1.20	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	9.35%
16	MGE Energy	\$34.29	\$1.42	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
17	Northeast Utilities	\$25.88	\$0.85	9.50%	8.58%	7.66%	6.74%	5.82%	4.90%	9.41%
18	PG&E Corp.	\$38.98	\$1.56	7.53%	7.00%	6.48%	5.95%	5.43%	4.90%	9.79%
19	Pinnacle West Capital	\$32.68	\$2.10	4.84%	4.85%	4.86%	4.87%	4.89%	4.90%	11.62%
20	PNM Resources	\$12.77	\$0.92	7.65%	7.10%	6.55%	6.00%	5.45%	4.90%	13.63%
21	Portland General	\$23.54	\$0.98	6.95%	6.54%	6.13%	5.72%	5.31%	4.90%	9.82%
22	Progress Energy	\$42.23	\$2.46	5.36%	5.26%	5.17%	5.08%	4.99%	4.90%	11.17%
23	Puget Energy Inc.	\$26.72	\$1.00	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	9.09%
24	Southern Co.	\$35.61	\$1.68	5.19%	5.13%	5.07%	5.01%	4.96%	4.90%	9.93%
25	TECO Energy	\$19.94	\$0.80	7.58%	7.04%	6.51%	5.97%	5.44%	4.90%	9.81%
26	UniSource Energy	\$32.03	\$0.96	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
27	Westar Energy	\$22.53	\$1.16	4.43%	4.52%	4.62%	4.71%	4.81%	4.90%	10.16%
28	Wisconsin Energy	\$46.13	\$1.08	9.75%	8.78%	7.81%	6.84%	5.87%	4.90%	8.18%
29	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	5.54%	5.38%	5.22%	5.06%	4.90%	10.01%
30	<b>Average</b>	<b>\$34.98</b>	<b>\$1.40</b>	<b>7.25%</b>	<b>6.78%</b>	<b>6.31%</b>	<b>5.84%</b>	<b>5.37%</b>	<b>4.90%</b>	<b>9.98%</b>

Sources:

<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### Multi-Stage Growth DCF Model

Line	Company	13-Week AVG	Annual	First Stage	Second Stage Growth				Third Stage	Multi-Stage
		Stock Price <sup>1</sup>	Dividend <sup>2</sup>	Growth	Year 6	Year 7	Year 8	Year 9	Growth <sup>3</sup>	Growth DCF
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Amer. Elec. Power	\$40.87	\$1.64	6.13%	5.88%	5.64%	5.39%	5.15%	4.90%	9.42%
2	CH Energy Group	\$36.97	\$2.16	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
3	Consol. Edison	\$39.77	\$2.34	3.10%	3.46%	3.82%	4.18%	4.54%	4.90%	10.47%
4	Constellation Energy	\$81.50	\$1.91	18.40%	15.70%	13.00%	10.30%	7.60%	4.90%	10.14%
5	Dominion Resources	\$45.51	\$1.58	9.42%	8.51%	7.61%	6.71%	5.80%	4.90%	9.63%
6	DPL Inc.	\$26.78	\$1.10	11.09%	9.85%	8.61%	7.37%	6.14%	4.90%	10.98%
7	DTE Energy	\$42.78	\$2.12	6.17%	5.91%	5.66%	5.41%	5.15%	4.90%	10.49%
8	Duke Energy	\$17.72	\$0.88	5.42%	5.31%	5.21%	5.11%	5.00%	4.90%	10.26%
9	Energy East Corp.	\$25.05	\$1.24	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
10	Exelon Corp.	\$85.17	\$2.00	10.25%	9.18%	8.11%	7.04%	5.97%	4.90%	8.28%
11	FirstEnergy Corp.	\$77.37	\$2.20	7.75%	7.18%	6.61%	6.04%	5.47%	4.90%	8.43%
12	IDACORP Inc.	\$30.20	\$1.20	6.00%	5.78%	5.56%	5.34%	5.12%	4.90%	9.35%
13	NiSource Inc.	\$17.45	\$0.92	3.00%	3.38%	3.76%	4.14%	4.52%	4.90%	9.85%
14	OGE Energy	\$32.48	\$1.39	4.00%	4.18%	4.36%	4.54%	4.72%	4.90%	9.16%
15	PPL Corp.	\$49.31	\$1.34	17.13%	14.68%	12.24%	9.79%	7.35%	4.90%	10.53%
16	Progress Energy	\$42.23	\$2.46	5.36%	5.26%	5.17%	5.08%	4.99%	4.90%	11.17%
17	Public Serv. Enterprise	\$43.59	\$1.29	12.92%	11.31%	9.71%	8.11%	6.50%	4.90%	9.81%
18	Southern Co.	\$35.61	\$1.68	5.19%	5.13%	5.07%	5.01%	4.96%	4.90%	9.93%
19	TECO Energy	\$19.94	\$0.80	7.58%	7.04%	6.51%	5.97%	5.44%	4.90%	9.81%
20	Xcel Energy Inc.	\$20.46	\$0.95	5.70%	5.54%	5.38%	5.22%	5.06%	4.90%	10.01%
21	<b>Average</b>	<b>\$40.54</b>	<b>\$1.56</b>	<b>8.03%</b>	<b>7.40%</b>	<b>6.78%</b>	<b>6.15%</b>	<b>5.53%</b>	<b>4.90%</b>	<b>9.87%</b>

Sources:

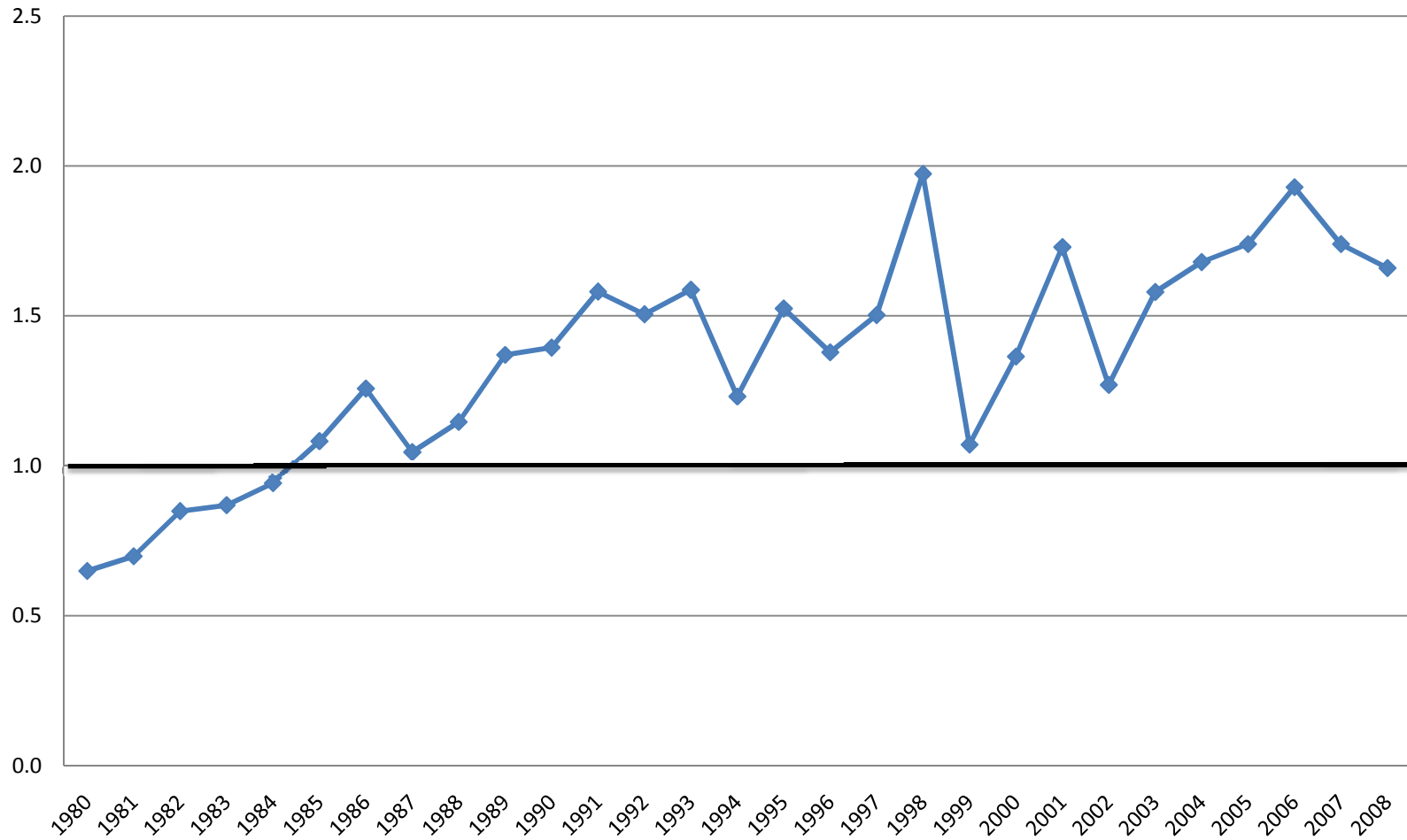
<sup>1</sup> <http://moneycentral.msn.com>, downloaded on August 20, 2008.

<sup>2</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

<sup>3</sup> *Blue Chip Economic Indicators*, March 10, 2008.

# AmerenUE

## Electric Common Stock Market/Book Ratio



Sources:

2001-2008: *AUS Utility Reports*.

1980-2000: *Mergent Public Utility Manual*; at a15, and a17.



# AmerenUE

## Equity Risk Premium - Treasury Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns<sup>1</sup> (2)</u>	<u>Treasury Bond Yield<sup>2</sup> (1)</u>	<u>Indicated Risk Premium (3)</u>
1	1986	13.93%	7.78%	6.15%
2	1987	12.99%	8.59%	4.40%
3	1988	12.79%	8.96%	3.83%
4	1989	12.97%	8.45%	4.52%
5	1990	12.70%	8.61%	4.09%
6	1991	12.55%	8.14%	4.41%
7	1992	12.09%	7.67%	4.42%
8	1993	11.41%	6.59%	4.82%
9	1994	11.34%	7.37%	3.97%
10	1995	11.55%	6.88%	4.67%
11	1996	11.39%	6.71%	4.68%
12	1997	11.40%	6.61%	4.79%
13	1998	11.66%	5.58%	6.08%
14	1999	10.77%	5.87%	4.90%
15	2000	11.43%	5.94%	5.49%
16	2001	11.09%	5.49%	5.60%
17	2002	11.16%	5.43%	5.73%
18	2003	10.97%	4.96%	6.01%
19	2004	10.75%	5.05%	5.70%
20	2005	10.54%	4.65%	5.89%
21	2006	10.36%	4.91%	5.45%
22	2007 <sup>3</sup>	10.36%	4.84%	5.52%
23	2008 <sup>3</sup>	10.28%	4.50%	5.78%
24	<b>Average</b>	<b>11.59%</b>	<b>6.50%</b>	<b>5.08%</b>

Sources:

<sup>1</sup> Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06.

<sup>2</sup> Economic Report of the President 2007: Table 73.  
The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

<sup>3</sup> *EEl Rate Case Summary*, Q2 Financial Update, at 1.

# AmerenUE

## Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns<sup>1</sup></u> (2)	<u>Average "A" Rating Utility Bond Yield<sup>2</sup></u> (1)	<u>Indicated Risk Premium</u> (3)
1	1986	13.93%	9.58%	4.35%
2	1987	12.99%	10.10%	2.89%
3	1988	12.79%	10.49%	2.30%
4	1989	12.97%	9.77%	3.20%
5	1990	12.70%	9.86%	2.84%
6	1991	12.55%	9.36%	3.19%
7	1992	12.09%	8.69%	3.40%
8	1993	11.41%	7.59%	3.82%
9	1994	11.34%	8.31%	3.03%
10	1995	11.55%	7.89%	3.66%
11	1996	11.39%	7.75%	3.64%
12	1997	11.40%	7.60%	3.80%
13	1998	11.66%	7.04%	4.62%
14	1999	10.77%	7.62%	3.15%
15	2000	11.43%	8.24%	3.19%
16	2001	11.09%	7.76%	3.33%
17	2002	11.16%	7.37%	3.79%
18	2003	10.97%	6.58%	4.39%
19	2004	10.75%	6.16%	4.59%
20	2005	10.54%	5.65%	4.89%
21	2006	10.36%	6.07%	4.29%
22	2007 <sup>3</sup>	10.36%	6.07%	4.29%
23	2008 <sup>3</sup>	10.28%	6.24%	4.04%
24	<b>Average</b>	<b>11.59%</b>	<b>7.90%</b>	<b>3.68%</b>

Sources:

<sup>1</sup> Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06.

<sup>2</sup> *Mergent Public Utility Manual*, Mergent Weekly News Reports, 2003. The utility yields for the period 2001-2006 were obtained from the Mergent Bond Record.

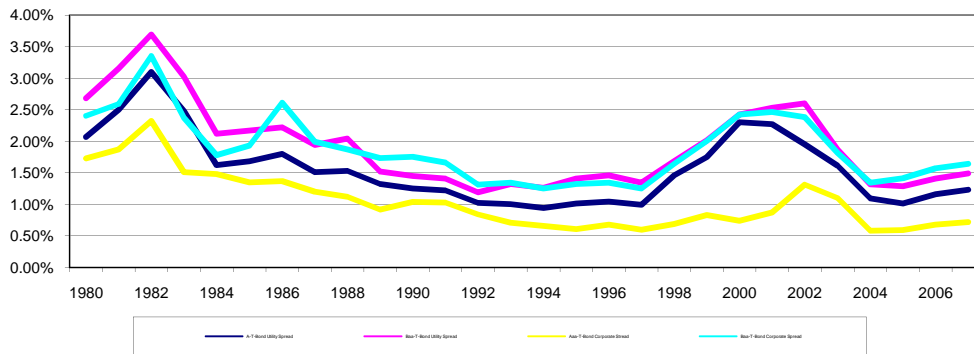
<sup>3</sup> *EEl Rate Case Summary*, Q2 Financial Update, at 1.

# AmerenUE

## Utility-Treasury Spreads

Line	Year	Public Utility Bond Yields					Corporate Bond Yields			
		T-Bond Yield <sup>1</sup>	A <sup>2</sup>	Baa <sup>2</sup>	A-T-Bond Spread	Baa-T-Bond Spread	Aaa <sup>1</sup>	Baa <sup>1</sup>	Aaa-T-Bond Spread	Baa-T-Bond Spread
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	1980	11.27%	13.34%	13.95%	2.07%	2.68%	11.94%	13.67%	1.73%	2.40%
2	1981	13.45%	15.95%	16.60%	2.50%	3.15%	14.17%	16.04%	1.87%	2.59%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	2.32%	3.35%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	1.51%	2.37%
5	1984	12.41%	14.03%	14.53%	1.62%	2.12%	12.71%	14.19%	1.48%	1.78%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	1.35%	1.93%
7	1986	7.78%	9.58%	10.00%	1.80%	2.22%	9.02%	10.39%	1.37%	2.61%
8	1987	8.59%	10.10%	10.53%	1.51%	1.94%	9.38%	10.58%	1.20%	1.99%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	1.12%	1.87%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.92%	1.73%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	1.04%	1.75%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	1.03%	1.66%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.84%	1.31%
14	1993	6.59%	7.59%	7.91%	1.00%	1.32%	7.22%	7.93%	0.71%	1.34%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.66%	1.25%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.61%	1.32%
17	1996	6.71%	7.75%	8.17%	1.04%	1.46%	7.37%	8.05%	0.68%	1.34%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.60%	1.25%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.69%	1.64%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	0.83%	2.00%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	0.74%	2.42%
22	2001	5.49%	7.76%	8.02%	2.27%	2.53%	7.08%	7.95%	0.87%	2.46%
23	2002	5.42%	7.37%	8.02%	1.95%	2.60%	6.49%	7.80%	1.31%	2.38%
24	2003	4.96%	6.57%	6.83%	1.61%	1.87%	5.67%	6.77%	1.10%	1.81%
25	2004	5.05%	6.14%	6.37%	1.09%	1.32%	5.63%	6.39%	0.58%	1.34%
26	2005	4.65%	5.66%	5.93%	1.01%	1.29%	5.24%	6.06%	0.59%	1.41%
27	2006	4.91%	6.07%	6.32%	1.16%	1.41%	5.59%	6.48%	0.68%	1.57%
28	2007	4.84%	6.07%	6.33%	1.23%	1.49%	5.56%	6.48%	0.72%	1.64%
29	2008 <sup>3</sup>	4.50%	6.24%	6.71%	1.74%	2.21%	5.53%	6.87%	1.03%	2.37%
30	<b>Average</b>	<b>7.64%</b>	<b>9.21%</b>	<b>9.57%</b>	<b>1.57%</b>	<b>1.94%</b>	<b>8.45%</b>	<b>9.53%</b>	<b>1.04%</b>	<b>1.89%</b>

## Yield Spreads Treasury Vs. Corporate & Treasury Vs. Utility



Sources:

<sup>1</sup> Economic Report of the President 2007: Table 73 at 316. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

<sup>2</sup> *Mergent Public Utility Manual* 2003. Moody's Daily News Reports.

<sup>3</sup> The data for 2008 includes the period January - June 2008.

# AmerenUE

## Utility Bond Yields

<u>Line</u>	<u>Date</u>	"A" Rating Utility <u>Bond Yield</u> (1)	"Baa" Rating Utility <u>Bond Yield</u> (2)
1	08/15/08	6.33%	6.95%
2	08/07/08	6.42%	6.99%
3	08/01/08	6.42%	7.01%
4	07/25/08	6.54%	7.11%
5	07/18/08	6.51%	7.07%
6	07/11/08	6.33%	6.90%
7	07/03/08	6.33%	6.89%
8	06/27/08	6.31%	6.86%
9	06/20/08	6.40%	6.95%
10	06/13/08	6.48%	7.03%
11	06/06/08	6.29%	6.85%
12	05/30/08	6.36%	6.93%
13	05/23/08	6.22%	6.78%
14	<b>Average</b>	<b>6.38%</b>	<b>6.95%</b>

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Source:

www.moodys.com, Bond Yields and Key Indicators.

# AmerenUE

## Comparable Risk Proxy Group

<u>Line</u>	<u>Company</u>	<u>Beta</u> <u>(1)</u>
1	Ameren Corp.	0.80
2	Avista Corp.	0.90
3	Cleco Corp.	1.00
4	DTE Energy	0.80
5	Empire Dist. Elec.	0.85
6	Exelon Corp.	0.85
7	FirstEnergy Corp.	0.80
8	IDACORP, Inc.	0.90
9	NiSource Inc.	0.90
10	Northeast Utilities	0.75
11	OGE Energy	0.90
12	Otter Tail Corp.	0.95
13	Pepco Holdings	0.90
14	PG&E Corp.	0.85
15	Pinnacle West Capital	0.80
16	Xcel Energy Inc.	<u>0.80</u>
17	<b>Average</b>	<b>0.86</b>

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Source:

*The Value Line Investment Survey;*  
May 30, June 27, and August 8, 2008.

# AmerenUE

## S&P Integrated Electric Utility Proxy Group

<u>Line</u>	<u>Company</u>	<u>Beta</u> (1)
1	ALLETE	0.90
2	Alliant Energy	0.80
3	Amer. Elec. Power	0.85
4	Ameren Corp.	0.80
5	Cleco Corp.	1.00
6	CMS Energy Corp.	1.05
7	DPL Energy Corp.	0.80
8	DTE Energy	0.80
9	Edison Int'l	0.90
10	Empire Dist. Elec.	0.85
11	Energy East Corp.	0.75
12	Entergy Corp.	0.85
13	FPL Group	0.80
14	Hawaiian Elec.	0.75
15	IDACORP Inc.	0.90
16	MGE Energy	0.95
17	Northeast Utilities	0.75
18	PG&E Corp.	0.85
19	Pinnacle West Capital	0.80
20	PNM Resources	0.85
21	Portland General	0.80
22	Progress Energy	0.80
23	Puget Energy Inc.	0.80
24	Southern Co.	0.70
25	TECO Energy	0.95
26	UniSource Energy	0.75
27	Westar Energy	0.90
28	Wisconsin Energy	0.80
29	Xcel Energy Inc.	<u>0.80</u>
30	<b>Average</b>	<b>0.84</b>

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Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

<u>Line</u>	<u>Company</u>	<u>Beta</u> (1)
1	Amer. Elec. Power	0.85
2	CH Energy Group	0.90
3	Consol. Edison	0.75
4	Constellation Energy	0.90
5	Dominion Resources	0.80
6	DPL Inc.	0.80
7	DTE Energy	0.80
8	Duke Energy	N/A
9	Energy East Cor.	0.75
10	Exelon Corp	0.85
11	FirstEnergy Corp.	0.80
12	IDACORP Inc.	0.90
13	NiSource Inc.	0.90
14	OGE Energy	0.90
15	PPL Corp.	0.90
16	Progress Energy	0.80
17	P.S. Enterprise	0.90
18	Southern Co.	0.70
19	TECO Energy	0.95
20	Xcel Energy Inc.	<u>0.80</u>
21	<b>Average</b>	<b>0.84</b>

---

Source:

*The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Comparable Risk Proxy Group

### CAPM

<u>Line</u>	<u>Description</u>	<u>Historical Premium (1)</u>
1	Risk-Free Rate <sup>1</sup>	5.10%
2	Risk Premium <sup>2</sup>	6.50%
3	Beta <sup>3</sup>	0.85
4	CAPM	10.63%

<u>Line</u>	<u>Description</u>	<u>Prospective Premium (1)</u>
5	Risk-Free Rate <sup>1</sup>	5.10%
6	Risk Premium <sup>2</sup>	6.52%
7	Beta <sup>3</sup>	0.85
8	CAPM	10.64%
9	<b>CAPM Average</b>	<b>10.63%</b>

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Sources:

<sup>1</sup> *Blue Chip Financial Forecasts*; August 1, 2008 at 2.

<sup>2</sup> *SBI*; 2008 at 31 and 120.

<sup>3</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.



# AmerenUE

## S&P Integrated Electric Utility Proxy Group

### CAPM

<u>Line</u>	<u>Description</u>	<u>Historical Premium (1)</u>
1	Risk-Free Rate <sup>1</sup>	5.10%
2	Risk Premium <sup>2</sup>	6.50%
3	Beta <sup>3</sup>	0.84
4	CAPM	10.55%

<u>Line</u>	<u>Description</u>	<u>Prospective Premium (1)</u>
5	Risk-Free Rate <sup>1</sup>	5.10%
6	Risk Premium <sup>2</sup>	6.52%
7	Beta <sup>3</sup>	0.84
8	CAPM	10.56%
9	<b>CAPM Average</b>	<b>10.55%</b>

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Sources:

<sup>1</sup> *Blue Chip Financial Forecasts*; August 1, 2008 at 2.

<sup>2</sup> *S&P*; 2008 at 31 and 120.

<sup>3</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## Moody's Electric Utility Proxy Group

### CAPM

<u>Line</u>	<u>Description</u>	<u>Historical Premium (1)</u>
1	Risk-Free Rate <sup>1</sup>	5.10%
2	Risk Premium <sup>2</sup>	6.50%
3	Beta <sup>3</sup>	0.84
4	CAPM	10.56%

<u>Line</u>	<u>Description</u>	<u>Prospective Premium (1)</u>
5	Risk-Free Rate <sup>1</sup>	5.10%
6	Risk Premium <sup>2</sup>	6.52%
7	Beta <sup>3</sup>	0.84
8	CAPM	10.57%
9	<b>CAPM Average</b>	<b>10.56%</b>

---

Sources:

<sup>1</sup> *Blue Chip Financial Forecasts*; August 1, 2008 at 2.

<sup>2</sup> *SBI*; 2008 at 31 and 120.

<sup>3</sup> *The Value Line Investment Survey*; May 30, June 27, and August 8, 2008.

# AmerenUE

## S&P Credit Rating Financial Ratios at ROE of 10.20%

Line	Description	Amount (1)	Business Profile Score (BPS) of '6'		"Strong" "Intermediate" New S&P Benchmark** (4)	Reference (5)
			S&P "A" Rating Benchmark* (2)	S&P "BBB" Rating Benchmark* (3)		
1	Rate Base	\$ 5,954,200				SCHEDULE GSW-E38.
2	Weighted Common Return	5.19%				Schedule MPG-1, Line 4, Col. 4.
3	Income to Common	\$ 309,300				Line 1 x Line 2.
4	Depreciation & Amortization	\$ 330,794				SCHEDULE GSW-E38.
5	Imputed Amortization	\$ 9,713				Page 3 , Line 7.
6	Deferred Income Taxes	\$ (8,402)				SCHEDULE GSW-E38.
7	Funds from Operations (FFO)	\$ 641,404				Sum of Line 3 through Line 6
8	Weighted Interest Rate	2.71%				Schedule MPG-1, Sum of Line 1 and 2, Col. 4.
9	Interest Expense	\$ 161,551				Line 1 x Line 8.
10	Imputed Interest Expense	\$ 6,244				Page 3 , Line 6.
11	FFO Plus Interest	\$ 809,199				Line 7 + Line 9 + Line 10.
12	FFO Interest Coverage	4.8x	<b>5.2x - 4.2x</b>	4.2x - 3.0x	3.0x - 4.5x	Line 11/ (Line 9 + Line 10).
13	Total Debt Ratio	48.0%	<b>40% - 48%</b>	<b>48% - 58%</b>	<b>35% - 50%</b>	Page 2, Sum of Line 1 through Line 3, Col. 2.
14	FFO to Total Debt	22%	35% - 28%	<b>28% - 18%</b>	25% - 45%	Line 6 / (Line 1 x Line 11).

Source:

\* Standard and Poor's. New Business Profile Scores Assigned to U.S. Utility and Power Companies; Financial Guidelines Revised; June 2, 2004.

\*\* Standard & Poor's, U.S. Utilities Ratings Analysis Now Portrayed in The S&P Corporate Ratings Matrix; November 30, 2007.

# AmerenUE

## S&P Credit Rating Financial Ratios at ROE of 10.20%

### Financial Capital Structure

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)
1	Long-Term Debt	\$ 3,001,633,545	45.666%	5.774%	2.64%
2	Operating Leases	\$ 125,800,000	1.914%	5.774%	0.11%
3	Short-Term Debt	\$ 47,612,601	0.724%	3.384%	0.02%
4	Preferred Stock	\$ 114,502,040	1.742%	5.189%	0.09%
5	Common Equity	<u>\$ 3,283,398,137</u>	<u>49.953%</u>	<b>10.200%</b>	<u>5.10%</u>
6	<b>Total</b>	<b>\$ 6,572,946,323</b>	<b>100.00%</b>		<b>7.96%</b>

Source:  
Schedule MGO-E5.

# AmerenUE

## S&P Credit Rating Financial Ratios at ROE of 10.20%

### Off-Balance Sheet Debt Equivalent (Millions)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
	<b>Operating leases</b>		
1	UE	\$ 185	46%
2	CIPS	\$ 3	1%
3	Genco	\$ 152	38%
4	CILCORP	\$ 24	6%
5	CILCO	\$ 24	6%
6	IP	\$ 12	3%
7	<b>Total</b>	<b>\$ 400</b>	<b>100%</b>

#### Total Company

1	Operating Leases	\$ 272
2	Imputed Interest Expense	\$ 13.5
3	Imputed Amortization	\$ 21.0

#### AmerenUE

5	Imputed Debt	\$ 125.80
6	Imputed Interest Expense	\$ 6.24
7	Imputed Amortization	\$ 9.71

Source:

2007 Ameren Corp. 10-K and AmerenUE  
Response to Data Request MIEC 3-3.