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Issues:	Resource Planning; EEInc. Contract; DSM/Renewables
Witness:	Michael L. Moehn
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Direct Testimony
Case No.:	ER-2007-0002
Date Testimony Prepared:	July 6, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0002

DIRECT TESTIMONY

OF

MICHAEL L. MOEHN

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

**** DENOTES HIGHLY CONFIDENTIAL INFORMATION ****

St. Louis, Missouri
July, 2006

Public

TABLE OF CONTENTS

DIRECT TESTIMONY

OF

MICHAEL L. MOEHN

CASE NO. ER-2007-0002

I. INTRODUCTION

Q. Please state your name and business address.

A. Michael L. Moehn, Ameren Services Company (Ameren Services), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri.

Q. What is your position with Ameren Services?

A. I am the Vice President of Corporate Planning, which provides support services to the Ameren operating companies, including Union Electric Company d/b/a AmerenUE (AmerenUE or Company).

Q. Please describe your educational background and employment experience.

A. I graduated from St. Louis University in 1991 with a Bachelor of Science degree in Accounting. I received my Masters in Business Administration in 2000 from Washington University. I am a licensed Certified Public Accountant in the State of Missouri and a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants. I have also recently completed the Reactor Technology Course For Utility Executives at the Massachusetts Institute of Technology.

I have been with Ameren Services since 2000, first as the Assistant Controller, then in 2001 as Director of Corporate Modeling and Performance Management. In 2002, I was promoted to Vice President of Shared Services. I assumed my current position as Vice

President of Corporate Planning in 2004. Prior to my employment at Ameren, I was employed by Price Waterhouse LLP (now PriceWaterhouseCoopers LLP) as Senior Manager in the company's Audit and Business Advisory Services Department.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss AmerenUE's resource plan. The resource plan is presented in detail in the Company's December of 2005 Integrated Resource Plan (IRP) filing. That filing outlined AmerenUE's plans to acquire 1,350 megawatts (MW) of combustion turbine generators (CTGs) as well as its desire to achieve material levels of demand response, energy efficiency, and renewable energy. My testimony also addresses AmerenUE's ownership of shares of capital stock of Electric Energy, Inc. ("EEInc.") and the expiration of AmerenUE's former purchased power contract with EEInc. Finally, my testimony addresses AmerenUE's willingness to work with all stakeholders toward implementing demand-side management programs and adding renewable energy to AmerenUEs' portfolio.

I have organized my testimony in three sections. First I will describe the decision-making process that ultimately led to AmerenUE's recent acquisition of 1,350 MW of CTGs. These CTGs consist of 8 simple cycle GE 7EA 80 MW combustion turbines at the Audrain, Missouri facility that AmerenUE purchased from NRG Energy, Inc. (NRG), and 10 simple cycle GE 7EA 75 MW combustion turbines at the Goose Creek and Raccoon Creek facilities located in central Illinois that AmerenUE purchased from Aquila, Inc. (Aquila). Second, I will explain the circumstances surrounding the expiration of the power purchase

agreement between AmerenUE and EEInc. Finally, I will address AmerenUE's willingness to work with stakeholders on demand-side and renewable energy issues.

A summary of my testimony is included as Attachment A.

III. ACQUISITION OF 1,350 MW OF CTGs

Q. Describe AmerenUE's need for additional capacity beginning in 2006.

A. In order to meet its short-term planning reserve margin requirement of **[redacted]**, AmerenUE needed approximately 400 MW of additional generating capacity beginning in 2006. This need was driven by both load growth and by the addition of the approximate 500 MW load of the Noranda Aluminum, Inc. smelting plant, located near New Madrid, Missouri, beginning in June 2005. AmerenUE's capacity needs were and are projected to grow at a rate in the 90 MW to 100 MW range each year during AmerenUE's 20-year planning period. AmerenUE's long-term planning reserve margin requirements, with long-term defined as 2008 and beyond, are **[redacted]**. Long-term reserve margin requirements are higher than short-term reserve margin requirements due to the greater load forecast uncertainty associated with longer time horizons. By 2014, AmerenUE's additional capacity needs were projected to be approximately 1,400 MW. The following bar chart shows the magnitude of AmerenUE's capacity deficit that was anticipated for the period 2006 through 2014, prior to the acquisition of the CTGs.

AmerenUE's Projected Capacity Deficit

**

[redacted]

**

Q. Why does the chart show a decrease in AmerenUE's capacity needs in 2009?

A. AmerenUE has existing wholesale contracts that expire at the end of 2008 and the chart reflects the capacity made available by the expiration of those contracts. However, depending upon AmerenUE's actual capacity position for 2009, if the wholesale customers issue a Request For Proposal (RFP) for their post-2008 capacity and energy requirements, AmerenUE may submit a bid to continue to supply these customers.

Q. How did AmerenUE address its need for additional capacity?

A. AmerenUE issued its own RFP in June 2005 to owners of peaking or combined cycle plants in the Midwest Independent Transmission System Operator, Inc. (MISO) control area, seeking offers from companies wishing to sell 500 MW to 800 MW of existing facilities. The RFP was sent to 19 bidders that held a total of approximately 10,000 MW of capacity. Ameren Corporation affiliates were not included on the bidders'

list. The RFP was also advertised in *Platts Megawatt Daily*, a widely read electric industry publication.

Q. Did AmerenUE administer the June 2005 RFP?

A. No. In 2004, the Federal Energy Regulatory Commission (FERC) stated that in the context of an acquisition of generation, a competitive request for proposal (RFP) is the most direct and reliable way to ensure no affiliate preference. Furthermore, the FERC directed that each such RFP should be overseen by an independent third party to assure transparency. Based on the FERC's guidance on this issue, AmerenUE engaged the consulting firm Burns & McDonnell to administer the RFP. Included in the scope of Burns and McDonnell's work was the development of a bidders' list, development of bidder selection criteria, drafting of the RFP, distribution of the RFP, communication with RFP recipients, and the evaluation of responses to the RFP.

Q. Why did AmerenUE choose to engage Burns & McDonnell for this work?

A. AmerenUE has engaged Burns & McDonnell to assist both in the development of RFPs and the evaluation of responses to RFPs in the past. Based on Burns & McDonnell's performance in past AmerenUE projects, their knowledge of the markets for capacity and energy, their knowledge of the MISO market, and their experience in all aspects of RFP administration and evaluation, AmerenUE elected to engage them for this work.

Q. Why did AmerenUE issue an RFP for peaking capacity?

A. AmerenUE's native system load needs for the immediate future are clearly for capacity rather than energy, and therefore point to peaking technology as the least cost option. The economic analysis of new baseload capacity to serve AmerenUE native load contained in the December 2005 AmerenUE Integrated Resource Plan filing shows that the

economics are driven by off-system sales and assumptions relative to off-system sales margins. Hence, the risk to AmerenUE ratepayers of building baseload capacity is higher than the risk of building or acquiring peaking capacity. The following group of load duration curves for the years 2006, 2015 and 2025 provide a visual representation of how few hours in a year that energy from peaking facilities will be required to serve AmerenUE retail customers.

** [redacted] **

Q. What were the results of the RFP process?

A. Four bidders responded to the RFP with bids. Of the four bids, one bid was disqualified due to deliverability issues. Specifically, the facility offered by the disqualified bidder was located in the Southwest Power Pool, rendering the proposal non-compliant with the RFP's specifications. The proposal from a second bidder was found to have material limitations on the amount of capacity that was deliverable to the market. No upgrades were identified that were in process to relieve the limitation. The resultant evaluated price for the proposal on a dollar per kilowatt (kW) basis was found to be significantly higher than the remaining two offers and was not considered further. The Aquila offer to sell the Raccoon

Creek and Goose Creek facilities and the NRG offer to sell the Audrain facility were included on the short list of bids meriting further consideration.

Q. Please describe the role of Burns & McDonnell in the evaluation described above.

A. Burns & McDonnell evaluated the bids in accordance with the specifications in the RFP. The factors that Burns & McDonnell considered were:

1. The amount of capacity deliverable to the market based on the latest MISO deliverability report;
2. The price offered for the facility;
3. Adjustments to the bid price based on evaluation of MISO congestion, loss and LMP (locational marginal pricing) for a twenty-year period;
4. Operating cost information;
5. Current contracts and obligations to third parties; and
6. The results of due diligence review.

Q. The AmerenUE RFP specified a capacity need of 500 MW to 800 MW. How much capacity did Aquila bid?

A. Aquila's bid offered to sell the 300 MW Raccoon Creek plant and the 450 MW Goose Creek plant for a total of 750 MW.

Q. Did Aquila indicate if it would consider selling either Raccoon Creek or Goose Creek separately?

A. Aquila indicated that its offer was based only on selling both plants. They would not consider bidding each plant separately.

Q. How much capacity did NRG bid?

A. NRG's bid offered to sell the 640 MW Audrain facility.

Q. What was the bid price, on a $/kW basis for the Summer net capability[1] rating, for each bid?

A. The NRG bid came in at approximately $200/kW. The Aquila bid came in at approximately $260/kW.

Q. How did AmerenUE view the NRG and Aquila bids?

A. Either bid could have satisfied the majority of the AmerenUE capacity needs specified in the RFP. The NRG bid was lower than the Aquila bid. However, the Aquila bid was still significantly lower than the cost of building new peaking capacity. The question AmerenUE had to answer became "Is there economic benefit to buying the Goose Creek and Raccoon Creek plants in addition to the NRG plant?"

Q. Describe the analysis AmerenUE used to decide whether there was an economic benefit associated with purchasing both the Aquila and NRG plants.

A. In our 20-year integrated resource planning process, we modeled capacity expansion plan options that included options to: (1) build only new CTGs; (2) buy only the NRG facility and build additional new CTGs; and (3) buy both the NRG and Aquila peaking facilities.

Q. What were the results of the economic analyses of these capacity expansion plan options?

A. The option to buy both the NRG and Aquila peaking plants was the option that minimized the present value of revenue requirements over the 20-year planning period.

[1] Summer net capability is the generating output that the unit can achieve on a hot Summer day.

Also, on a risk-adjusted basis this option was the least cost option for AmerenUE ratepayers. On a present value basis, buying both companies' plants was determined to be $481 million more economic than building new CTGs. Buying both the Aquila and NRG plants was determined to be $94 million more economic than buying only the NRG plant.

Q. When all other generation technology options such as coal, nuclear and combined cycle plants were added to the list of potential capacity expansion plans, was the acquisition of both the NRG and Aquila plants still the most economic long-term option?

A. Yes. On a present value of revenue requirements basis, the acquisition of the NRG and Aquila plants is more economic and less risky than all other expansion plan options by amounts ranging from $173 million to $409 million, depending on the technology deployed.

Q. Did the acquisition of both the NRG and Aquila plants provide AmerenUE customers with any other benefits?

A. Yes. Acquisition of both units will keep AmerenUE near a ** [redacted] ** planning reserve margin through 2014. There is significant value to delaying major resource investment decisions on baseload generation in light of current uncertainties (e.g., technology, environmental, and market structure uncertainties) which will likely be sorted out over the next 5-10 years. In other words, acquisition of these facilities allows AmerenUE to keep its options open for the next several years. The two unsuccessful bids to AmerenUE's RFP were in excess of $495/kW – approximately double the cost of the NRG and Aquila bids. The two successful bid prices were at the bottom of the range of recent market sales of peaking plants. It is important to note that only two qualifying bids were

received from a pool of 19 potential bidders representing approximately 10,000 MW of capacity, and that in addition to the 19 bidders, many other potential bidders were notified by the RFP advertisement in *Platts Megawatt Daily*.

Q. Does this conclude your testimony regarding the acquisition of 1,350 MW of CTGs?

A. Yes, it does.

IV. EXPIRATION OF AMERENUE'S POWER PURCHASE AGREEMENT WITH ELECTRIC ENERGY, INC.

Q. Please describe AmerenUE's long-term power supply agreement with Electric Energy Inc. that recently expired.

A. AmerenUE had a long-term power supply agreement with EEInc. since 1987 that provided the Company with power from EEInc.'s generating plant, located near Joppa, Illinois (the Joppa Plant). Under the terms of the agreement, AmerenUE paid EEInc. a price equal to EEInc.'s cost of producing the power, plus 10%. This agreement expired by its own terms on December 31, 2005. Following the expiration of the agreement, EEInc. elected to cease selling power from the Joppa Plant on a cost plus basis, and instead sought and received authority from the Federal Energy Regulatory Commission (FERC) to sell power from the Joppa Plant at market prices. Consequently, AmerenUE no longer has the opportunity to purchase power from EEInc.

Q. Can you briefly explain the history of EEInc., and its relationship to AmerenUE?

A. Yes. EEInc. was formed in 1950 by several independent "Sponsoring Companies"— Union Electric Company (UE), Central Illinois Public Service Company, Illinois Power Company, Kentucky Utilities Company and Middle South Utilities, Inc., each

of which purchased stock in the newly formed company. EEInc. was formed for the purpose of constructing, owning and operating an electric generating plant to provide power to a gaseous diffusion uranium plant owned and operated by the United States Atomic Energy Commission (AEC) near Paducah, Kentucky. EEInc. began constructing its 1,000 MW generating plant near Joppa, Illinois, nine miles from the Paducah uranium plant, in 1951. The plant start-up occurred in 1954, and the plant reached full-scale operation in August, 1955. The Sponsoring Companies, including UE, entered into power purchase agreements with EEInc. for the purchase of any excess power produced by the Joppa Plant beyond that required by the AEC.

Q. Did UE seek authority from the Missouri Public Service Commission to acquire its stock in EEInc.?

A. Yes. In 1950, in Case No. 12,064, UE sought and received authority from the Missouri Public Service Commission (Commission) to acquire its initial shares of stock in EEInc. In 1952, in Case No. 12,463, UE sought and received authority to purchase additional shares of EEInc. stock.

Q. Why was it necessary for UE to seek authority from the Commission to acquire the stock of EEInc.?

A. Counsel advises me that Section 393.190 RSMo. requires a Missouri electric utility to obtain the consent of the Commission before it acquires the stock of any corporation engaged in "the same or similar business." Since at that time EEInc. was an Illinois public utility subject to regulation by the Illinois Commerce Commission, it was necessary for UE to obtain authority from the Commission prior to acquiring any EEInc. stock. As I discuss further below, EEInc.'s operations have changed and it is no longer a public utility in Illinois.

It became an exempt wholesale generator or "EWG" in 2000, upon FERC approval of its EWG application.[2]

Q. Was any of Union Electric Company's investment in EEInc. ever paid by ratepayers?

A. No. AmerenUE's stock in EEInc. was purchased with shareholder, not ratepayer funds, and has always been treated as a "below-the-line" item for ratemaking purposes. This treatment has never been challenged in any regulatory proceeding. By "below-the-line" I mean the investment in the stock is not and has never been on AmerenUE's books as an asset on which a return is figured in calculating the rates paid by AmerenUE's Missouri ratepayers. This is unlike an "above-the-line" investment, such as a power plant or transmission line, which are put into rate base. Above-the-line items affect the Company's revenue requirement because the revenue requirement is determined based upon these rate base items, including depreciation expense (which is a return of the Company's investment) and return on equity (which is a return on the Company's investment). A below-the-line investment in stock—like AmerenUE's EEInc. stock – does not allow ratepayers to share in any of the revenues derived from stock ownership, nor does it expose ratepayers to the investment risk associated with owning the stock. Rather, with regard to EEInc., ratepayers have simply paid the cost of power purchased by AmerenUE from EEInc. as provided for under power supply agreements between AmerenUE and EEInc.

Q. Why are you addressing AmerenUE's below-the-line investment in EEInc.?

A. Primarily because of the position taken by the Office of the Public Counsel (OPC) in previous regulatory proceedings. In summary, OPC's position has been that EEInc.

[2] *See In Re Electric Energy, Inc.*, 92 FERC ¶ 62,079 (2000).

shareholders should force the EEInc. Board, which consists in part of officers or employees of AmerenUE or its affiliates, to sell power to AmerenUE at cost. As the direct testimony of AmerenUE witness Prof. Robert C. Downs indicates, OPC's position is improper and unlawful because it assumes that EEInc.'s Board can or should violate basic principles of corporate governance.

Q. In what proceedings has OPC taken this position?

A. OPC has taken this basic position in at least four regulatory proceedings. First, OPC devoted a large part of its case in AmerenUE's Metro East transfer proceeding (Case No. EO-2004-0108) to trying to get the Commission to impose conditions related to EEInc. on the permission sought by AmerenUE in that case. Specifically, OPC witness Ryan Kind urged the Commission either to deny the Metro East transfer entirely or to condition it on AmerenUE somehow forcing EEInc. to sell power to AmerenUE at cost.[3] The Commission made no final ratemaking decisions relating to EEInc. since the Metro East case was an asset transfer case, not a rate case, but did properly find that "UE's share of EEInc. is an investment owned by UE's shareholders and UE has an obligation to maximize the return on that investment."[4]

Regardless, OPC again made essentially the same EEInc.- related arguments In EEInc.'s case at at the FERC wherein the FERC granted EEInc. market-based rate authority.[5] The FERC rejected OPC's latest attempt, as it had done earlier when OPC also attempted to inject the forced sale by EEInc. of power to AmerenUE at cost into the docket in

[3] Rebuttal Testimony of Ryan P. Kind, MoPSC Case No. EO-2004-0108, p. 32, lines 14-19.
[4] *Report and Order on Rehearing*, MoPSC Case No. EO-2004-0108. The Commission's Staff also disagreed with Mr. Kind's contention that the Metro East transfer should be conditioned in some way with respect to EEInc. *See* Cross Surrebuttal Testimony of Staff Witness Michael S. Proctor, p. 5.
[5] *See In Re Electric Energy, Inc.*, FERC Docket No. ER05-1482-000, 113 FERC ¶ 61,245 (2005).

which the FERC considered Ameren Corporation's acquisition of Illinois Power Company from Dynegy, Inc.[6] Most recently, OPC has continued its push to penalize AmerenUE in the regulatory context by making similar arguments in a current docket involving AmerenUE's long-term resource plan.[7]

Q. Has the ownership of shares in EEInc. changed since it was formed in 1950?

A. Yes. Middle South Utilities divested its shares of EEInc. stock many years ago. Following mergers and acquisitions Ameren Corporation has become the parent corporation of Union Electric Company, Central Illinois Public Service Company and Illinois Power Company. Kentucky Utilities currently holds shares in EEInc. that are not held by an Ameren Corporation subsidiary. Today, ownership of the issued and outstanding shares of EEInc. stock is as follows:

AmerenUE	40%
Ameren Energy Resources	40%
Kentucky Utilities	20%

Q. Has the operation of the Joppa Plant changed since 1950?

A. Yes. The operation of the Joppa Plant has changed in several respects. First, the capacity of the plant has increased slightly to 1,100 MW. Second, after decades of primarily delivering the energy produced at the Joppa Plant to the AEC, in recent years the energy was sold primarily to the Sponsoring Companies pursuant to their respective cost-based power supply agreements with EEInc., all of which had last been entered into with terms starting in 1987 and which expired by their terms on December 31, 2005. In anticipation of the simultaneous expiration of all these power supply agreements on

[6] *See In Re Ameren Corporation*, FERC Docket No. EC01-81-000.
[7] Case No. EO-2006-0240.

December 31, 2005, EEInc. sought and obtained authority from the FERC to sell power from the Joppa Plant at market-based rates. The FERC authorized such sales in its order in Docket Nos. ER05-1482-000 and ER05-1482-001 issued on December 8, 2005. Since January 1, 2006, EEInc. has been selling the output of the Joppa Plant at market-based rates.

Q. Was AmerenUE's power purchase agreement with EEInc. that expired on December 31, 2005 a cost plus contract?

A. Yes. As I noted, AmerenUE's most recent power supply agreement with EEInc. was originally executed in 1987 and contained a cost plus 10% rate for the power being delivered. Of course, at that time EEInc. had no FERC authority to enter into market based power supply contracts. Moreover, in 1987 there was no "market" for power that could be used to develop a market-based rate. The development of regional and national markets for power would occur many years later, spurred on by the FERC's issuance of Order No. 888 (in 1996) and the emergence of regional transmission organizations.

Q. Was the 1987 power supply agreement between Union Electric Company and EEInc. similar to other power supply agreements used during that period by unaffiliated buyers and sellers?

A. Yes. In 1987 the power supply agreements typically being used throughout the country and approved by FERC were cost plus contracts. Since at the time there were no published market indices for electric power, this was a logical structure for contracts, and it reflected the state of the market for power to the limited extent such a market existed in 1987. AmerenUE's contract with EEInc. was quite similar to power supply agreements that it entered into with unaffiliated suppliers, and it was similar to the contracts EEInc. had entered into with the AEC.

Q. Is it surprising that EEInc. has now decided to sell the power generated by the Joppa Plant at market rates?

A. No. With the emergence of regional and national markets for power, generators commonly sell power to third parties at market rates. In fact, with termination of the Joint Dispatch Agreement, AmerenUE's excess energy formerly transferred to Ameren affiliates at incremental cost will be sold at market rates.

V. DEMAND SIDE MANAGEMENT/RENEWABLES

Q. Please discuss the status of AmerenUE's demand side management efforts.

A. AmerenUE wants to work with stakeholders to develop a sustainable energy plan that will result in a reduction in both energy and peak demand growth. Reasonable near-term reductions could be 10% of both annual energy and capacity growth. Long-term capacity goals, depending upon how market prices develop, may be as high as 300 MW as modeled in the AmerenUE 2005 IRP filing**.** Ameren's vision is to take a strategic approach to the development of a sustainable energy plan. Elements include the development of a vision, strategies, objectives and goals for the sustainable energy plan, the identification of regulatory changes and/or approvals for the plan, and the specification of program evaluation metrics. Following this process, AmerenUE will evaluate opportunities, develop action plans, and development implementation plans that are expected to result in meaningful levels of reduced energy and peak demand growth. In the interim, AmerenUE continues to explore ways to achieve capacity through demand side management, including the proposed Industrial Demand Response (IDR) pilot discussed in the direct testimony of AmerenUE witness Robert J. Mill. As Mr. Mill explains, IDR is a pilot program designed to assess

whether industrial process customers are able to respond to load curtailments in exchange for a lower monthly demand charge and energy credit. In the context of this rate proceeding, AmerenUE is willing to consider other ways to implement beneficial demand side programs, and looks forward to working with stakeholders involved in this case to do so.

Q. Please discuss AmerenUE's position on the development of renewable sources of power.

A. In its recently-filed IRP, AmerenUE stated that it continues to consider options that would allow it to add 100 MW of wind power to its generating fleet. However, the IRP pointed out that the location of AmerenUE's main load centers (Eastern Missouri) are somewhat remote from more desirable wind generation locations (Kansas, Northwest Missouri), creating challenges to the development of wind power. Notwithstanding these challenges, AmerenUE is willing to commit to adding 100 MW of wind power to its generating fleet by 2010. This commitment is based on the assumption, however, that construction of such wind power generation proves to be technologically feasible, and that the stakeholders in this proceeding are supportive of this proposal. AmerenUE also remains willing, in the context of this rate proceeding, to explore with all stakeholders ways to implement other renewable sources of energy where feasible.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.	)))))	Case No. ER-2007-0002

AFFIDAVIT OF MICHAEL L. MOEHN

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

Michael L. Moehn, being first duly sworn on his oath, states:

1. My name is Michael L. Moehn. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Vice President of Corporate Planning.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 17 pages and Attachment A, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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

Michael L. Moehn

Subscribed and sworn to before me this 6 day of July, 2006.

Notary Public

My commission expires: May 19, 2008

CAROLYN J. WOODSTOCK
Notary Public - Notary Seal
STATE OF MISSOURI
Franklin County
My Commission Expires: May 19, 2008

EXECUTIVE SUMMARY

Michael L. Moehn

Vice President of Corporate Planning
Ameren Services Company

*** * * * * * * * * ***

The purpose of my testimony is to discuss AmerenUE's resource plan. The resource plan is presented in detail in the Company's December 2005 Integrated Resource Plan (IRP) filing. That filing outlined AmerenUE's plans to acquire 1,350 megawatts (MW) of combustion turbine generators (CTGs) as well as its desire to achieve material levels of demand response, energy efficiency, and renewable energy. My testimony also addresses AmerenUE's ownership of shares of capital stock of Electric Energy, Inc. ("EEInc.") and the expiration of AmerenUE's former purchased power contract with EEInc. Finally, my testimony addresses AmerenUE's willingness to work with all stakeholders toward implementing demand-side management programs and adding renewable energy to AmerenUEs' portfolio.

1. In order to meet its short-term planning reserve margin requirement AmerenUE needs approximately 400 MW of additional generating capacity beginning in 2006. Long-term reserve margin requirements are higher than short-term reserve margin requirements due to the greater load forecast uncertainty associated with longer time horizons. By 2014, AmerenUE's additional capacity needs were projected to be substantially higher.

The CTGs recently acquired by AmerenUE to address the Company's 2006 need for capacity consist of 8 simple cycle GE 7EA 80 MW combustion turbines at the Audrain,

Missouri facility that AmerenUE purchased from NRG Energy, Inc. (NRG), and 10 simple cycle GE 7EA 75 MW combustion turbines at the Goose Creek and Raccoon Creek facilities located in central Illinois that AmerenUE purchased from Aquila, Inc. (Aquila). On a present value of revenue requirements basis, the acquisition of the NRG and Aquila plants is more economic and less risky than all other expansion plan options by amounts ranging from $173 million to $409 million, depending on the technology deployed.

2. AmerenUE's long-term, cost plus 10%, power supply agreement with EEInc., which provided the Company with power from EEInc.'s Joppa, Illinois generating plant, expired by its own terms on December 31, 2005. At that time, EEInc. ceased selling power on a cost plus basis, and instead received authority from the Federal Energy Regulatory Commission (FERC) to sell power from the Joppa Plant at market prices. Consequently, AmerenUE no longer has the opportunity to purchase power from EEInc.

EEInc. was originally formed in 1950 by several independent "Sponsoring Companies"— Union Electric Company (UE), Central Illinois Public Service Company, Illinois Power Company, Kentucky Utilities Company and Middle South Utilities, Inc. -- for the purpose of constructing, owning and operating an electric generating plant to provide power to a gaseous diffusion uranium plant owned and operated by the United States Atomic Energy Commission (AEC) near Paducah, Kentucky. In the early 1950's, UE sought and received authority from the Commission to purchase shares of EEInc. stock. The Sponsoring Companies, including UE, entered into power purchase agreements with EEInc. for the purchase of any excess power produced by the Joppa Plant beyond that required by the AEC.

AmerenUE's stock in EEInc. was purchased with shareholder, not ratepayer, funds, and has always been treated as a "below-the-line" item for ratemaking purposes, meaning that the investment in the stock is not and has never been on AmerenUE's books as an asset on which a return is figured in calculating the rates paid by AmerenUE's Missouri ratepayers.

Since January 1, 2006, EEInc. has been selling the output of the Joppa Plant at market-based rates pursuant to market based rate authority obtained from the FERC, like many generators since the emergence of regional and national markets for power. In fact, with the termination of the Joint Dispatch Agreement, AmerenUE's excess energy formerly transferred to Ameren affiliates at incremental cost will be sold at market rates.

The Office of the Public Counsel (OPC) has taken the position that EEInc. shareholders should force the EEInc. Board, which consists in part of officers or employees of AmerenUE or its affiliates, to sell power to AmerenUE at cost. FERC has rejected OPC's position, which, as AmerenUE witness Robert C. Downs explains, is improper and unlawful because it seeks to compel EEInc.'s Board to act contrary to the best interests of that corporation and so to violate basic principles of corporate governance.

3. AmerenUE's vision is to take a strategic approach to the development of a sustainable energy plan that could achieve reasonable near-term reductions of 10% of both annual energy and capacity growth, with long-term capacity goals, depending upon how market prices develop, as high as 300 MW as modeled in the AmerenUE 2005 IRP filing**.** AmerenUE will evaluate opportunities, develop action plans, and development implementation plans that are expected to result in meaningful levels of reduced energy and peak demand growth. AmerenUE continues to explore ways to achieve capacity through

demand side management, including the proposed Industrial Demand Response (IDR) pilot discussed by AmerenUE witness Robert J. Mill.

Finally, AmerenUE is willing to commit to adding 100 MW of wind power to its generating fleet by 2010 on the assumption that doing so is technologically feasible and is supported by stakeholders in this proceeding. AmerenUE also remains willing, in the context of this proceeding, to explore with all stakeholders ways to implement other renewable sources of energy where feasible.