Exhibit No.:
Witness: James T. Selecky
Type of Exhibit: Direct Testimony
Issues: Revenue Requirement
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2010-0036

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Union Electric, d/b/a AmerenUE's Tariffs to Increase Its Annual Revenues for Electric Service	)))))	**Case No. ER-2010-0036** Tariff Nos. YE-2010-0054 and YE-2010-0055

Direct Testimony and Schedules of

James T. Selecky

Revenue Requirement

NON-PROPRIETARY VERSION

On behalf of

Missouri Industrial Energy Consumers

December 18, 2009

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 9187

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

Affidavit of James T. Selecky

James T. Selecky, being first duly sworn, on his oath states:

1. My name is James T. Selecky. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by 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 the Missouri Public Service Commission Case No. ER-2010-0036.

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

James T. Selecky

Subscribed and sworn to before me this 17th day of December, 2009.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 14, 2011
Commission # 07024862

Notary Public

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Direct Testimony of James T. Selecky

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James T. Selecky. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

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

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A This testimony is presented on behalf of the Missouri Industrial Energy Consumers (MIEC). Member companies purchase substantial quantities of electricity from AmerenUE.

Q HAVE YOU PRESENTED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION (COMMISSION)?

A Yes. I have been involved in numerous proceedings before this Commission.

Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A My testimony will address AmerenUE's proposed book depreciation rates. I will address the method used to develop the book depreciation rates for the production plant accounts, the estimated life spans and net salvage values for certain production plant accounts, the depreciable remaining life and net salvage value for nuclear plant Account 322, and the net salvage associated with the transmission and distribution plant accounts. The fact that a particular depreciation issue is not addressed should not be construed as an endorsement of AmerenUE's position. In addition, I will address the ratemaking treatment of AmerenUE's management incentive short-term compensation expense.

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A My conclusions and recommendations are summarized as follows:

1. AmerenUE's proposed steam production book depreciation rates are based on the life span approach. The Commission in its Order in Case No. ER-2007-0002 rejected this method for calculating coal fired steam production depreciation rates.

2. The Commission should calculate the coal fired steam production depreciation rates using the whole life approach employing the life characteristics and the net salvage history contained in AmerenUE's filing. This would be consistent with the Commission's findings in Case No. ER-2007-0002.

3. The estimated remaining life and net salvage ratio for nuclear plant Account 322 Reactor Plant Equipment should be adjusted to exclude the impacts of the significant retirements that occurred in 2005. This retirement impacts the development of the remaining life and net salvage ratio used to develop the depreciation rate. This retirement should be considered atypical and should be excluded from the life and net salvage analysis.

4. For the other production plant accounts, the net salvage ratio should be adjusted to reflect AmerenUE's actual net salvage experience. AmerenUE's proposed net salvage ratio contains a component for eventual dismantling of the other production plants. However, AmerenUE has not provided any support for this adjustment.

5. My changes to AmerenUE's production depreciation rates reduce AmerenUE's production depreciation expense by $44.485 million based on plant balances at December 31, 2008.

6. However, if the Commission elects to utilize the life span approach for determining the depreciation rates for the steam production plant accounts, the following revisions should be made to AmerenUE's proposed steam production depreciation parameters that are used to develop the steam production rates:

   a. The life span for the Meramec Plant should be increased by five years.

   b. The net salvage ratio for Account 312 Boiler Plant Equipment should be adjusted to reflect a reasonable estimate of the net salvage expense that AmerenUE could expect to incur over the remaining lives of its steam production plants.

7. If the Commission develops the coal fired steam production depreciation rates using the life span method, my proposed revisions to the life and net salvage parameters would reduce AmerenUE's proposed production depreciation expense by $19.668 million based on December 31, 2008 plant balances.

8. AmerenUE's current transmission and distribution accumulated depreciation reserve currently contains a provision for approximately $582 million for future net salvage costs. In addition, AmerenUE's proposed depreciation rates contain an annual component of net salvage expense that exceeds AmerenUE's actual experience by approximate $59 million. As a result, over the next five years, AmerenUE's accrued net salvage in its transmission and distribution plant accounts may approach $900 million.

9. AmerenUE's transmission and distribution net salvage component of its proposed depreciation rates reflects estimates of future net salvage costs which include estimates of future inflation. Therefore, on an annual basis, AmerenUE accrues net salvage expense significantly in excess of its actual requirement.

10. The Commission should create an offset of $35 million to reduce AmerenUE's proposed transmission and distribution depreciation expense. This offset would reduce the transmission depreciation expense by $1.972 million and distribution expense by $33.028 million. Even with this offset, AmerenUE's depreciation rates will accrue net salvage that is approximately $20 to $25 million in excess of their actual needs.

11. My proposed changes to AmerenUE's depreciation rates reduce the proposed depreciation expense by $79.485 million based on plant balances at December 31, 2008. This assumes that the Commission would develop the coal

fired steam production depreciation rates using the whole life method. Carrying my proposed depreciation rates forward to February 28, 2010 produces a reduction in depreciation expense of $81.407 million. (I have not provided the impacts through January 31, 2010 which is the agreed upon true-up period because I did not have the plant account balances.)

12. If the Commission uses the life span approach to develop the coal fired steam production depreciation rates, my proposed adjustments reduce AmerenUE's depreciation expense by $54.708 million based on December 31, 2008 plant balances. Caring these proposed depreciation rates forward to February 28, 2010 produces a reduction and depreciation expense of $55.329 million. (I have not provided the impacts through January 31, 2010 which is the agreed upon true-up period because I did not have the plant account balances.)

13. AmerenUE's short-term incentive compensation expense should be reduced by $10.6 million. This is an addition to the incentive compensation adjustments supported by MIEC witness Greg Meyer.

Book Depreciation

Q PLEASE EXPLAIN THE PURPOSE OF BOOK DEPRECIATION ACCOUNTING.

A Book depreciation is a recognition in a utility's income statement for the consumption or use of assets used to provide utility service. Book depreciation is recorded as an expense and is included in the ratemaking formula or overall utility's revenue requirement.

Book depreciation provides for the recovery of the original cost of the utility's assets that are providing service. Book depreciation expense is not intended to provide for replacement of the current assets, but provides for capital recovery or return of current investment.

In addition to capital recovery, depreciation rates also contain a provision for net salvage.

Q BEFORE YOU BEGIN YOUR DISCUSSION ON AMERENUE'S PROPOSED DEPRECIATION RATES, PLEASE DEFINE NET SALVAGE.

A Net salvage is simply the value received from the sale or reuse of retired property (salvage value), less the cost of retiring such property (cost of removal). Net salvage can be either positive or negative. If the salvage value exceeds the cost of removal, the net salvage ratio is positive. If the cost of removal is greater than the salvage value received as a result of retirement, the resulting net salvage ratio is negative. A utility will recover the net salvage over the useful life of the asset. For AmerenUE, negative net salvage is collectively a significant component of its transmission distribution and general depreciation rates.

Q WHAT METHOD, PROCEDURE AND TECHNIQUE WAS USED TO CALCULATE THE PROPOSED DEPRECIATION RATES FOR AMERENUE?

A Essentially, AmerenUE's proposed depreciation rates were calculated using the straight line method, average life group procedure and remaining life technique. Although, the proposed depreciation rates are initially developed on an average service life basis including a depreciation reserve variance component results in AmerenUE recovering the un-depreciated value of its investment adjusted for net salvage over the remaining life. Under AmerenUE's method, all investment will be recovered adjusted for net salvage over the estimated service life.

AmerenUE Proposal

Q WHAT IS AMERENUE REQUESTING IN THIS PROCEEDING REGARDING ITS DEPRECIATION RATES?

A AmerenUE is proposing to increase its book depreciation rates and expense. On a total Company basis, AmerenUE is proposing to increase its production depreciation expense by $22.504 million and reduce the transmission, distribution and general depreciation expense by $8.695 million. This amount includes the amortization of the claimed depreciation reserve deficiencies or excesses and is based on December 31, 2008 plant balances.

Q PLEASE SUMMARIZE THE CHANGES THAT YOU WILL BE MAKING TO AMERENUE'S PROPOSED PRODUCTION DEPRECIATION RATES.

A First, AmerenUE has proposed to develop its steam production depreciation rates using the life span approach. This approach was rejected by the Commission in its Order in Case No. ER-2007-0002. I have presented the steam production depreciation rates consistent with the Commission's finding in that case.

Q WOULD YOU PLEASE EXPLAIN THE LIFE SPAN APPROACH, USED BY AMERENUE, TO CALCULATE THE STEAM PRODUCTION DEPRECIATION RATES?

A AmerenUE's proposed approach calculates the depreciation rates using an estimated retirement date for each coal fired steam production plant and expected interim retirement activity. The rate, that is calculated from these parameters, is adjusted for the net salvage associated with the interim retirements.

Q WHAT ARE INTERIM RETIREMENTS?

A Interim retirements are the retirements that take place before the final retirement date. Reflecting interim retirements in the life analysis results in producing an average service life that is less than the life span.

Q WOULD YOU PLEASE EXPLAIN THE METHOD THE COMMISSION USED TO DEVELOP THE CURRENT COAL FIRED STEAM PRODUCTION DEPRECIATION RATES?

A The Commission's method uses the whole life method that is developed from the interim retirement activity. The depreciation rates using this approach also reflect a component of net salvage.

Q WHAT IF THE COMMISSION ELECTS TO USE THE LIFE SPAN APPROACH TO DEVELOP THE STEAM PRODUCTION BOOK DEPRECIATION RATES?

A If the Commission determines that it is appropriate to develop depreciation rates based on the life span for the steam production units, AmerenUE's proposed life for the Meramec Plant should be increased. In addition, the net salvage associated with steam production Plant Account 312, Boiler Plant Equipment (Account 312), is overstated and should be reduced.

Q DO YOU HAVE ANY PROPOSED CHANGES TO THE DEPRECIATION RATES FOR THE NUCLEAR PLANT AND THE OTHER PRODUCTION PLANT ACCOUNTS?

A Yes. The proposed life characteristics and net salvage for nuclear production Plant Account 322 Reactor Plant Equipment (Account 322) should be adjusted to remove

the atypical retirement that occurred in 2005 from the life and net salvage analyses. Finally, the net salvage ratio used to develop the other production depreciation rates should be adjusted to exclude terminal net salvage. These recommendations are independent of the method that the Commission uses to calculate the coal fired steam production depreciation rates.

Q WHAT CHANGES DO YOU RECOMMEND TO AMERENUE'S PROPOSED DEPRECIATION RATES FOR TRANSMISSION AND DISTRIBUTION (T&D) PLANT ACCOUNTS?

A AmerenUE's net salvage component of its depreciation rates for its T&D plant accounts is much higher than its annual actual net salvage experience. The level of depreciation expense that AmerenUE books should be reduced to limit the amount of net salvage expense that AmerenUE is accruing for future retirements. Currently, AmerenUE has accrued approximately $582 million of future T&D net salvage expense.

Steam Production

Q HOW DID AMERENUE DEVELOP ITS DEPRECIATION RATES FOR ITS STEAM PRODUCTION UNITS?

A AmerenUE developed depreciation rates and expenses for each plant account for each steam production plant. Based on December 31, 2008 plant balances, AmerenUE is seeking an increase in coal fired steam production depreciation expense of $32.175 million.

The following factors were used to calculate the depreciation rates for the steam production plants:

1. Lives based on estimated retirement dates.

2. Interim retirement activity.

3. Net salvage ratio.

4. Accumulated depreciation reserve variance

Each of these factors was used to calculate AmerenUE's proposed depreciation rates for the steam production plant accounts by power plant.

Q HAVE YOU PREPARED A SCHEDULE SHOWING AMERENUE'S PROPOSED DEPRECIATION PARAMETERS FOR ITS PRODUCTION PLANT ACCOUNTS?

A Yes. The proposed depreciation parameters and rates for all the production plant accounts, which includes steam, nuclear, hydraulic and other are shown on Schedule JTS-1. These depreciation rates reflect the impact of accumulated depreciation reserve variance. The reserve variance will be discussed later in my testimony.

Schedule JTS-1 also shows a comparison of the currently approved depreciation rates and the resulting expense for all production plant accounts. As Schedule JTS-1 shows, AmerenUE is seeking an increase in total production depreciation expense of $22.504 million based on December 31, 2008 plant balances.

Q WHAT LIVES DID AMERENUE USE TO ESTABLISH THEIR DEPRECIATION RATES FOR THE THEIR COAL FIRED STEAM PRODUCTION PLANTS?

A For the coal fired steam production plants, AmerenUE is proposing life spans that range from 61 years to 72 years. A summary of the life spans is shown on Schedule JTS-2. Schedule JTS-2 also shows the life spans that AmerenUE has proposed for its steam production plant in the last two rate cases that contained complete

depreciation studies. As Schedule JTS-2 shows, since Case No. EC-2002-1, AmerenUE has increased its life spans considerably and in Case No. ER-2007-002, AmerenUE adjusted its life spans from those originally assumed.

Q HOW DID AMERENUE DETERMINE ITS STEAM PRODUCTION PLANT LIFE SPANS?

A To determine the steam production plant life spans, AmerenUE engaged Black & Veatch to prepare a report and put forth the estimated probable retirement dates for AmerenUE's four coal fired power plants. The estimated retirement dates are discussed in the testimony of AmerenUE witness Larry W. Loos.

Q HAS AMERENUE USED THOSE PROPOSED RETIREMENT DATES TO DEVELOP ITS STEAM PRODUCTION DEPRECIATION RATES?

A Yes. AmerenUE has utilized those proposed retirement dates to determine its steam production depreciation rates. The depreciation rates also reflect the interim retirements that are estimated to occur prior to the estimated final retirement date. The depreciation rate also reflects the net salvage associated with interim retirement activity.

Q HAS AMERENUE INCLUDED ANY TERMINAL NET SALVAGE IN THE DEVELOPMENT OF ITS DEPRECIATION RATES FOR ITS STEAM PRODUCTION PLANT?

A No. The steam production net salvage ratios used to develop the depreciation rates only reflect the net salvage associated with interim retirements and do not reflect any net salvage associated with the final retirement.

Q IS THAT TREATMENT OF NET SALVAGE CONSISTENT WITH COMMISSION PRACTICES?

A Yes. The Commission has excluded any provision for terminal or final retirement net salvage from the development of the steam production depreciation rates.

Q IS AMERENUE'S PROPOSAL TO UTILIZE THE LIFE SPAN METHOD CONSISTENT WITH THE COMMISSION APPROVED METHOD FOR DETERMINING DEPRECIATION RATES FOR THE STEAM PRODUCTION PLANT ACCOUNTS?

A No. In the Order in Case No. ER-2007-0002, the Commission rejected the life span method. The Commission stated the following on the use of the life span approach and the development of steam production depreciation rates:

> "Obviously, at some point, all of AmerenUE's electric production plants will be retired. But at this time, there is really no way to be sure when that retirement will occur. It all seems like an unimportant matter, but the truncation of survivor curves and the resultant decrease in the expected life of the components of these power plants would significantly increase the amount of money AmerenUE would be allowed to recover as depreciation expense. In turn, the calculation of depreciation expense will have a significant impact on the rates that AmerenUE will be allowed to charge its customers. Without better evidence of when those plants are likely to be retired, allowing the company to increase its depreciation expenses based on what is little more than speculation about possible retirement dates would be inappropriate. Staff's use of non-truncated survivor curves is appropriate and Staff's curves shall be used for calculation of AmerenUE's depreciation expense." (Order Case No. ER-2007-0002, pages 84-85)

To develop the current approved book depreciation rates for the coal fired steam production plants, the Commission rejected the life span approach and developed the depreciation rates based on a whole life analysis of AmerenUE's retired steam production investment as adjusted by the Staff.

Q DOES THE CRITICISM THAT THE COMMISSION HAD OF AMERENUE'S LIFE SPAN APPROACH THAT EXISTED IN 2007 STILL EXIST TODAY?

A Yes. In the Order in Case No. ER-2007-0002, the Commission stated that:

> "It is very unlikely that AmerenUE will actually choose to retire and place such a large percentage of its base load generation capacity within a short span of 16 years between 2021 and 2037. It is certain that AmerenUE filed an integrated resource plan in December 2005 that did not make any mention of any plans to retire base load generation capacity." (Order Case No. ER-2007-0002, page 83)

In this proceeding, AmerenUE's proposed retirement dates vary from 2022 to 2046. In fact, AmerenUE is proposing to retire Sioux, Labadie and Rush Island steam production plants from 2033 through 2046 or a span of 13 years. That is, over this 13 year period, AmerenUE is suggesting that it will retire approximately 4,700 MW of capacity. It should be noted that for the Meramec facility, although the estimated retirement date is 2022, that retirement estimate is driven by AmerenUE's claim that it will not install scrubbers at Meramec. If scrubbers are installed, the estimated retirement date could be lengthened by 20 years and the retirement dates for all of AmerenUE's coal fired steam production plants would then fall into a range of approximately 15 years.

Q WHAT IS YOUR RECOMMENDATION REGARDING THE APPROPRIATE DEPRECIATION RATES FOR THE COAL FIRED STEAM PRODUCTION PLANTS?

A I recommend that the Commission continue to utilize the currently approved method for developing depreciation rates for AmerenUE's steam production investment. The concerns that the Commission had in Case No. ER-2007-0002 exist today.

Q HAS AMERENUE PROVIDED THE AVERAGE SERVICE LIVES AND NET SALVAGE DATA NEEDED TO DEVELOP DEPRECIATION RATES USING THE SAME METHOD THAT THE COMMISSION APPROVED IN CASE NO. ER-2007-0002?

A Yes. AmerenUE has provided the life characteristics for its steam production plant accounts reflecting the interim retirement activity in each of those accounts. In addition, AmerenUE has provided the complete net salvage history for its steam production plant accounts. These lives and net salvage ratios were used to develop depreciation rates using the same methodology that the Commission adopted in Case No. ER-2007-0002.

Q HAS AMERENUE REGISTERED ANY CONCERNS ABOUT THE STEAM PRODUCTION RETIREMENT DATA THAT WAS USED BY THE MISSOURI PUBLIC SERVICE COMMISSION STAFF (STAFF) IN DOCKET NO. ER-2007-0002 TO DEVELOP THE CURRENTLY APPROVED STEAM PRODUCTION DEPRECIATION RATES.

A Yes. In Case No. ER-2008-0318, AmerenUE witness John Wiedmayer stated in his rebuttal testimony that the interim survivor curves that both he and the Staff estimated in Case No. ER-2007-0002 were developed from interim retirement activity and final retirements of plants were not reflected in the analysis. In Mr. Wiedmayer's opinion, this allowed certain retirement activity to be excluded from the analysis. Specifically, the final retirements that were made at the steam plants, such as Mound, Cahokia and Venice were excluded.

Q DO YOU THINK IT'S APPROPRIATE TO EXCLUDE THESE RETIREMENTS?

A Yes. These units do not represent the type of units that are currently in service and including their final retirements in the database would distort the life analysis.

Q PLEASE EXPLAIN WHY THE FINAL RETIREMENT OF VENICE SHOULD BE EXCLUDED FROM THE LIFE ANALYSIS?

A First, in this case, the Commission will approve depreciation rates for coal fired steam generating plants. The Venice units were converted in the mid-1970s to burn oil and natural gas. Therefore, these units were not coal fired units for the last 25 years of their lives. Also, unlike AmerenUE's current coal fired generating plant, Venice was not considered as base load generation for much of its life. Secondly, in August 2000, a fire damaged two of the six generating units. These units were not returned to service. Furthermore, other damage costs were refurbished and the units were retired two years later. Third, the units had much higher heat rates than the units that are currently in service. That is, the cost to operate the units was higher than the cost to operate AmerenUE's current coal fired units. As a result, Venice was retired for reasons that are not applicable to the existing coal fired units. If these final retirements of the Venice units are included in the development of the life span analysis, this will unduly influence the results of the analysis and will produce depreciation rates that are higher than they should be.

Q ARE YOU SAYING THAT THE VENICE RETIREMENT WAS ATYPICAL?

A Yes. The Venice retirement was atypical and the final retirement should be excluded from any life analysis that is utilized to determine the average service lives of the current coal fired steam production units.

Q UNDER THE COMMISSION'S APPROVED WHOLE LIFE METHOD OF DEVELOPING STEAM PRODUCTION DEPRECIATION RATES, WILL AMERENUE BE AT RISK FOR RECOVERING ANY OF ITS PRUDENTLY INCURRED INVESTMENT?

A No. In Case No. ER-2008-0318, Staff witness Guy Gilbert addressed this specific issue. Mr. Gilbert stated the following during cross examination:

> "A. Here in Missouri we use the whole life formula. With respect to any over or under-accrual of the reserves, we take that into account and, if necessary, an amortization is initiated to bring things back on course.
>
> Q. Amortization of what?
>
> A. Any excess or under-accrual of the reserve.
>
> Q. Of the book reserve?
>
> A. Yes."
>
> (Transcript, page 873)

Q IS THIS APPROACH PROPER?

A Yes. Since the whole life method is utilized in Missouri to develop steam production depreciation rates, any un-depreciated portion of the prudently incurred investment of a retired steam production plant should be amortized. Likewise, any over accrual should be returned to the ratepayers.

Q WOULD YOU SUPPORT THIS TREATMENT FOR THE VENICE PLANT?

A Yes. Once the un-depreciated portion is determined, it could be amortized over a five or 10 year period. It should be noted that in response to MIEC 8-2, AmerenUE stated that the total un-depreciated plant balance of the Venice Plant at retirement was

$10.51 million. If this amount is accurate, I would recommend amortizing it over a 10 year period.

Q HAVE YOU PERFORMED AN ANALYSIS TO DETERMINE WHAT THE IMPACT WOULD BE ON STEAM PRODUCTION DEPRECIATION RATES IF THE WHOLE LIFE CHARACTERISTICS AND NET SALVAGE RATIOS CONTAINED IN AMERENUE'S CASE WERE UTILIZED TO DEVELOP DEPRECIATION RATES?

A Yes. Schedule JTS-3 shows the depreciation rates and the steam production depreciation expense if the life characteristics supported by AmerenUE in this case were used. Because each individual steam production plant account will have the same depreciation rate, I have combined all of the investment for each coal fired plant in the appropriate plant accounts. The net salvage ratios for the entire net salvage history for the steam production accounts were also used in developing the depreciation rates.

As Schedule JTS-3 shows, if the life characteristics proposed by AmerenUE in this case, adjusted for the entire net salvage history, were utilized to develop depreciation rates, the depreciation expense would be reduced by $6.286 million from the currently approved depreciation rates. It should be noted that $3.976 million of this reduction in depreciation expense is related to the depreciation of aluminum coal cars investment. AmerenUE is also proposing a reduction in the depreciation rates and expense for its aluminum coal cars.

Q ARE YOU RECOMMENDING THAT THE COMMISSION APPROVE THE DEPRECIATION RATES FOR THE STEAM PRODUCTION PLANT SHOWN ON SCHEDULE JTS- 3?

A Yes.

Q IN AMERENUE'S CASE NO. ER-2007-0002, DID YOU SUPPORT THE USE OF THE LIFE SPAN METHOD TO DEVELOP AMERENUE'S STEAM PRODUCTION DEPRECIATION RATES?

A Yes. However, as I previously indicated, the Commission rejected those arguments and did not utilize the life span approach to develop the steam production depreciation rates.

Callaway Depreciation Rates

Q IS AMERENUE PROPOSING TO REVISE THE DEPRECIATION RATES FOR CALLAWAY?

A Yes. AmerenUE has updated the depreciation rates to reflect the current plant balances. In addition, retirement dispersion curves were used to develop the average remaining life. Since not all of the investment will live until the plant's final retirement date, the average remaining life is shorter than the remaining life span.

Q WHAT RETIREMENT DATE IS USED FOR THE CALLAWAY NUCLEAR POWER PLANT IN THE DEPRECIATION STUDY?

A The retirement date for Callaway is June, 2047. The basis for this date is the expected expiration date of the nuclear license to operate the plant. The depreciation

rates are designed so that when the operating license expires, the plant balances will be fully depreciated.

Q ARE YOU PROPOSING ANY CHANGES TO THE PROPOSED DEPRECIATION RATES FOR CALLAWAY?

A Yes. I am recommending that the depreciation rates for Account 322 be adjusted to remove the impact of the extraordinary retirement in 2005. In 2005, Account 322 experienced a retirement of $81 million. This retirement is associated with the retirement of four steam generators. (Response to MIEC 4-5) This retirement represents approximately 46% of the total retirements that occurred from 1986 through 2008. The net salvage expense associated with this retirement is approximately $25 million or 80% of the total net salvage expense that this account has incurred since 1986.

Because this retirement is not typical and dominates the history, I am recommending that it be excluded from the life and net salvage analyses. Excluding this retirement from the analysis impacts both the remaining life and net salvage ratio that is used to calculate the depreciation rates.

Q BY ADJUSTING THE RETIREMENT HISTORY TO EXCLUDE THE EXTRAORDINARY RETIREMENT THAT OCCURRED IN 2005, WILL AMERENUE STILL BE ALLOWED TO RECOVER ALL OF THE INVESTMENT IT HAS MADE IN CALLAWAY?

A Yes. I have calculated the depreciation rate for Account 322 over the remaining life utilizing their actual accumulated depreciation reserve. As a result, AmerenUE will recover all of its costs that are incurred to date adjusted for net salvage over the

remaining life of the Callaway Nuclear Plant. That is AmerenUE will recover all of the $81 million associated with the four steam generators that were originally installed. Excluding this extraordinary retirement from the analysis reduces the remaining life and net salvage ratio that is used to develop the Account 322 depreciation rate.

Q WHAT IS THE IMPACT OF EXCLUDING THIS RETIREMENT FROM THE LIFE AND NET SALVAGE ANALYSES?

A Excluding the 2005 retirement increases the remaining life from 29.8 years to 32.6 years and decreases the net salvage ratio from a negative 10% to a negative 1.2%. The remaining life increases because removing the 2005 retirement reduces the interim retirement activity thereby increasing the average remaining life. The development of the remaining life and net salvage ratio are shown on Schedule JTS-4.

Q HOW DID YOU DEVELOP THE REMAINING LIFE FOR ACCOUNT 322?

A I calculated the retirement ratio excluding the 2005 retirement and used that retirement ratio to calculate the average remaining life. Applying that retirement ratio results in shortening the remaining life span from 35.8 year to 32.6 years.

Q HOW DID YOU DEVELOP THE NET SALVAGE RATIO FOR ACCOUNT 322?

A I removed the net salvage associated with the 2005 retirement and developed a net salvage ratio of a negative 6.8%. I then applied this negative net salvage ratio to the expected interim retirements over the remaining life span to develop a net salvage ratio that should be used to calculate the Account 322 depreciation rate. This analysis is shown on Schedule JTS-4.

Hydraulic Production

Q ARE YOU ALSO PROPOSING ANY CHANGES TO THE DEPRECIATION RATES FOR THE HYDRAULIC PRODUCTION PLANTS?

A Similar to the steam production depreciation rates, the hydraulic production depreciation rates should be based on the whole life method. However, I have not developed specific depreciation rates for the hydraulic production plant accounts.

Other Production

Q DO YOU HAVE ANY REVISIONS TO THE DEPRECIATION RATES FOR THE OTHER PRODUCTION PLANT ACCOUNTS?

A Yes. For Plant Accounts 341 through 346, I am recommending that the net salvage ratio be changed from a negative 5% to a negative 2%.

Q WHAT IS YOUR BASIS FOR REDUCING THE NEGATIVE NET SALVAGE RATIO FROM A NEGATIVE 5% TO A NEGATIVE 2%?

A As stated in response MIEC 4-13, the net salvage experience during the total other production history is a negative 2%. In response to MIEC 4-13, AmerenUE stated the following:

> "The total net salvage period experienced during the full period studied was a negative two percent. The proposed net salvage percent of negative 5 percent anticipates lower future gross salvage as the units age and the salvageable components are worth less. Also, the units will require some removal cost to dismantle the units at the time of their final retirement." (Response to MIEC 4-13)

The recommended net salvage percent reflects some removal cost to dismantle at final retirement. AmerenUE has not provided any support for this conclusion.

Therefore, I recommend that the Commission utilize the full period net salvage of a negative 2% to develop the other production depreciation rates.

Production Depreciation Expense Impact

Q WHAT IS THE IMPACT OF YOUR PROPOSED CHANGES TO AMERENUE'S PROPOSED PRODUCTION DEPRECIATION RATES?

A My proposed changes to the production depreciation rates reduce the production depreciation expense as proposed by AmerenUE by $44.485 million, on a total Company basis using plant balances at December 31, 2008. The production depreciation rates are summarized on JTS-5.

Life Span Depreciation Rates

Q IF THE COMMISSION ELECTS TO UTILIZE THE LIFE SPAN APPROACH TO DEVELOP DEPRECIATION RATES IN THIS PROCEEDING, DO YOU HAVE ANY REVISIONS TO AMERENUE'S PROPOSED STEAM PRODUCTION DEPRECIATION PARAMETERS?

A Yes. I have two recommended changes. First, I would recommend that the Commission lengthen the life of the Meramec Plant by five years. I would recommend that would lengthen the retirement date from 2022 to 2027. Second, I would recommend that the Commission reduce the net salvage ratio associated with the Account 312 from a negative 15% to a negative 10%.

Q WHY ARE YOU PROPOSING TO LENGTHEN THE LIFE OF THE MERAMEC PLANT?

A I recommend lengthening the life of the Meramec Plant to bring the life spans of Units 3 and 4 in-line with the life spans that AmerenUE is proposing for its other steam production units. Currently, AmerenUE is forecasting that the Meramec Plant will be retired in 2022. This produces a life for the Meramec Plant Units 3 and 4 of 63 years and 61 years, respectively. For all of the other steam production units, AmerenUE has proposed a life span, on average, of approximately 69 years.

Second, Black & Veatch has performed a Meramec Condition Assessment Report for AmerenUE. This report, which is dated 2009, indicates that Meramec Plant could potentially be in service well after the proposed retirement date of 2022. ********** ********** ********** Therefore, in light of the June 2009 report, lengthening the retirement date for the Meramec Plant by five years is reasonable.

Q IN MAKING THIS LIFE ADJUSTMENT TO THE MERAMEC STEAM PRODUCTION PLANT, DID YOU REFLECT ANY INTERIM RETIREMENT ACTIVITY?

A Yes. In developing its production depreciation rates, AmerenUE has utilized Iowa curves to reflect interim retirement activity. I have also reflected interim retirements in developing my proposed life span for the Meramec Plant.

Q WHAT IS AMERENUE PROPOSING REGARDING THE TREATMENT OF NET SALVAGE ASSOCIATED WITH ITS STEAM PRODUCTION PLANT INVESTMENT?

A AmerenUE's proposed production depreciation rates include a provision for interim retirement net salvage. AmerenUE has not included any provision in its proposed depreciation rates for terminal net salvage.

Q ARE YOU PROPOSING ANY ADJUSTMENTS TO AMERENUE'S PROPOSED NET SALVAGE ESTIMATES FOR STEAM PRODUCTION?

A Yes. I am proposing that the Commission adjust the net salvage ratio for Account 312 from a negative 15% to a negative 10%. I would only be recommending this change if the Commission adopts the life span approach for purposes of developing the depreciation rates for the steam production units.

Q WHY ARE YOU PROPOSING THE ADJUSTMENT TO THE NET SALVAGE RATIO FOR ACCOUNT 312?

A Under AmerenUE's proposed net salvage ratio, they will be collecting net salvage expense greater than the amount of net salvage that they may be required over the remaining lives of the steam production units. As previously stated, this net salvage component of depreciation rate should only reflect the net salvage associated with the interim retirement activity.

Q WHAT IS THE BASIS FOR YOUR PROPOSED REVISIONS TO THE NET SALVAGE RATIO?

A Review of the net salvage expense associated with Account 312 indicates that over the last five year and 10 year periods the actual annual net salvage expenses were $5.126 million and $5.277 million, respectively. AmerenUE's proposed net salvage component for Account 312 produces a net salvage component of $13.1 million or 2.5 times larger than the actual experience.

Q ARE YOU PROPOSING TO DEVELOP A NET SALVAGE RATIO USING AMERENUE'S ACTUAL ACCOUNT 312 NET SALVAGE EXPERIENCE?

A No. I have estimated the annual net salvage cost that AmerenUE could expect to incur over the remaining life spans of its steam production units. To determine this, I utilized AmerenUE's most recent five and 10 year history as a starting point. I then escalated that cost for 30 years and utilized the average of those amounts. The result of this analysis is shown on Schedule JTS-6.

As Schedule JTS-6 shows over the next 30 years, AmerenUE could expect on average a net salvage expense of approximately $8.250 million. This is 63% of the net salvage expense that AmerenUE has built into its proposed depreciation rates for Account 312. Therefore, I am recommending that the Commission utilize a net ratio of a negative 10% if the Commission elects to utilize the life span approach to develop the depreciation rates.

Q WHAT IS THE IMPACT ON AMERENUE'S PRODUCTION DEPRECIATION EXPENSE IF THE COMMISSION ELECTS TO USE THE LIFE SPAN APPROACH TO DEVELOP STEAM PRODUCTION DEPRECIATION RATES?

A If the Commission elects to use a life span approach to develop the steam and hydraulic depreciation rates, the reduction in depreciation expense from AmerenUE's proposed level will $13.685 million. With my proposed changes to the nuclear and other production depreciation rates, which are not related to using the whole life method, the total production depreciation expense reduction is $19.708 million. This is shown on Schedule JTS-7.

Transmission, Distribution and General Plant

Q HAS AMERENUE PROPOSED CHANGES TO ITS TRANSMISSION, DISTRIBUTION AND GENERAL (TD&G) PLANT ACCOUNTS' DEPRECIATION RATES?

A Yes. Schedule JTS-8 shows AmerenUE's proposed TD&G depreciation parameters, which include average service lives, net salvage ratios, depreciation rates and proposed depreciation expense using December 31, 2008 plant balances.

As shown on Schedule JTS-8, AmerenUE is proposing TD&G depreciation rates that produce a reduction in depreciation expense of $8.695 million.

Q DO YOU HAVE ANY COMMENTS REGARDING AMERENUE'S PROPOSED TD&G DEPRECIATION RATES?

A Yes. AmerenUE's proposed net salvage ratios that are used to develop its TD&G depreciation rates produce excessive amounts of net salvage expense and greatly exceed the level of net salvage expense that AmerenUE actually incurs. As a result,

AmerenUE's TD&G proposed book depreciation rates and expense are excessive. Because the net salvage issue is primarily a T&D plant account issue, I will focus on the net salvage accruals and expenses for those plant accounts.

AmerenUE has included in its T&D depreciation rates a net salvage component that it will not incur in the near future, if at all. These estimates of future net salvage costs include estimates of future inflation.

Q DO YOU TAKE EXCEPTION WITH THE AMOUNT OF NET SALVAGE THAT AMERENUE HAS INCLUDED IN ITS PROPOSED TD&G BOOK DEPRECIATION RATES?

A Yes. The requested annual net salvage component of depreciation expense is significantly higher than AmerenUE's actual annual net salvage expense experience. In fact, the level of annual net salvage expense to be included in AmerenUE's proposed depreciation expense is over six times greater than the annual level of net salvage expense that AmerenUE typically incurs, as measured over the last 10 years.

The consequence of AmerenUE's proposed treatment of net salvage is that it unnecessarily raises rates for today's ratepayers and produces intergenerational inequities. These inequities result from shifting cost burdens to today's ratepayers from future ratepayers. This shift in cost burden occurs because AmerenUE is asking ratepayers to pay a significant cost associated with estimates of future net salvage cost in their proposed depreciation expense.

Q HOW DOES AMERENUE'S PROPOSED T&D NET SALVAGE COMPONENT OF ITS DEPRECIATION RATES COMPARE WITH AMERENUE'S ACTUAL EXPERIENCE?

A A comparison of the net salvage expense included in AmerenUE's proposed depreciation expense with the level of net salvage expense AmerenUE actually incurs shows that AmerenUE's proposed T&D depreciation rates contain a significant provision for future net salvage expense. AmerenUE's proposed T&D depreciation expense contains an annual net salvage component of $76.131 million. However, AmerenUE's average actual annual net salvage expense over the last five years is $15.084 million and over the last 10 years, the average annual net salvage expense has been $11.773 million. Therefore, the proposed current T&D depreciation rates provide for an annual net salvage expense that greatly exceeds AmerenUE's actual average annual net salvage expense over the last five and 10 year periods. The annual net salvage data are shown in Schedule JTS-10.

Q PLEASE EXPLAIN HOW YOU DETERMINED THE NET SALVAGE EXPENSE THAT IS INCLUDED IN AMERENUE'S DEPRECIATION RATES.

A To determine the net salvage expense that is included in AmerenUE's proposed TD&G depreciation rates, I calculated their depreciation rates using the remaining life and the net salvage ratio for each plant account. I then compared that to the depreciation rates that AmerenUE was proposing for each plant account. Because AmerenUE has included the depreciation reserve variance in the development of its depreciation rates, the proposed depreciation rates are equivalent to remaining life rates. This comparison of the depreciation rates is shown on Schedule JTS-9.

I then performed the same calculation setting all of the net salvage ratios for the TD&G plants at 0%. I applied both sets of depreciation rates to the December 31, 2008 plant balances. The difference represents the amount of net salvage that AmerenUE has included in the depreciation rates.

As shown on Schedule JTS-9, AmerenUE has included approximately $4.3 million of net salvage expense in the transmission plant accounts, $71.8 million in the distribution plant accounts and a negative $.8 million in the general plant accounts for a total of a $75.3 million. For the general plant accounts, the gross salvage exceeds the removal cost so the net salvage expense is a negative amount. Also, the net salvage expense associated with the general plant accounts is not as nearly significant as the T&D net salvage expense. Therefore, I will only focus on the T&D net salvage expense.

Q HAS THE COMMISSION RULED ON HOW NET SALVAGE SHOULD BE TREATED IN DEVELOPING THE TD&G DEPRECIATION RATES?

A Yes. In the Commission's Order in Case No. ER-2007-0002, the Commission stated the following:

> "The Commission will continue to use traditional accrual account for calculation of net salvage. The future inflation adjustments proposed by MIEC and Public Counsel are rejected. The Commission also notes that in the Laclede case, the Commission required that company to separately accrue an account for net salvage amounts received in rates separately from the other components of depreciation expense. The Commission will impose the same requirements on AmerenUE.
>
> The Commission believes this decision regarding inflation is consistent with past practices of the Commission has decided in the Laclede case. If the Staff believes this decision is inconsistent with past practice, the Commission expects the Staff to still advise the Commission in an application for reconsideration or clarification." (Commission Order in Case No. ER-2007-0002 pages 93-94)

Q HAS AMERENUE DEVELOPED ITS NET SALVAGE RATIOS USED TO CALCULATE ITS TD&G DEPRECIATION RATES CONSISTENT WITH COMMISSION PRACTICES?

A Yes. AmerenUE's proposed TD&G rates were developed utilizing the method consistent with past Commission practices.

However, as previously indicated, those net salvage ratios produce a net salvage expense or charge to the ratepayers that is significantly greater than the amount of net salvage expense that AmerenUE is likely to incur. As a result, AmerenUE, over time, has accrued a significant amount of depreciation expense that is associated with future removal cost or net salvage expense.

Q HAS AMERENUE PROVIDED THE AMOUNT OF NET SALVAGE EXPENSE THAT IT HAS ACCRUED FOR FUTURE REMOVAL OF T&D ASSETS?

A Yes. In response to MIEC Data Request 4-11, AmerenUE provided the T&D plant accounts cost of removal and gross salvage that is included in the book depreciation reserve. As the March 31, 2009, AmerenUE has accrued $582 million of net salvage expense for future retirements. That is, AmerenUE's past depreciation rates have allowed the Company to accrue $582 million of net salvage costs in excess of the level of costs they have actually incurred. This represents approximately 30% of the accrued depreciation reserve for the T&D investment. It should be noted that these funds were not placed in an account and held for future use. AmerenUE has used this money over time to fund ongoing activities such as construction.

Q HOW HAS AMERENUE'S COMPONENT OF NET SALVAGE EXPENSE THAT IS INCLUDED IN THE TRANSMISSION AND DISTRIBUTION DEPRECIATION RATES COMPARED WITH AMERENUE'S ACTUAL EXPERIENCE?

A Schedule JTS-10 compares the amount of net salvage that AmerenUE has accrued in it depreciation rates with the level of net salvage expense it has actually incurred during the last 10 years. The schedule includes a comparison using the 1983 rates and the depreciation rates that were approved by the Commission in Case No. ER-2007-0002. It is my understanding that the depreciation rates prior to the rates approved in Case No. ER-2007-0002 were approved in 1983.

As Schedule JTS-11 shows AmerenUE has accrued a provision for net salvage that has exceeded its actual experience by approximately $250 million. In addition, the difference between the accrued expense and the actual expense has increased significantly with the implementation of the depreciation rates in Case No. ER-2007-0002. As a result of the Order in that case, AmerenUE's current rates allow them to accrue, annually, approximately $44 million of net salvage expense in excess of their actual needs.

Q HOW DOES THE NET SALVAGE ACCRUAL BUILT INTO AMERENUE'S PROPOSED DEPRECIATION RATES COMPARE WITH THE LEVEL OF NET SALVAGE EXPENSE THAT THEY ARE LIKELY TO INCUR?

A Utilizing actual 2008 data, AmerenUE's proposed TD&G depreciation rates will allow it to accrue net salvage expense that is approximately $59 million above its actual net salvage experience. This is also shown on Schedule JTS-10. Therefore, AmerenUE's proposed T&D depreciation rates will increase the gap between the accrual for net salvage and the actual experience.

Given the current level of net salvage expense that is accrued to date, the accrual will increase significantly over the next five years and may approach $900 million under AmerenUE's proposed T&D depreciation rates.

Q WHAT IS YOUR RECOMMENDATION REGARDING THE LEVEL NET SALVAGE EXPENSE THAT SHOULD BE INCLUDED IN THE AMERENUE'S DEPRECIATION EXPENSE?

A I would recommend that the Commission modify its current approach for determining T&D net salvage expense for AmerenUE. I propose that the Commission establish a T&D depreciation accrual offset of $35 million. AmerenUE's depreciation rates would be developed following the traditional method of determining the net salvage ratios. However, the depreciation expense will be reduced by the $35 million. Under this proposal, AmerenUE will collect net salvage expense in its depreciation rates that is approximately $25 million greater than the level of annual net salvage expense that AmerenUE has actually incurred over the last five years.

It should be noted that as AmerenUE's T&D investment increase, the amount of net salvage that it will be allowed to accrue will also increase. That is, as the investment grows, the accrual of net salvage will grow but the $35 million offset will remain constant. As AmerenUE increases its T&D investment, its depreciation expense, and hence, its net salvage expense will also increase. This should provide AmerenUE with an increasing amount of net salvage expense included in its depreciation rates.

Q WHAT IS THE IMPACT OF YOUR PROPOSED CHANGES IN AMERENUE'S TD&G DEPRECIATION RATES?

A My proposed changes in AmerenUE's depreciation rates reduce its T&D depreciation expense by $35 million on a total Company basis. A comparison of MIEC and AmerenUE's depreciation rates and expense is shown on Schedule JTS-11. This comparison uses plant balances at December 31, 2008 and does reflect the reserve variance; Schedule JTS-11 also shows my proposed allocation of the $35 million depreciation offset between T&D. The $35 million was allocated based on the amount of net salvage built into the depreciation rates.

Net Salvage Expense Discussion

Q WHAT CAUSES THE DISPARITY BETWEEN NET SALVAGE EXPENSE INCLUDED IN DEPRECIATION RATES AND ACTUAL NET SALVAGE EXPERIENCE?

The proposed net salvage percentages or ratios that are included in the development of depreciation rates reflect estimates of potential future net salvage costs. The net salvage ratios that AmerenUE used to develop its proposed TD&G depreciation rates include estimates of future inflation associated with net salvage costs.

Q PLEASE EXPLAIN HOW AMERENUE'S PROPOSED NET SALVAGE RATIOS INCLUDE AN ESTIMATE OF FUTURE INFLATION.

A In simple terms, a net salvage ratio is developed by dividing the net salvage expense by the associated retirement. This ratio is used to develop AmerenUE's proposed net salvage ratios that are included in the book depreciation rates.

In this case, AmerenUE is proposing an average service life of approximately 50 years for its T&D plant accounts. If an asset is retired in 2008, AmerenUE compares the cost to remove the asset in year 2008 dollars with the installed cost of the asset. If the asset was in service for an average service life of 50 years, the cost of the asset is stated in 1958 dollars. As a result, the net salvage ratio is developed from costs stated in dollars from different time periods. That is, the net salvage percent that is included in the T&D depreciation rates is developed from a removal cost in current dollars and a retired asset expressed in historic original cost dollars.

This net salvage ratio is used in developing the depreciation rates. Since the cost of the asset and the cost to remove the asset are stated in dollars from different time periods, the net salvage ratio provides an estimate of future inflated net salvage costs. As a result, AmerenUE's net salvage percentages require today's ratepayers to pay the estimated costs of future inflation.

Q PLEASE PROVIDE AN EXAMPLE OF THE IMPACT ON NET SALVAGE ASSOCIATED WITH INCLUDING FUTURE INFLATION IN THE DEVELOPMENT OF NET SALVAGE RATIOS.

A For Plant Account 364, AmerenUE is proposing a net salvage ratio of a negative 150% and an average service life of 45 years. AmerenUE is requesting $1,500 of net salvage expense for every $1,000 of investment. Under AmerenUE's proposal, today's ratepayers would essentially see a 45-year amortization of the $1,500 in their depreciation rates. As a result, AmerenUE is requiring today's ratepayers to pick up a portion of the cost of inflation that it estimates will occur over the next 45 years. However, if we simply discount the $1,500 at a 3% inflation rate for 45 years, the

present-day cost to remove that asset is approximately $397, not $1,500. The $1,500 cost represents a future cost that may or may not occur.

Q DO YOU SUPPORT USING NET SALVAGE RATIOS THAT REFLECTS EXCESSIVE ESTIMATES OF FUTURE COSTS TO DEVELOP TD&G DEPRECIATION RATES?

A No. Including estimates of future costs that include significant amounts of future inflation in the development of net salvage ratios should be rejected for the following reasons:

1. Removal cost or net salvage for plant is often determined quite arbitrarily. That is, judgment is utilized to develop net salvage ratios.

2. As previously demonstrated, reflecting future net salvage costs that include a significant component for future inflation results in net salvage allowances in depreciation rates that significantly exceed current actual net salvage costs.

3. The procedure essentially projects past inflation rates into the future. This may not be a reasonable assumption.

4. Even adjusting the net salvage percentages for projections of future inflation still requires ratepayers to have included in their rates undiscounted costs of future net salvage.

Q ARE YOU AWARE OF ANY COMMISSIONS THAT HAVE REDUCED THE NET SALVAGE CONTAINED IN DEPRECIATION RATES TO REDUCE THE DISPARITY BETWEEN ACCRUED NET SALVAGE EXPENSE AND ACTUAL EXPERIENCE?

A Yes. The Pennsylvania Commission does not allow utilities to recover future costs that have not been incurred. Essentially, the Pennsylvania Commission allows utilities to recover in their rates net salvage costs, which is the average of the five most recent years of actual removal costs.

The New Jersey Board of Public Utilities and the Public Service Commission of Delaware also base their net salvage allowance for ratemaking purposes on actual experience and exclude the net salvage ratio from the depreciation rates. In these instances, the net salvage costs are treated like other operating expenses.

In addition, the Georgia Public Service Commission's net salvage calculation accounts for the timing difference between the cost of the retired asset and the net salvage expense caused by inflation. That is, the depreciation procedure that is utilized in Georgia for computing the net removal cost avoids the distortion that results from comparing dollars at very different values or times. AmerenUE's proposal, on the other hand, ignores the significant timing difference between the original cost of the asset and the net salvage expense incurred to remove that asset from service.

Also, the Public Service Commission of Maryland in a recent rate order adopted the "Present Value Method" for the recovery of removal costs. Under this ratemaking method, the time value of money or the diminishing purchasing power of the dollar is recognized. This method of treating net salvage is also in contrast to the method proposed by AmerenUE in this case, which not only incorporates inflation but ignores the diminishing purchasing power of the dollar.

Q IS THERE SUPPORT IN ANY INDUSTRY TRADE PUBLICATION FOR YOUR PROPOSAL REGARDING THE DEVELOPMENT OF T&D DEPRECIATION RATES?

A Yes. Pages 157 and 158 of the Public Utility Depreciation Practices published in August 1996 by the National Association of Regulatory Utility Commissioners (NARUC) states:

> "Determining a reasonably accurate estimate of the average or future net salvage is not an easy task; estimates can be the subject of considerable discussions and controversy between regulators and utility personnel. This is one of the reasons advanced in support of current-period accounting for these items. When estimating future net salvage, every effort should be made to ensure that the estimate is as accurate as possible. Normally, the process should start by analyzing past salvage and cost of removal data and by using the results of this analysis to project future gross salvage and cost of removal."

The 1996 NARUC Public Utility Depreciation Practices publication also provides rationale for excluding the impacts of future inflation in developing depreciation rates.

> "It is frequently the case that the net salvage for a class of property is negative, that is, cost of removal exceeds gross salvage. This circumstance has increasingly become dominant over the past 20 to 30 years; in some cases, negative net salvage even exceeds the original cost of plant. Today few utility plant categories experience positive net salvage; this means that most depreciation rates must be designed to recover more than the original cost of the plant. The predominance of this circumstance is another reason why some utility commissions have switched to current-period accounting for gross salvage and, particularly, cost of removal." (NARUC 1996 Public Utility Depreciation Practices, page 158)

Excluding estimates of future inflation from the net salvage ratios is consistent with methods used by other jurisdictions and is acceptable to NARUC.

Other Depreciation Issues

Q EARLIER IN YOUR TESTIMONY, YOU DISCUSSED RESERVE VARIANCE AMORTIZATION THAT AMERENUE HAS INCLUDED IN ITS DEPRECIATION RATES. PLEASE EXPLAIN THE RESERVE AMORTIZATION.

A The reserve variance amortization is an adjustment to the annual depreciation expense to align the actual accumulated book depreciation reserves with the calculated theoretical book depreciation reserve. The theoretical reserves by plant account are the reserves that would exist if the proposed depreciation lives and net

salvage ratios would have been in place over the entire life. Essentially, the reserve variances are simply the difference between the Company's book accumulated depreciation reserves and the theoretical reserves that are calculated from the proposed depreciation parameters.

Q WHAT IS THE ESTIMATED TOTAL RESERVE VARIANCE THAT IS INCLUDED IN THE DEPRECIATION RATES?

A The total reserve variance that AmerenUE has included in its proposed depreciation rates has the effect of reducing depreciation expense by $20 million. That is, AmerenUE has decreased the depreciation rates developed from the depreciation parameters to reflect the difference between the actual book depreciation reserve and the theoretical reserve. The theoretical reserve indicates that AmerenUE's past depreciation rates have been overstated and AmerenUE has recovered significantly more depreciation expense in the past than it should have.

Q DID YOU CALCULATE A DEPRECIATION RESERVE VARIANCE?

A No. As indicated earlier in my testimony, if the Commission continues to develop its steam and hydraulic production depreciation rates from the whole life characteristics as opposed to the life span approach, the reserve variance is not necessary. Consistent with the Staff's position, any unrecovered depreciation could be amortized over some designated period so the utility will recover the full cost of the plant.

Q SHOULD THE COMMISSION INCLUDE THE RESERVE VARIANCE IN THE DEVELOPMENT OF THE DEPRECIATION RATES FOR THE FUNCTIONS OTHER THAN STEAM AND HYDRAULIC PRODUCTION?

A Yes. Recognizing over and under accruals of past depreciation expense for the other functions, such as nuclear, other production, transmission, distribution and general is appropriate and I have recognized the reserve variance in my proposed depreciation rates.

Summary of Depreciation Impact

Q WHAT IS THE IMPACT OF YOUR PROPOSED BOOK DEPRECIATION RATES ON AMERENUE'S PROPOSED LEVEL OF DEPRECIATION EXPENSE?

A My proposed depreciation rates reduce AmerenUE's proposed level of depreciation expense by $74.485 million on a total Company basis based on plant balances December 31, 2008. My proposed changes to the production depreciation rates and expense are shown on Schedule JTS-5 and the proposed changes to the TD&G depreciation rates and expense are shown on Schedule JTS-11.

Incentive Compensation

Q ARE YOU PROPOSING ANY ADJUSTMENT TO AMERENUE'S INCENTIVE COMPENSATION EXPENSE?

A Yes. I am recommending that all short-term incentive compensation for AmerenUE's management be excluded from the test year revenue requirement. MIEC witness Greg Meyer describes AmerenUE's five short-term incentive plans in his direct testimony. The management incentive compensation expense that I am addressing relates to the expenses that Mr. Meyer did not address in his direct testimony.

These incentive compensation payments would increase the cost to ratepayers during very difficult economic times, but AmerenUE has not shown that ratepayers benefit from them. Given the rate increase that customers received in March 2009 and the level of increase customers may receive in June 2010, it is difficult to see how ratepayers have benefited from these incentive compensation programs. In addition, AmerenUE's shareholders have not only seen a significant drop in the value of their stock over the last two years but have also seen a cut in their dividend. Therefore, it is unclear who benefits from these programs other than AmerenUE's management.

Q WHAT HAS BEEN THE ECONOMIC SITUATION IN THE METROPOLITAN ST. LOUIS AREA AND THE STATE OF MISSOURI OVER THE LAST TWO YEARS?

A The unemployment rates in the Metropolitan St. Louis area and in the State of Missouri in 2007 were 5.3% and 5.1%, respectively. In 2008, the unemployment rates increased to 6.6% and 6.1%, respectively. As of September 2009, the unemployment rates were 9.9% and 9.3%, respectively.

In addition, bankruptcies in the State of Missouri have also increased substantially since 2007. During 2007, the reported bankruptcies were averaging approximately 5,500 per quarter. For the latest quarter, which is the quarter ended September 2009, the reported bankruptcies were 8,277.

This data clearly shows that the economic conditions in the St. Louis Metropolitan area and in the State of Missouri have deteriorated significantly over the last few years.

Q DURING THESE DIFFICULT ECONOMIC TIMES, HAVE AMERENUE'S ELECTRIC RATES INCREASED?

A Yes. The Commission approved AmerenUE's last rate increase effective March 1, 2009. Electric rates increased by approximately $162 million or 7%. In this case, AmerenUE is seeking $402 million or an 18% increase.

Q BASED ON YOUR REVIEW OF THE INCENTIVE COMPENSATION EXPENSE AND THIS ECONOMIC AND FINANCIAL DATA YOU PRESENTED, WHAT CONCLUSION DO YOU DRAW?

A I conclude that over the last two years, AmerenUE ratepayers have not fared well. With the level of rate increase that AmerenUE has already received and what is requested in this rate proceeding, ratepayers could see their rates increase significantly in a short period of time. As a result, it is difficult to understand how AmerenUE's ratepayers are receiving benefits from the management incentive programs. In addition, it is my understanding that management incentives were paid out over the last two years during these difficult economic times.

Therefore, I am recommending that the Commission exclude for ratemaking purposes, all management short-term incentive compensation costs. I should note that I am not proposing this as a permanent adjustment. The effectiveness of these incentive programs could be evaluated in AmerenUE's next rate case.

Q WHAT IS THE IMPACT OF YOUR PROPOSED ADJUSTMENT ON AMERENUE'S TEST YEAR REVENUE REQUIREMENT?

A My proposed adjustment reduces AmerenUE's test year revenue requirement by $10.6 million.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of James T. Selecky

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James T. Selecky. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and am a principal with the firm of Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I graduated from Oakland University in 1969 with a Bachelor of Science degree with a major in Engineering. In 1978, I received the degree of Master of Business Administration with a major in Finance from Wayne State University.

I was employed by The Detroit Edison Company (DECo) in April of 1969 in its Professional Development Program. My initial assignments were in the engineering and operations divisions where my responsibilities included evaluation of equipment for use on the distribution and transmission system; equipment performance testing under field and laboratory conditions; and troubleshooting and equipment testing at various power plants throughout the DECo system. I also worked on system design and planning for system expansion.

In May of 1975, I transferred to the Rate and Revenue Requirement area of DECo. From that time, and until my departure from DECo in June 1984, I held various positions which included economic analyst, senior financial analyst,

supervisor of the Rate Research Division, supervisor of the Cost-of-Service Division and director of the Revenue Requirement Department. In these positions, I was responsible for overseeing and performing economic and financial studies and book depreciation studies; developing fixed charge rates and parameters and procedures used in economic studies; providing a financial analysis consulting service to all areas of DECo; developing and designing rate structure for electrical and steam service; analyzing profitability of various classes of service and recommending changes therein; determining fuel and purchased power adjustments; and all aspects of determining revenue requirements for ratemaking purposes.

In June of 1984, I joined the firm of Drazen-Brubaker & Associates, Inc. (DBA). In April 1995 the firm of Brubaker & Associates, Inc. (BAI) was formed. It includes most of the former DBA principals and staff. At DBA and BAI I have testified in electric, gas and water proceedings involving almost all aspects of regulation. I have also performed economic analyses for clients related to energy cost issues.

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

Q HAVE YOU PREVIOUSLY APPEARED BEFORE A REGULATORY COMMISSION?

A Yes. I have testified on behalf of DECo in its steam heating and main electric cases. In these cases I have testified to rate base, income statement adjustments, changes in book depreciation rates, rate design, and interim and final revenue deficiencies.

In addition, I have testified before the regulatory commissions of the States of Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, New Hampshire, New Jersey, North Carolina,

Ohio, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming, and the Provinces of Alberta, Nova Scotia and Saskatchewan. I also have testified before the Federal Energy Regulatory Commission. In addition, I have filed testimony in proceedings before the regulatory commissions in the States of Florida, Montana, New York and Pennsylvania and the Province of British Columbia. My testimony has addressed revenue requirement issues, cost of service, rate design, financial integrity, accounting-related issues, merger-related issues, and performance standards. The revenue requirement testimony has addressed book depreciation rates, decommissioning expense, O&M expense levels, and rate base adjustments for items such as plant held for future use, working capital, and post test year adjustments. In addition, I have testified on deregulation issues such as stranded cost estimates and rate design.

Q ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

A Yes, I am a registered professional engineer in the State of Michigan.

AmerenUE

AmerenUE's Proposed Production Depreciation Parameters And Expense And Comparison With Current Production Depreciation Rates And Expense
At December 31, 2008 Plant Balances

		Depreciable Group	Probable Retirement Year	Interim Ret Survivor Curve	Net Salvage	Original Cost at Dec 31, 2008	AmerenUE Proposed Depreciation Rate	AmerenUE Proposed Depreciation Expense	Present Dep Rates	Present Depreciation Expense	Proposed Minus Present Depreciation Expense
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Meramec Steam Production Plant									
1	311	Structures & Improvements	01-2022	115 - R1.5	-2%	$39,820,843	2.60%	$1,035,342	1.05%	$418,119	$617,223
2	312	Boiler Plant Equipment	01-2022	60 - L0.5	-15%	415,492,860	6.91%	28,710,557	2.15%	8,933,096	19,777,460
3	314	Turbogenerator Units	01-2022	70 - L0.5	-5%	83,427,432	3.23%	2,694,706	1.70%	1,418,266	1,276,440
4	315	Accessory Electrical Equipment	01-2022	80 - S0	-3%	43,146,199	3.96%	1,708,589	1.21%	522,069	1,186,520
5	316	Miscellaneous Power Plant Equipment	01-2022	60 - O1	0%	19,153,270	5.93%	1,135,789	1.77%	339,013	796,776
6		Total Meramec Steam Production Plant				$601,040,604	5.87%	$35,284,983		$11,630,564	$23,654,419
		Sioux Steam Production Plant									
7	311	Structures & Improvements	09-2033	115 - R1.5	-2%	$36,425,327	2.54%	$925,203	1.05%	$382,466	$542,737
8	312	Boiler Plant Equipment	09-2033	60 - L0.5	-15%	392,050,516	3.77%	14,780,304	2.15%	8,429,086	6,351,218
9	314	Turbogenerator Units	09-2033	70 - L0.5	-5%	99,339,660	3.13%	3,109,331	1.70%	1,688,774	1,420,557
10	315	Accessory Electrical Equipment	09-2033	80 - S0	-3%	34,536,592	2.81%	970,478	1.21%	417,893	552,585
11	316	Miscellaneous Power Plant Equipment	09-2033	60 - O1	0%	10,342,298	3.28%	339,227	1.77%	183,059	156,169
12		Total Sioux Steam Production Plant				$572,694,393	3.51%	$20,124,545		$11,101,278	$9,023,267
		Labadie Steam Production Plant									
13	311	Structures & Improvements	09-2042	115 - R1.5	-2%	$64,976,426	1.38%	$896,675	1.05%	$682,252	$214,422
14	312	Boiler Plant Equipment	09-2042	60 - L0.5	-15%	594,753,745	2.29%	13,619,861	2.15%	12,787,206	832,655
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars		26 - R2.5	30%	116,271,400	0.54%	627,866	4.19%	4,871,772	(4,243,906)
16	314	Turbogenerator Units	09-2042	70 - L0.5	-5%	208,376,677	2.39%	4,980,203	1.70%	3,542,404	1,437,799
17	315	Accessory Electrical Equipment	09-2042	80 - S0	-3%	81,057,131	1.69%	1,369,866	1.21%	980,791	389,074
18	316	Miscellaneous Power Plant Equipment	09-2042	60 - O1	0%	19,334,388	1.96%	378,954	1.77%	342,219	36,735
		Total Labadie Steam Production Plant				$1,084,769,767	2.02%	$21,873,423		$23,206,643	($1,333,220)
		Rush Island Steam Production Plant									
19	311	Structures & Improvements	09-2046	115 - R1.5	-2%	$53,514,432	1.05%	$561,902	1.05%	$561,902	$0
20	312	Boiler Plant Equipment	09-2046	60 - L0.5	-15%	385,943,531	2.08%	8,027,625	2.15%	8,297,786	(270,160)
21	314	Turbogenerator Units	09-2046	70 - L0.5	-5%	136,992,202	2.00%	2,739,844	1.70%	2,328,867	410,977
22	315	Accessory Electrical Equipment	09-2046	80 - S0	-3%	37,966,123	1.69%	641,627	1.21%	459,390	182,237
23	316	Miscellaneous Power Plant Equipment	09-2046	60 - O1	0%	11,297,925	1.80%	203,363	1.77%	199,973	3,389
		Total Rush Island Steam Production Plant				$625,714,213	1.94%	$12,174,361		$11,847,918	$326,443
		Common									
24	311	Structures & Improvements	09-2042	115 - R1.5	-2%	$1,959,206	2.61%	$51,135	1.05%	$20,572	$30,564
25	312	Boiler Plant Equipment	09-2042	60 - L0.5	-15%	36,983,418	3.30%	1,220,453	2.15%	795,143	425,309
26	315	Accessory Electrical Equipment	09-2042	80 - S0	-3%	3,129,975	2.75%	86,074	1.21%	37,873	48,202
27	316	Miscellaneous Power Plant Equipment	09-2042	60 - O1	0%	20,843	2.82%	588	1.77%	369	219
28		Total Common				$42,093,441	3.22%	$1,358,250		$853,957	$504,293
29		**Total Steam Production Plant**				**$2,926,312,418**	**3.10%**	**$90,815,562**		**$58,640,359**	**$32,175,203**

AmerenUE

AmerenUE's Proposed Production Depreciation Parameters And Expense And Comparison With Current Production Depreciation Rates And Expense
At December 31, 2008 Plant Balances

		Depreciable Group	Probable Retirement Year	Interim Ret Survivor Curve	Net Salvage	Original Cost at Dec 31, 2008	AmerenUE Proposed Depreciation Rate	AmerenUE Proposed Depreciation Expense	Present Dep Rates	Present Depreciation Expense	Proposed Minus Present Depreciation Expense
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Nuclear Production Plant									
30	321	Structures & Improvements	10-2044	100 - R1 (a)	-1%	$908,912,210	1.39%	$12,633,880	1.97%	$17,905,571	($5,271,691)
31	322	Reactor Plant Equipment	10-2044	60 - S0 (a)	-10%	1,011,169,315	2.56%	25,885,934	2.46%	24,874,765	1,011,169
32	323	Turbogenerator Units	10-2044	60 - S0.5 (a)	-2%	509,558,176	2.05%	10,445,943	2.08%	10,598,810	(152,867)
33	324	Accessory Electrical Equipment	10-2044	80 - R2 (a)	0%	211,158,284	1.28%	2,702,826	1.91%	4,033,123	(1,330,297)
34	325	Miscellaneous Power Plant Equipment	10-2044	60 - O3 (a)	0%	171,818,762	2.95%	5,068,653	2.49%	4,278,287	790,366
35		**Total Nuclear Production Plant**				**$2,812,616,747**	**2.02%**	**$56,737,236**		**$61,690,556**	**($4,953,320)**
		Hydraulic Production Plant									
		Osage Hydraulic Production Plant									
36	331	Structures & Improvements	06-2047	130 - R1 (a)	-20%	$4,388,345	2.52%	$110,586	0.94%	$41,250	$69,336
37	332	Reservoirs, Dams, & Waterways	06-2047	150 - L2 (a)	-20%	26,340,018	1.84%	484,656	0.56%	147,504	337,152
38	333	Water Wheels, Turbines, & Generators	06-2047	95 - S0.5 (a)	-30%	33,927,129	3.05%	1,034,777	2.09%	709,077	325,700
39	334	Accessory Electrical Equipment	06-2047	65 - R0.5 (a)	-8%	6,077,560	2.51%	152,547	1.68%	102,103	50,444
40	335	Miscellaneous Power Plant Equipment	06-2047	60 - R0.5 (a)	-5%	2,257,999	2.66%	60,063	1.67%	37,709	22,354
41	336	Roads, Railroads, & Bridges	06-2047	40 - O2 (a)	0%	77,445	-2.66%	(2,060)	1.63%	1,262	(3,322)
42		Total Osage Hydraulic Production Plant				$73,068,496	2.52%	$1,840,570		$1,038,905	$801,664
		Keokuk Hydraulic Production Plant									
43	331	Structures & Improvements	06-2055	130 - R1 (a)	-20%	$5,643,621	2.17%	$122,467	0.94%	$53,050	$69,417
44	332	Reservoirs, Dams, & Waterways	06-2055	150 - L2 (a)	-20%	14,294,537	1.77%	253,013	0.56%	80,049	172,964
45	333	Water Wheels, Turbines, & Generators	06-2055	95 - S0.5 (a)	-30%	59,286,459	2.72%	1,612,592	2.09%	1,239,087	373,505
46	334	Accessory Electrical Equipment	06-2055	65 - R0.5 (a)	-8%	10,757,362	2.59%	278,616	1.68%	180,724	97,892
47	335	Miscellaneous Power Plant Equipment	06-2055	60 - R0.5 (a)	-5%	2,986,736	2.17%	64,812	1.67%	49,878	14,934
48	336	Roads, Railroads, & Bridges	06-2055	40 - O2 (a)	0%	114,926	1.72%	1,977	1.63%	1,873	103
49		Total Keokuk Hydraulic Production Plant				$93,083,641	2.51%	$2,333,476		$1,604,662	$728,814
		Taum Sauk Hydraulic Production Plant									
50	331	Structures & Improvements	06-2049	130 - R1 (a)	-20%	$6,000,732	2.64%	$158,419	0.94%	$56,407	$102,012
51	332	Reservoirs, Dams, & Waterways	06-2049	150 - L2 (a)	-20%	28,104,317	2.38%	668,883	0.56%	157,384	511,499
52	333	Water Wheels, Turbines, & Generators	06-2049	95 - S0.5 (a)	-30%	39,324,979	2.86%	1,124,694	2.09%	821,892	302,802
53	334	Accessory Electrical Equipment	06-2049	65 - R0.5 (a)	-8%	3,947,016	2.10%	82,887	1.68%	66,310	16,577
54	335	Miscellaneous Power Plant Equipment	06-2049	60 - R0.5 (a)	-5%	2,413,628	2.46%	59,375	1.67%	40,308	19,068
55	336	Roads, Railroads, & Bridges	06-2049	40 - O2 (a)	0%	45,570	-1.35%	(615)	1.63%	743	(1,358)
56		Total Taum Sauk Hydraulic Production Plant				$79,836,242	2.62%	$2,093,644		$1,143,043	$950,600
57		**Total Hydraulic Production Plant**				**$245,988,379**	**2.55%**	**$6,267,690**		**$3,786,611**	**$2,481,079**
		Other Production Plant									
58	341	Structures & Improvements		40 - R4	-5%	$25,892,740	2.41%	$624,015	2.63%	$680,979	($56,964)
59	342	Fuel Holders, Producers, & Accessories		40 - R4	-5%	24,520,526	2.63%	644,890	2.63%	644,890	0
60	344	Generators		40 - R4	-5%	1,051,873,156	1.94%	20,406,339	2.63%	27,664,264	(7,257,925)
61	345	Accessory Electrical Equipment		40 - R4	-5%	69,921,659	2.68%	1,873,900	2.63%	1,838,940	34,961
62	346	Miscellaneous Power Plant Equipment		25 - R1	-5%	6,113,533	3.96%	242,096	2.63%	160,786	81,310
63		**Total Other Production Plant**				**$1,178,321,614**	**2.02%**	**$23,791,240**		**$30,989,858**	**($7,198,618)**
60		**Total Production Plant**				**$7,163,239,158**	**2.48%**	**$177,611,728**		**$155,107,385**	**$22,504,344**

Source: Wiedmayer Direct Testimony, Attachments III-4 through III-7 -- Production Plant Only

AmerenUE

Comparison of AmerenUE's Retirement Date Proposals

Line	Facility Name	EC-2002-1	Original ER-2007-0002	Revised ER-2007-0002	ER-2010-0036
1	Meramec Steam Production Plant	June 2016	2026	2021	January 2022
2	Sioux Steam Production Plant	June 2018	2026	2027	September 2033
3	Labadie Steam Production Plant	June 2023	2026	2033	September 2042
4	Rush Island Steam Production Plant	June 2027	2026	2037	September 2046
5	Callaway Nuclear Production Plant	October 2024	2024	2024	October 2044
6	Osage Hydraulic Production Plant	February 2036	2036	2046	June 2047
7	Keokuk Hydraulic Production Plant	June 2028	2036	2036	June 2055
8	Taum Sauk Hydraulic Production Plant	July 2040	2036	2036	June 2049

				Estimated Life Span in Years			
		Installation Year		EC-2002-1	Original ER-2007-0002	Revised ER-2007-0002	ER-2010-0036
9	Meramec Steam Production Plant Unit 1	1953	[1]	63	73	68	69
10	Meramec Steam Production Plant Unit 2	1954	[1]	62	72	67	68
11	Meramec Steam Production Plant Unit 3	1959	[1]	57	67	62	63
12	Meramec Steam Production Plant Unit 4	1961	[1]	55	65	60	61
13	Sioux Steam Production Plant Unit 1	1967	[1]	51	59	60	66
14	Sioux Steam Production Plant Unit 2	1968	[1]	50	58	59	65
15	Labadie Steam Production Plant Unit 1	1970	[1]	53	56	63	72
16	Labadie Steam Production Plant Unit 2	1971	[1]	52	55	62	71
17	Labadie Steam Production Plant Unit 3	1972	[1]	51	54	61	70
18	Labadie Steam Production Plant Unit 4	1973	[1]	50	53	60	69
19	Rush Island Steam Production Plant Unit 1	1976	[1]	51	50	61	70
20	Rush Island Steam Production Plant Unit 2	1977	[1]	50	49	60	69
21	Callaway Nuclear Production Plant	1984	[2]	40	40	40	60
22	Osage Hydraulic Production Plant	1953	[2]	83	83	93	94
23	Keokuk Hydraulic Production Plant	1913	[2]	115	123	123	142
24	Taum Sauk Hydraulic Production Plant	1963	[2]	77	73	73	86

Sources:

[1]Schedule LWL-E1-7 pg. 13

[2]FERC Form 1 for 2008, pages 402-408 (Dates of Last Unit Install)

AmerenUE

Calculation of Steam Production Depreciation Rates Using Whole Life Method And Comparison With Current Steam Production Depreciation Rates

Line	Account	Steam Production Plant	Original Cost at Dec 31, 2008	ER-2007-0002 Depreciation Rate	ER-2007-0002 Depreciation Expense	Whole Life	Net Salvage	ER-2010-0036 Depreciation Rate	ER-2010-0036 Depreciation Expense	ER-2007-0002 Expense Minus ER-2010-0036 Expense
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	311	Structures & Improvements	$196,696,233	1.05%	$2,065,310	115	-8%	0.94%	$1,848,945	$216,366
2	312	Boiler Plant Equipment	1,825,224,070	2.15%	39,242,318	60	-25%	2.08%	37,964,661	1,277,657
3	312.03	Boiler Plant Equipment - Aluminum Coal Cars	116,271,400	4.19%	4,871,772	26	80%	0.77%	895,290	3,976,482
4	314	Turbogenerator Units	528,135,972	1.70%	8,978,312	70	-6%	1.51%	7,974,853	1,003,458
5	315	Accessory Electrical Equipment	199,836,020	1.21%	2,418,016	80	-7%	1.34%	2,677,803	(259,787)
6	316	Miscellaneous Power Plant Equipment	60,148,724	1.77%	1,064,632	60	1%	1.65%	992,454	72,178
7		Total	$2,926,312,418		$58,640,359				$52,354,005	$6,286,355

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Nuclear Plant Account 322 Life & Net Salvage Analysis

Average Remaining Life

Line	Description	Amounts (000)
1	Total Retirements	$176,281
2	2005 Steam Generator Retirement	$81,326
3	Adjusted Total Retirements	$94,955
4	Average Annual Retirements (23 yrs)	$4,128
5	Exposure at Midpoint (11.5 yrs)	$829,300
6	Retirement Ratio	0.498%
7	Estimated Retirement Date	10/15/2044
8	Remaining Life Span @ 12/31/2008	35.8
9	**Average Remaining Life**	**32.6**

Net Salvage Ratio

10	2005 Net Salvage Expense	$27,063
11	Net Salvage @ Age Interval 19.5	$25,545
12	Total Net Salvage Expense	$32,002
13	Adjusted Total Net Salvage Expense	$6,457
14	Total Adjusted Retirements	$94,955
15	Net Salvage Ratio	-6.80%
16	**Net Salvage Ratio Interim Retirements** [.498% x 35.8 x -6.80%]	**-1.20%**

Revised Depreciation Rate

17	Plant Balance at 12/31/2008	$1,011,169
18	Reserve Balance at 12/31/2008	$339,508
19	Reserve Ratio	33.58%
20	**Depreciation Rate**	**2.07%**

Sources
*Source: Schedule B-20 attached to Wiedmayer Testimony
**Source: Schedule A-23 attached to Wiedmayer Testimony
***Calculated Using the Samer Percentage as Retirements
‡Source: Schedule III-5 attached to Wiedmayer Testimony
‡‡Source: Schedule III-11 attached to Wiedmayer Testimony

Formulas:
1. Average Remaining Life = Remaining Life - (Remaining Life^2*Interim Retirement Ratio)/2
2. Depreciation Rate = (1-Net Salvage%-Reserve Ratio)/(Average Remaining Life)

AmerenUE

MIEC Proposed Production Depreciation Parameters And Expense and Comparison With AmerenUE Proposed Production Depreciation Rates

Line		Depreciable Group	Original Cost at Dec 31, 2008	Net Salvage	Life Span Proposed	Revised Dep Rate	MIEC Dep Expense	AmerenUE Dep Expense	Dep Expense
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Steam Production Plant							
		Meramec Steam Production Plant							
1	311	Structures & Improvements	$39,820,843	-8.0%	115	0.94%	$374,316	$1,035,342	($661,026)
2	312	Boiler Plant Equipment	415,492,860	-25.0%	60	2.08%	8,642,251	28,710,557	(20,068,305)
3	314	Turbogenerator Units	83,427,432	-6.0%	70	1.51%	1,259,754	2,694,706	(1,434,952)
4	315	Accessory Electrical Equipment	43,146,199	-7.0%	80	1.34%	578,159	1,708,589	(1,130,430)
5	316	Miscellaneous Power Plant Equipment	19,153,270	1.0%	60	1.65%	316,029	1,135,789	(819,760)
6		Total Meramec Steam Production Plant	$601,040,604				$11,170,510	$35,284,983	($24,114,473)
		Sioux Steam Production Plant							
7	311	Structures & Improvements	$36,425,327	-8.0%	115	0.94%	$342,398	$925,203	($582,805)
8	312	Boiler Plant Equipment	392,050,516	-25.0%	60	2.08%	8,154,651	14,780,304	(6,625,654)
9	314	Turbogenerator Units	99,339,660	-6.0%	70	1.51%	1,500,029	3,109,331	(1,609,302)
10	315	Accessory Electrical Equipment	34,536,592	-7.0%	80	1.34%	462,790	970,478	(507,688)
11	316	Miscellaneous Power Plant Equipment	10,342,298	1.0%	60	1.65%	170,648	339,227	(168,579)
12		Total Sioux Steam Production Plant	$572,694,393				$10,630,516	$20,124,545	($9,494,029)
		Labadie Steam Production Plant							
13	311	Structures & Improvements	$64,976,426	-8.0%	115	0.94%	$610,778	$896,675	($285,896)
14	312	Boiler Plant Equipment	594,753,745	-25.0%	60	2.08%	12,370,878	13,619,861	(1,248,983)
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	116,271,400	80.0%	26	0.77%	895,290	627,866	267,424
16	314	Turbogenerator Units	208,376,677	-6.0%	70	1.51%	3,146,488	4,980,203	(1,833,715)
17	315	Accessory Electrical Equipment	81,057,131	-7.0%	80	1.34%	1,086,166	1,369,866	(283,700)
18	316	Miscellaneous Power Plant Equipment	19,334,388	1.0%	60	1.65%	319,017	378,954	(59,937)
		Total Labadie Steam Production Plant	$1,084,769,767				$18,428,617	$21,873,423	($3,444,806)
		Rush Island Steam Production Plant							
19	311	Structures & Improvements	$53,514,432	-8.0%	115	0.94%	$503,036	$561,902	($58,866)
20	312	Boiler Plant Equipment	385,943,531	-25.0%	60	2.08%	8,027,625	8,027,625	0
21	314	Turbogenerator Units	136,992,202	-6.0%	70	1.51%	2,068,582	2,739,844	(671,262)
22	315	Accessory Electrical Equipment	37,966,123	-7.0%	80	1.34%	508,746	641,627	(132,881)
23	316	Miscellaneous Power Plant Equipment	11,297,925	1.0%	60	1.65%	186,416	203,363	(16,947)
		Total Rush Island Steam Production Plant	$625,714,213				$11,294,405	$12,174,361	($879,956)
		Common							
24	311	Structures & Improvements	$1,959,206	-8.0%	115	0.94%	$18,417	$51,135	($32,719)
25	312	Boiler Plant Equipment	36,983,418	-25.0%	60	2.08%	769,255	1,220,453	(451,198)
26	315	Accessory Electrical Equipment	3,129,975	-7.0%	80	1.34%	41,942	86,074	(44,133)
27	316	Miscellaneous Power Plant Equipment	20,843	1.0%	60	1.65%	344	588	(244)
28		Total Common	$42,093,441				$829,957	$1,358,250	($528,293)
29		**Total Steam Production Plant**	**$2,926,312,418**				**$52,354,005**	**$90,815,562**	**($38,461,557)**

AmerenUE

MIEC Proposed Production Depreciation Parameters And Expense and Comparison With AmerenUE Proposed Production Depreciation Rates

		Depreciable Group (1)	Original Cost at Dec 31, 2008 (2)	Net Salvage (3)	Life Span Proposed (4)	Revised Dep Rate (5)	MIEC Dep Expense (6)	AmerenUE Dep Expense (7)	Dep Expense (8)
		Nuclear Production Plant							
30	321	Structures & Improvements	$908,912,210	-1.0%	2044	1.39%	$12,633,880	$12,633,880	$0
31	322	Reactor Plant Equipment	1,011,169,315	-1.4%	2044	2.07%	20,931,205	25,885,934	(4,954,730)
32	323	Turbogenerator Units	509,558,176	2.0%	2044	2.05%	10,445,943	10,445,943	0
33	324	Accessory Electrical Equipment	211,158,284	0.0%	2044	1.28%	2,702,826	2,702,826	0
34	325	Miscellaneous Power Plant Equipment	171,818,762	0.0%	2044	2.95%	5,068,653	5,068,653	0
35		**Total Nuclear Production Plant**	**$2,812,616,747**				**$51,782,507**	**$56,737,236**	**($4,954,730)**
		Hydraulic Production Plant							
		Osage Hydraulic Production Plant							
36	331	Structures & Improvements	$4,388,345	-29.0%	130	0.99%			
37	332	Reservoirs, Dams, & Waterways	26,340,018	-29.0%	150	0.86%			
38	333	Water Wheels, Turbines, & Generators	33,927,129	-94.0%	95	2.04%			
39	334	Accessory Electrical Equipment	6,077,560	-7.0%	65	1.65%			
40	335	Miscellaneous Power Plant Equipment	2,257,999	-5.0%	60	1.75%			
41	336	Roads, Railroads, & Bridges	77,445	0.0%	40	2.50%			
42		Total Osage Hydraulic Production Plant	$73,068,496						
		Keokuk Hydraulic Production Plant							
43	331	Structures & Improvements	$5,643,621	-29.0%	130	0.99%			
44	332	Reservoirs, Dams, & Waterways	14,294,537	-29.0%	150	0.86%			
45	333	Water Wheels, Turbines, & Generators	59,286,459	-94.0%	95	2.04%			
46	334	Accessory Electrical Equipment	10,757,362	-7.0%	65	1.65%			
47	335	Miscellaneous Power Plant Equipment	2,986,736	-5.0%	60	1.75%			
48	336	Roads, Railroads, & Bridges	114,926	0.0%	40	2.50%			
49		Total Keokuk Hydraulic Production Plant	$93,083,641						
		Taum Sauk Hydraulic Production Plant							
50	331	Structures & Improvements	$6,000,732	-29.0%	130	0.99%			
51	332	Reservoirs, Dams, & Waterways	28,104,317	-29.0%	150	0.86%			
52	333	Water Wheels, Turbines, & Generators	39,324,979	-94.0%	95	2.04%			
53	334	Accessory Electrical Equipment	3,947,016	-7.0%	65	1.65%			
54	335	Miscellaneous Power Plant Equipment	2,413,628	-5.0%	60	1.75%			
55	336	Roads, Railroads, & Bridges	45,570	0.0%	40	2.50%			
56		Total Taum Sauk Hydraulic Production Plant	$79,836,242						
57		**Total Hydraulic Production Plant**	**$245,988,379**						
		Other Production Plant							
58	341	Structures & Improvements	$25,892,740	-2.0%	45	2.31%	$598,122	$624,015	($25,893)
59	342	Fuel Holders, Producers, & Accessories	24,520,526	-2.0%	45	2.53%	620,369	644,890	(24,521)
60	344	Generators	1,051,873,156	-2.0%	45	1.85%	19,459,653	20,406,339	(946,686)
61	345	Accessory Electrical Equipment	69,921,659	-2.0%	45	2.59%	1,810,971	1,873,900	(62,929)
62	346	Miscellaneous Power Plant Equipment	6,113,533	-2.0%	30	3.82%	233,537	242,096	(8,559)
63		**Total Other Production Plant**	**$1,178,321,614**				**$22,722,653**	**$23,791,240**	**($1,068,588)**
60		**Total Production Plant**	**$7,163,239,158**				**$126,859,164**	**$171,344,039**	**($44,484,874)**

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Plant Account 312 Net Salvage Analysis

Line	Year	Net Salvage History (000)
1	1999	$1,487
2	2000	5,499
3	2001	7,461
4	2002	6,224
5	2003	6,462
6	2004	14,234
7	2005	4,026
8	2006	859
9	2007	5,047
10	2008	1,467
11	Total	$52,765
12	5 yr Ave	$5,126
13	10 yr Ave	$5,277

	Years	Annual Net Salvage 3% Inflation (000)
14	1	$5,202
15	2	5,358
16	3	5,519
17	4	5,684
18	5	5,855
19	6	6,031
20	7	6,211
21	8	6,398
22	9	6,590
23	10	6,787
24	11	6,991
25	12	7,201
26	13	7,417
27	14	7,639
28	15	7,868
29	16	8,105
30	17	8,348
31	18	8,598
32	19	8,856
33	20	9,122
34	21	9,395
35	22	9,677
36	23	9,968
37	24	10,267
38	25	10,575
39	26	10,892
40	27	11,219
41	28	11,555
42	29	11,902
43	30	12,259
44	Average	$8,250
45	Ratio With Proposed Expense	63%
46	Proposed	-10%

Net Salvage Expense In Account 312 Depreciation Rates

Plants	Original Cost Dec 31, 2008 (000)	Book Reserve (000)	Net Salvage	Remaining Life	Dep Expense (000)
Meramac 312	$415,493	$120,666	-15%	12.4	$28,733
Sioux 312	392,051	126,135	-15%	22.0	14,767
Labadie 312	594,754	311,792	-15%	27.3	13,638
Rush 312	385,944	203,578	-15%	29.9	8,027
Common 312	36,983	7,388	-15%	28.8	1,219
Total	$1,825,224	$769,559			$66,384
Meramac 312	$415,493	$120,666	0%	12.4	$23,719
Sioux 312	392,051	126,135	0%	22.0	12,093
Labadie 312	594,754	311,792	0%	27.3	10,369
Rush 312	385,944	203,578	0%	29.9	6,093
Common 312	36,983	7,388	0%	28.8	1,027
Total	$1,825,224	$769,559			$53,300
Difference					$13,084

Weighted Remaining Life Span Of Steam Production Plants

Plants	Remaining Life Span	Original Cost Dec 31, 2008 (000)	Life Span x Original Cost (000)	Dollar Weighted Life Span
Meramac 312	18	$415,493	$7,479	
Sioux 312	25	392,051	9,801	
Labadie 312	34	594,754	20,222	
Rush 312	38	385,944	14,666	
Common 312	34	36,983	1,257	
Total		1,825,224	$53,425	29.3

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MIEC Proposed Steam Production Depreciation Parameters, Rates & Expense Using Life Span Approach

Line		Depreciable Group (1)	Original Cost at Dec 31, 2008 (2)	Net Salvage (3)	Remaining Life (4)	Life Span Depreciation Rates (5)	Life Span Depreciation Expense (6)
		Steam Production Plant					
		Meramec Steam Production Plant					
1	311	Structures & Improvements	$39,820,843	-2%	17.8	1.88%	$748,632
2	312	Boiler Plant Equipment	415,492,860	-10%	17.2	4.70%	19,528,164
3	314	Turbogenerator Units	83,427,432	-5%	17.3	2.33%	1,943,859
4	315	Accessory Electrical Equipment	43,146,199	-3%	17.6	2.86%	1,233,981
5	316	Miscellaneous Power Plant Equipment	19,153,270	0%	17.0	4.28%	819,760
6		Total Meramec Steam Production Plant	$601,040,604				$24,274,397
		Sioux Steam Production Plant					
7	311	Structures & Improvements	$36,425,327	-2%	24.1	2.54%	$925,203
8	312	Boiler Plant Equipment	392,050,516	-10%	22.0	3.54%	13,878,588
9	314	Turbogenerator Units	99,339,660	-5%	22.7	3.13%	3,109,331
10	315	Accessory Electrical Equipment	34,536,592	-3%	23.3	2.81%	970,478
11	316	Miscellaneous Power Plant Equipment	10,342,298	0%	21.9	3.28%	339,227
12		Total Sioux Steam Production Plant	$572,694,393				$19,222,829
		Labadie Steam Production Plant					
13	311	Structures & Improvements	$64,976,426	-2%	32.2	1.38%	$896,675
14	312	Boiler Plant Equipment	594,753,745	-10%	27.3	2.11%	12,549,304
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	116,271,400	30%	14.6	0.54%	627,866
16	314	Turbogenerator Units	208,376,677	-5%	29.3	2.40%	5,001,040
17	315	Accessory Electrical Equipment	81,057,131	-3%	30.3	1.69%	1,369,866
18	316	Miscellaneous Power Plant Equipment	19,334,388	0%	28.3	1.96%	378,954
		Total Labadie Steam Production Plant	$1,084,769,767				$20,823,704
		Rush Island Steam Production Plant					
19	311	Structures & Improvements	$53,514,432	-2%	35.7	1.05%	$561,902
20	312	Boiler Plant Equipment	385,943,531	-10%	29.9	1.91%	7,371,521
21	314	Turbogenerator Units	136,992,202	-5%	31.6	2.00%	2,739,844
22	315	Accessory Electrical Equipment	37,966,123	-3%	33.7	1.69%	641,627
23	316	Miscellaneous Power Plant Equipment	11,297,925	0%	31.0	1.80%	203,363
		Total Rush Island Steam Production Plant	$625,714,213				$11,518,257
		Common					
24	311	Structures & Improvements	$1,959,206	-2%	32.6	2.61%	$51,135
25	312	Boiler Plant Equipment	36,983,418	-10%	28.8	3.12%	1,153,883
26	315	Accessory Electrical Equipment	3,129,975	-3%	31.3	2.75%	86,074
27	316	Miscellaneous Power Plant Equipment	20,843	0%	28.6	2.83%	590
28		Total Common	$42,093,441				$1,291,682
29		**Total Steam Production Plant**	**$2,926,312,418**				**$77,130,868**
30		AmerenUE's Depreciation Expense @ Proposed Rates					$90,815,562
31		Reduction In Steam ProductionDepreciation Expense					$13,684,694
32		Reduction In Nuclear Production Depreciation Expense					$4,954,730
33		Reduction In Other Production Depreciation Expense					$1,068,588
34		Total Reduction In Production Depreciation Expense					**$19,708,011**

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AmerenUE's Proposed TD&G Depreciation Parameters and Rates And Comprarison With Present Rates And Expense

Line	Account	Description	Survivor Curve	Net Salvage	Original Cost at Dec. 31, 2008	AmerenUE Proposed Depreciation Rates	Proposed Annual Depreciation Expense	Present Depreciation Rates	Present Annual Depreciation Expense	Proposed Minus Present Depreciation Expense
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Transmission Plant								
1	352	Structures & Improvements	60 - R2	0	$6,271,634	1.64%	$102,855	1.75%	$109,754	($6,899)
2	353	Station Equipment	55 -R2.5	0	228,351,122	1.75%	3,996,145	1.82%	4,155,990	(159,846)
3	354	Towers & Fixtures	70 - R4	(14)	70,394,133	1.34%	943,281	1.69%	1,189,661	(246,379)
4	355	Poles & Fixtures	53 - R4	(90)	138,655,625	3.90%	5,407,569	3.65%	5,060,930	346,639
5	356	Overhead Conductor & Devices	55 - R4	(20)	145,108,058	2.49%	3,613,191	2.27%	3,293,953	319,238
6	359	Roads & Trails	50 - SQ	0	71,789	-2.79%	(2,003)	2.00%	1,436	(3,439)
		Total			**$588,852,361**	**2.39%**	**$14,061,038**		**$13,811,724**	**$249,314**
		Distribution Plant								
7	361	Structures & Improvements	60 -R2.5	0	$15,366,771	1.68%	$258,162	1.75%	$268,918	($10,757)
8	362	Station Equipment	60 -R2.5	(10)	598,830,057	1.82%	10,898,707	1.82%	10,898,707	0
9	364	Poles & Fixtures	45 -R2.5	(150)	767,060,219	5.48%	42,034,900	5.47%	41,958,194	76,706
10	365	Overhead Conductors & Devices	49 - R1	(53)	856,325,270	3.17%	27,145,511	3.19%	27,316,776	(171,265)
11	366	Underground Conduit	70 - R3	(40)	223,547,546	1.94%	4,336,822	2.31%	5,163,948	(827,126)
12	367	Underground Conductor & Devices	54 - R2	(25)	527,667,832	2.32%	12,241,894	2.36%	12,452,961	(211,067)
13	368	Line Transformers	42 -R2.5	0	401,240,245	2.49%	9,990,882	2.40%	9,629,766	361,116
14	369.1	Overhead Services	40 -R2.5	(215)	153,326,209	7.74%	11,867,449	8.09%	12,404,090	(536,642)
15	369.2	Underground Services	55 - R3	(80)	134,153,521	3.02%	4,051,436	3.99%	5,352,725	(1,301,289)
16	370	Meters	26 -L2.5	0	106,165,932	4.16%	4,416,503	3.57%	3,790,124	626,379
17	371	Installations On Customers' Premises	20 - O1	0	164,611	2.26%	3,720	5.00%	8,231	(4,510)
18	373	Street Lighting & Signal Systems	36 - L1	(43)	109,202,915	3.66%	3,996,827	4.39%	4,794,008	(797,181)
		Total			**$3,893,051,128**	**3.37%**	**$131,242,813**		**$134,038,449**	**($2,795,636)**
		General Plant								
19	390	Structures & Improvements	45 -R1.5	(10)	$189,663,144	2.51%	$4,760,545	2.33%	$4,419,151	$341,394
20	391	Office Furniture & Equipment	15 - SQ	0	55,554,783	4.52%	2,511,076	6.67%	3,705,504	(1,194,428)
21	391.1	Mainframe Computers	5 - SQ	0	0		0	0.00%	0	0
22	391.2	Personal Computers	5 - SQ	0	2,077,726	11.39%	236,653	20.00%	415,545	(178,892)
23	392	Transportation Equipment	11 - R1	9	94,534,723	7.75%	7,326,441	8.23%	7,780,208	(453,767)
24	393	Stores Equipment	20 - SQ	0	2,924,509	3.89%	113,763	5.00%	146,225	(32,462)
25	394	Tools, Shop, & Garage Equipment	20 - SQ	0	13,425,316	4.49%	602,797	5.00%	671,266	(68,469)
26	395	Laboratory Equipment	20 - SQ	0	7,788,726	4.43%	345,041	5.00%	389,436	(44,396)
27	396	Power Operated Equipment	15 - L2	15	8,575,690	5.96%	511,111	5.67%	486,242	24,870
28	397	Communications Equipment	15 - SQ	0	135,601,034	3.32%	4,501,954	6.67%	9,044,589	(4,542,635)
29	398	Miscellaneous Equipment	20 - SQ	0	780,241	4.97%	38,778	5.00%	39,012	(234)
30		**Total**			**$510,925,892**	**4.10%**	**$20,948,159**		**$27,097,178**	**($6,149,019)**
31		**Total TD&G**			**$4,992,829,381**		**$166,252,010**		**$174,947,351**	**($8,695,341)**

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Calculation Of Net Salvage Expense In AmerenUE's Proposed TD&G Depreciation Rates

Line	Account	Depreciable Group	Original Cost Dec. 31, 2008	Net Salvage	Actual Book Reserve	Remaining Life Years	Calculated Remaining Life Depreciation Rates	AmerenUE Proposed Depreciation Rates	Dep Rate Zero Net Sal	Net Sal In Dep Expense
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Transmission Plant								
1	352	Structures & Improvements	$6,271,634	0%	$2,327,929	38.28	1.64%	1.64%	1.64%	$0
2	353	Station Equipment	228,351,122	0%	62,940,658	41.47	1.75%	1.75%	1.75%	0
3	354	Towers & Fixtures	70,394,133	-14%	44,155,918	38.25	1.34%	1.34%	0.97%	257,651
4	355	Poles & Fixtures	138,655,625	-90%	51,679,866	39.15	3.90%	3.90%	1.60%	3,187,487
5	356	Overhead Conductor & Devices	145,108,058	-20%	49,972,709	34.37	2.49%	2.49%	1.91%	844,388
6	359	Roads & Trails	71,789	0%	80,572	4.39	-2.79%	-2.79%	-2.79%	0
		Total	**$588,852,361**		**$211,157,652**					**$4,289,527**
		Distribution Plant								
7	361	Structures & Improvements	$15,366,771	0%	$5,180,137	39.45	1.68%	1.68%	1.68%	$0
8	362	Station Equipment	598,830,057	-10%	189,119,546	43.03	1.82%	1.82%	1.59%	1,391,665
9	364	Poles & Fixtures	767,060,219	-150%	597,821,521	31.43	5.47%	5.48%	0.70%	36,608,001
10	365	Overhead Conductors & Devices	856,325,270	-53%	273,417,973	38.24	3.17%	3.17%	1.78%	11,868,537
11	366	Underground Conduit	223,547,546	-40%	68,816,867	56.42	1.94%	1.94%	1.23%	1,584,887
12	367	Underground Conductor & Devices	527,667,832	-25%	153,703,427	41.31	2.32%	2.32%	1.72%	3,193,310
13	368	Line Transformers	401,240,245	0%	121,966,245	27.93	2.49%	2.49%	2.49%	0
14	369.1	Overhead Services	153,326,209	-215%	171,826,238	26.21	7.74%	7.74%	-0.46%	12,577,281
15	369.2	Underground Services	134,153,521	-80%	85,139,432	38.60	3.02%	3.02%	0.95%	2,780,383
16	370	Meters	106,165,932	0%	36,289,818	15.83	4.16%	4.16%	4.16%	0
17	371	Installations On Customers' Premises	164,611	0%	138,509	7.00	2.26%	2.26%	2.26%	0
18	373	Street Lighting & Signal Systems	109,202,915	-43%	54,093,400	25.56	3.66%	3.66%	1.97%	1,837,140
		Total	**$3,893,051,128**		**$1,757,513,113**					**$71,841,203**
19		**Total T&D**	**$4,481,903,490**		**$1,968,670,765**					**$76,130,730**
		General Plant								
20	390	Structures & Improvements	$189,663,144	-10%	$54,763,375	32.36	2.51%	2.51%	2.20%	$586,102
21	391	Office Furniture & Equipment	55,554,783	0%	34,711,674	8.29	4.53%	4.52%	4.53%	0
22	391.1	Mainframe Computers	0		332,101			0.00%	0.00%	0
23	391.2	Personal Computers	2,077,726	0%	1,503,581	2.43	11.37%	11.39%	11.37%	0
24	392	Transportation Equipment	94,534,723	9%	35,234,174	6.93	7.75%	7.75%	9.05%	(1,227,724)
25	393	Stores Equipment	2,924,509	0%	1,529,169	12.27	3.89%	3.89%	3.89%	0
26	394	Tools, Shop, & Garage Equipment	13,425,316	0%	6,526,168	11.45	4.49%	4.49%	4.49%	0
27	395	Laboratory Equipment	7,788,726	0%	3,994,241	11.01	4.42%	4.43%	4.42%	0
28	396	Power Operated Equipment	8,575,690	15%	2,880,490	8.62	5.96%	5.96%	7.70%	(149,226)
29	397	Communications Equipment	135,601,034	0%	107,798,086	6.17	3.32%	3.32%	3.32%	0
30	398	Miscellaneous Equipment	780,241	0%	282,343	12.83	4.97%	4.97%	4.97%	0
31		Total	**$510,925,892**		**$249,555,402**					**($790,849)**
32		**Total TD&G**	**$4,992,829,381**		**$2,218,226,167**					**$75,339,881**

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Comparison Of Net Salvage Expense In Depreciation Rates With Actual Net Salvage Expense

(000)

Line	Year	Net Salvage In Trans. Dep Rates	Net Salvage In Dist. Dep Rates	Total Net Salvage In T&D Dep Rates	Actual Transmission Net Salvage	Actual Distribution Net Salvage	Total Actual T&D Net Salvage	Excess Net Salvage Expense In Dep Rates
1	1999	($27)	$28,482	$28,455	$202	$7,773	$7,975	$20,480
2	2000	(4)	29,654	29,649	553	7,171	7,725	21,925
3	2001	15	30,929	30,943	285	7,838	8,122	22,821
4	2002	46	31,918	31,964	1,122	8,726	9,849	22,115
5	2003	77	33,067	33,144	850	7,794	8,644	24,500
6	2004	102	34,297	34,399	(404)	8,748	8,344	26,055
7	2005	146	33,918	34,064	(1,232)	10,574	9,342	24,722
8	2006	204	36,233	36,438	536	19,463	19,999	16,439
9	2007	2,056	44,225	46,281	273	20,299	20,572	25,709
10	2008	3,173	58,430	61,603	445	16,716	17,161	44,442
11	Total	$5,788	$361,153	$366,941	$2,630	$115,102	$117,733	$249,208
12	5 Yr. Average				($76)	$15,160	$15,084	
13	10 Yr. Average				$263	$11,510	$11,773	
12	Proposed Depreciation Rates	$4,290	$71,841	$76,131	$445	$16,716	$17,161	$58,970

Notes:

1. Net Salvage in depreciation rates for 1999 through 4 months of 2007 based on depreciation parameters approved in 1983.
2. Net salvage in depreciation rates for last 8 months of 2007 through 2008 based on depreciation parameters approved in ER-2007-0002.
3. Actual net salvage taken from Schedule JFW-E1.

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MIEC's Allocation Of $35 million Offset To Transmission & Distribution Depreciation Rates

Line	Account	Description	Original Cost at Dec. 31, 2008	AmerenUE Proposed Depreciation Rates	Proposed Annual Depreciation Expense	Net Sal In Dep Expense	Allocation of Dep Accrual Offset	Ratemaking Depreciation Expense
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Transmission Plant						
1	352	Structures & Improvements	$6,271,634	1.64%	$102,855	$0	$0	$102,855
2	353	Station Equipment	228,351,122	1.75%	3,996,145	0	0	3,996,145
3	354	Towers & Fixtures	70,394,133	1.34%	943,281	257,651	118,451	824,830
4	355	Poles & Fixtures	138,655,625	3.90%	5,407,569	3,187,487	1,465,401	3,942,168
5	356	Overhead Conductor & Devices	145,108,058	2.49%	3,613,191	844,388	388,195	3,224,996
6	359	Roads & Trails	71,789	-2.79%	(2,003)	0	0	(2,003)
		Total	**$588,852,361**	**2.39%**	**$14,061,038**	**$4,289,527**	**$1,972,048**	**$12,088,990**
		Distribution Plant						
7	361	Structures & Improvements	$15,366,771	1.68%	$258,162	$0	$0	$258,162
8	362	Station Equipment	598,830,057	1.82%	10,898,707	1,391,665	639,798	10,258,909
9	364	Poles & Fixtures	767,060,219	5.48%	42,034,900	36,608,001	16,829,998	25,204,902
10	365	Overhead Conductors & Devices	856,325,270	3.17%	27,145,511	11,868,537	5,456,388	21,689,123
11	366	Underground Conduit	223,547,546	1.94%	4,336,822	1,584,887	728,629	3,608,194
12	367	Underground Conductor & Devices	527,667,832	2.32%	12,241,894	3,193,310	1,468,078	10,773,816
13	368	Line Transformers	401,240,245	2.49%	9,990,882	0	0	9,990,882
14	369.1	Overhead Services	153,326,209	7.74%	11,867,449	12,577,281	5,782,223	6,085,226
15	369.2	Underground Services	134,153,521	3.02%	4,051,436	2,780,383	1,278,241	2,773,196
16	370	Meters	106,165,932	4.16%	4,416,503	0	0	4,416,503
17	371	Installations On Customers' Premises	164,611	2.26%	3,720	0	0	3,720
18	373	Street Lighting & Signal Systems	109,202,915	3.66%	3,996,827	1,837,140	844,599	3,152,228
		Total	**$3,893,051,128**	**3.37%**	**$131,242,813**	**$71,841,203**	**$33,027,952**	**$98,214,860**
		General Plant						
19	390	Structures & Improvements	$189,663,144	2.51%	$4,760,545	$586,102	$0	$4,760,545
20	391	Office Furniture & Equipment	55,554,783	4.52%	2,511,076	0	0	2,511,076
21	391.1	Mainframe Computers	0		0	0	0	0
22	391.2	Personal Computers	2,077,726	11.39%	236,653	0	0	236,653
23	392	Transportation Equipment	94,534,723	7.75%	7,326,441	(1,227,724)	0	7,326,441
24	393	Stores Equipment	2,924,509	3.89%	113,763	0	0	113,763
25	394	Tools, Shop, & Garage Equipment	13,425,316	4.49%	602,797	0	0	602,797
26	395	Laboratory Equipment	7,788,726	4.43%	345,041	0	0	345,041
27	396	Power Operated Equipment	8,575,690	5.96%	511,111	(149,226)	0	511,111
28	397	Communications Equipment	135,601,034	3.32%	4,501,954	0	0	4,501,954
29	398	Miscellaneous Equipment	780,241	4.97%	38,778	0	0	38,778
30		**Total**	**$510,925,892**	**4.10%**	**$20,948,159**	**($790,849)**	**$0**	**$20,948,159**
31		**Total TD&G**	**$4,992,829,381**		**$166,252,010**	**$75,339,881**	**$35,000,000**	**$131,252,010**