

Exhibit No.:  
Issue(s): Sioux Scrubbers  
Witness: Jerre E. Birdsong  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Rebuttal Testimony  
Case No.: ER-2011-0028  
Date Testimony Prepared: March 25, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2011-0028**

**REBUTTAL TESTIMONY**

**OF**

**JERRE E. BIRDSONG**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a Ameren Missouri**

**\*DENOTES PROPRIETARY INFORMATION\***

**St. Louis, Missouri  
March, 2011**

**NP**

**REBUTTAL TESTIMONY**

**OF**

**JERRE E. BIRDSONG**

**CASE NO. ER-2011-0028**

1           **Q.     Please state your name and business address.**

2           A.     My name is Jerre E. Birdsong. My business address is One Ameren Plaza,  
3     1901 Chouteau Avenue, St. Louis, MO 63103.

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

5           A.     I am employed by Ameren Services Company (“AMS”). AMS provides  
6     various business and corporate support services for the operating companies owned by  
7     Ameren Corporation (“Ameren”), including Union Electric Company d/b/a Ameren Missouri  
8     (“Ameren Missouri” or “Company”). I am also Vice President and Treasurer for Ameren  
9     Missouri. Among the services provided by AMS to Ameren Missouri are cash and liquidity  
10    management services, and services relating to the placement of debt, when necessary.

11          **Q.     Please summarize your educational background and professional**  
12    **experience.**

13          A.     I graduated Phi Beta Kappa with a Bachelor of Arts degree in Economics and  
14    Mathematics from Rhodes College in Memphis, Tennessee in 1976. I then received a Master  
15    of Science degree in Management from the Krannert Graduate School of Management at  
16    Purdue University with the distinction of Krannert Scholar. My area of concentration in the  
17    Master’s program was Managerial Applications of Mathematical Modeling.

1 I was employed by Union Electric Company in August 1977 as an economist in the  
2 Economic Research Department. In this position, I conducted various economic, financial,  
3 and statistical studies. In October 1979, I began reporting to the Vice President-Rates and  
4 was responsible for the determination of the Company's cost of capital, marginal cost of  
5 service by customer class, and economic forecasts. While in this position, I also assumed  
6 responsibility for coordinating the Company's load research activities and assessing  
7 alternatives for the collection of monies to cover the decommissioning expenses which will  
8 arise at the end of the operating life of the Callaway nuclear plant. In November 1984, I was  
9 appointed Assistant Treasurer with primary responsibility for the investment of the  
10 Company's employee benefit and nuclear decommissioning funds. I was promoted to the  
11 position of Manager of the Financial Planning and Investments Department in August 1989,  
12 at which time the responsibilities of planning the Company's long-term capital structure and  
13 of administering the justification of capital expenditures were added.

14 I was elected Treasurer of Union Electric Company effective July 1, 1993, of Ameren  
15 effective April 23, 1996, and of Ameren's other operating companies on various dates  
16 thereafter. I was elected Vice President of Ameren and its operating subsidiaries including  
17 Union Electric Company effective October 12, 2001.

18 I am on the Board of Directors of the Greater St. Louis YMCA and its Finance  
19 Committee, on which I previously served as Chairman and past-Chairman of its Investment  
20 Subcommittee. I have also served as Treasurer of the Citizens for Missouri's Children, the  
21 Diocese of Missouri, and the Episcopal-Presbyterian Health Foundation. I have served on  
22 the Investment Policy Committee of the St. Louis Equity Fund and as an Adjunct Professor  
23 of Finance in the Master of Business Administration program at Webster University.

1           **Q.     What are your responsibilities in your current position?**

2           A.     In my current position, my principal duties involve the planning of the  
3 Ameren subsidiaries' long-term capital structures; negotiation and completion of financings;  
4 securing short-term liquidity for the day-to-day operation of the subsidiaries; and the  
5 management of the subsidiaries' employee benefit funds. In addition, the companies' cash  
6 management, dividend reinvestment stock purchase program, insurance and credit risk  
7 management, first mortgage bond transfer and paying agency, and investor services are under  
8 my direction and supervision. In performance of these duties, I have on-going contact with  
9 investment bankers, commercial bankers, pension fund investment managers, security  
10 analysts, rating agencies, institutional investors, and corporate insurance brokers and carriers.

11           **Q.     What is the purpose of your rebuttal testimony?**

12           A.     The purpose of my rebuttal testimony is to respond to the stated justification  
13 for Staff's proposed disallowance of costs related to the delay of the Sioux wet flue gas  
14 desulfurization ("WFGD") Project due to the financial crisis that occurred in late 2008 and  
15 early 2009, as set out in Staff's Construction Audit and Prudence Review of the Sioux Wet  
16 Flue Gas Desulfurization Project for Costs Reported as of September 30, 2010, at pages  
17 41-42.

18           **Q.     Why does Staff recommend disallowance of the costs associated with the**  
19 **delay of the Sioux WFGD Project?**

20           A.     Staff rejects the explanation offered by the Company in its response to Staff  
21 Data Request No. 139 which stated that the Sioux WFGD Project was delayed due to the  
22 Company's decision to reduce capital expenditures as a result of concerns about having the  
23 necessary access to capital and about the cost of that capital due to the global financial crisis

1 in late 2008 and early 2009. Instead, Staff contends that both Ameren and Ameren Missouri  
2 had sufficient liquidity available in December 2008, and that both had the ability to issue  
3 long-term capital as evidenced by Ameren's issuance of \$535 million in common equity in  
4 September 2009 and Ameren Missouri's issuance of \$350 million of debt in March 2009.

5 **Q. Please summarize your response to Staff's reasoning.**

6 A. While Staff admits that Ameren and Ameren Missouri were limited in their  
7 access to the commercial paper market in the fall of 2008 due to both a Moody's downgrade  
8 of their short-term credit ratings in August 2008 and the credit crisis in the fall of 2008, Staff  
9 fails to appreciate the true extent and severity of the financial crisis. In addition, Staff fails to  
10 understand the impact of this crisis on Ameren's and Ameren Missouri's liquidity in light of  
11 valid concerns about the inability to access both short-term credit facilities and long-term  
12 capital markets. Finally, Staff illogically relies upon the ability of Ameren and Ameren  
13 Missouri to issue long-term capital in 2009 to suggest that the concerns of Ameren and  
14 Ameren Missouri in the fall of 2008 were not justified.

15 **Q. First, what led to the financial crisis that came to a head in the fall of**  
16 **2008?**

17 A. The roots of the financial crisis stretch back to the beginning of the decade. A  
18 large segment of the banking industry expanded their loan business by providing mortgages  
19 to sub-prime borrowers. There was widespread belief in the banking sector that the lending  
20 bank could hedge its increased risks by issuing a plethora of newly-devised complex  
21 financial instruments which would slice up and resell the mortgage-backed securities to a  
22 wider spectrum of investors. When the technology bubble in the stock market of the late  
23 1990's burst in 2000, the economy slipped into recession and the Federal Reserve responded

1 with sharply lowered interest rates. These lower interest rates made mortgage payments  
2 cheaper, and demand for homes rose, driving up housing prices. With the increased housing  
3 prices, many homebuyers had to leverage themselves beyond a level of prudence in order to  
4 purchase a home – but the banking industry continued to supply the sub-prime loans since  
5 they believed their risk was hedged. Because of the imprudent level of leverage in the  
6 overall residential housing sector, default and delinquency rates began to rise in 2006.  
7 Hundreds of billions of dollars in mortgage-related investments went bad by 2008. The  
8 rising number of foreclosures sped the fall of housing prices, and the number of prime  
9 mortgages in default began to increase. Both the originating banks and the holders of the  
10 mortgage-backed securities had to write off the value of the “toxic mortgages,” reducing the  
11 amount of capital they had available to provide as credit to all sectors of the economy,  
12 including large, financially healthy businesses.

13 The credit losses to banks did not stop with the mortgage sector. Because of the  
14 slowdown in the overall economy, a new wave of credit losses extended to consumer loans,  
15 credit cards, commercial real estate, and commercial loans.

16 **Q. Please describe the events and circumstances of the financial crisis that**  
17 **came to a head in the fall of 2008.**

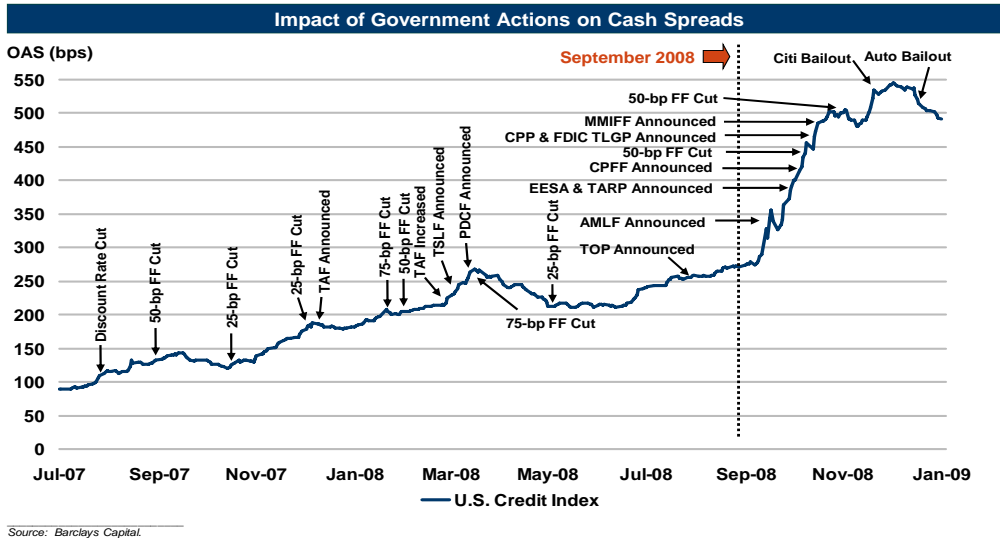
18 A. Turmoil in the capital markets arising from the subprime mortgage problems  
19 became a serious concern in June 2007 when Bear Stearns suffered significant losses related  
20 to two hedge funds with significant subprime mortgage holdings. Despite the Fed’s  
21 intervention, several large bank groups (UBS, Bear Stearns, Morgan Stanley, etc.) announced  
22 significant write-downs in December 2007. Despite the Fed’s single deepest cut in interest  
23 rates in more than two decades being made in January 2008, Bear Stearns collapsed in March

1 2008. As shown in Chart 1 below, the Fed continued to cut interest rates during 2008, but by  
2 September it was evident that this strategy had become increasingly ineffective. That the  
3 Fed's strategy was ineffective is demonstrated by the rapidly escalating spread between the  
4 yields on non-government bonds and the yields on U.S. treasury securities, which were just  
5 approximately 100 basis points (1%) in July 2007. The widening of this spread indicates that  
6 the market viewed non-government bonds as becoming far more risky than normal vis-à-vis  
7 U.S. treasury securities. By October 2008, the spread had increased five-fold to  
8 approximately 500 basis points, which indicated a true crisis in the capital markets presenting  
9 real risks to business liquidity, including Ameren Missouri. And while alternative measures  
10 were taken in an attempt to help mitigate market volatility and halt further credit  
11 deterioration, there was no confidence that Congress would approve funding or that such  
12 alternative measures could in any event prevent a financial meltdown.

1 **Chart 1**

## Governments Intervened To Stabilize The Financial System

As Federal Reserve rate cuts became increasingly ineffective, alternative solutions were created to help mitigate market volatility and alleviate credit concerns



Source: Barclays Capital.



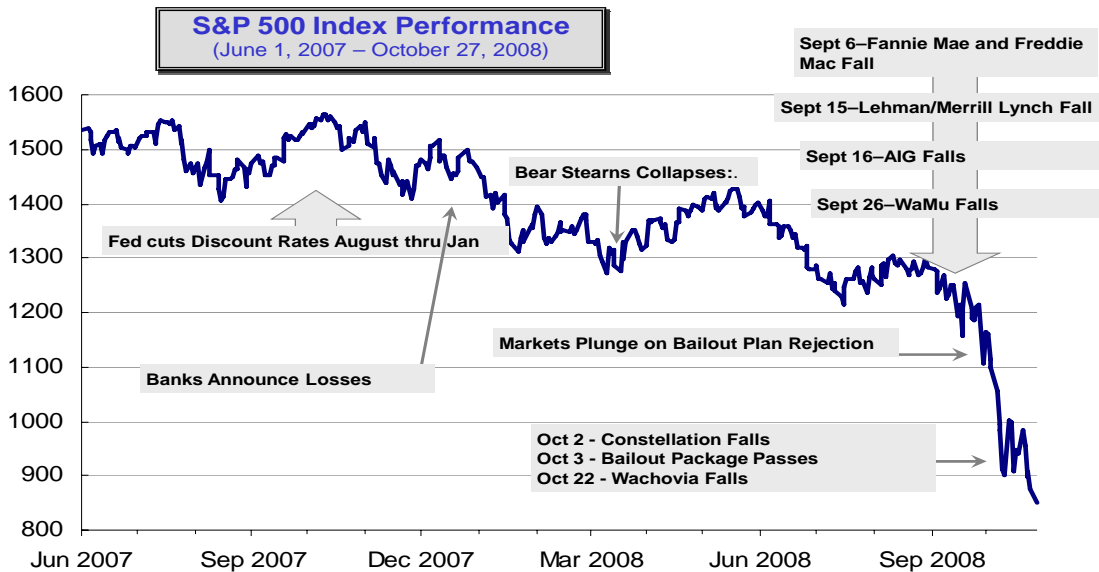
2  
3 As Chart 2 (below) shows, September 2008 was particularly dark. On September 6,  
4 2008, Treasury Secretary Henry Paulsen announced the takeover of Fannie Mae and Freddie  
5 Mac. Nine days later, Bank of America acquired Merrill Lynch, and Lehman Brothers filed  
6 for bankruptcy—the largest bankruptcy in U.S. history. The next day, the Fed agreed to  
7 provide A.I.G. a two-year loan of up to \$85 billion and, in return, gained nearly 80%  
8 ownership of the insurer. In late September, Paulsen proposed a bailout plan in which the  
9 federal government would buy up to \$700 billion in troubled assets. The largest bank failure  
10 in history occurred on September 26, 2008, when Washington Mutual was seized by  
11 regulators. Three days later, the bailout plan was rejected in the House of Representatives,  
12 and the Dow Jones Industrial Average took its largest point loss on record, losing \$1.1  
13 trillion in market value. The Dow continued to plummet throughout October and November



1 2008, and the VIX Index, which measures volatility in the markets, continued to increase and  
2 spiked to an all-time high in late November 2008.

3 **Chart 2**

## Capital Markets Turmoil



Corporate Executive Board, Ameren Corporate Planning analysis



4 1

5 As shown on Chart 3 below, no segment of the economy was able to escape the impact of the  
6 2008 financial crisis as credit spreads exploded for virtually all borrowers and for companies  
7 with all credit ratings. Utility stocks were not unaffected; between August 1, 2008, and  
8 October 10, 2008, for example, stock values declined by 30% or more. As a result of these  
9 volatile financial conditions, a credit freeze occurred.

1

### Chart 3

## Across Asset Classes, Sectors And Credit Ratings

**Extreme volatility, risk aversion and a declining economic environment contributed to the poor performance of equity and credit indices throughout 2008**

Select 2008 Index Performance						
Indicator	1/2/08	High	Low	Average	12/31/2008	2008 Change
<b>Equity Indices:</b>						
DJIA (pts)	13,264	13,264	7,552	11,244	8,776	-4488 pts
S&P 500 (pts)	1,468	1,468	752	1,220	903	-565 pts
<b>Commodities:</b>						
Crude Oil (\$)	99.62	146.93	35.35	98.90	44.60	-\$55.02
<b>Synthetic Indices (bps):</b>						
CDX.IG	83	272	83	150	198	+115 bps
CDX.HVOL	204	609	202	359	489	+285 bps
CDX.HY	495	1,569	510	798	1,147	+652 bps
CMBX AAA	65	848	65	215	527	+462 bps
LCDX	314	1,612	314	556	1,125	+811 bps
<b>Barclays Capital Indices (bps):</b>						
Global Aggregate Index	49	156	49	90	145	+96 bps
US Credit Index	182	545	182	304	493	+310 bps
Industrials	182	559	182	298	500	+318 bps
Utilities	188	569	188	302	537	+349 bps
Financials	220	707	220	400	629	+409 bps
Double-A	153	431	153	249	324	+172 bps
Single-A	189	578	189	329	497	+308 bps
Triple-B	229	737	229	381	688	+459 bps
Euro-Aggregate Index	24	160	17	60	160	+137 bps
Sterling Aggregate Index	67	179	67	109	179	+112 bps

Source: Barclays Capital, Bloomberg.  
Note: All credit spreads are OAS.



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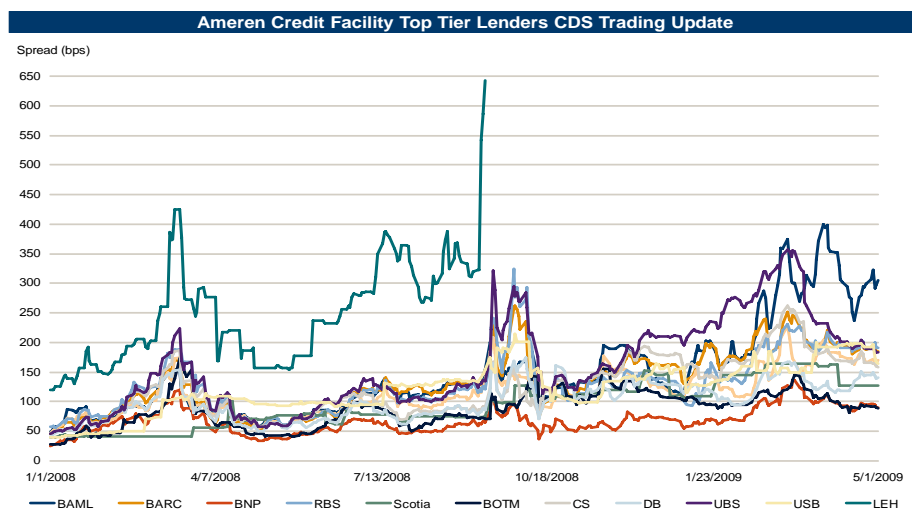
3 **Q. What do you mean by the term credit freeze?**

4 A. By credit freeze, I mean that the banking sector, whether by necessity or by  
5 choice, has severely restricted the channels of credit which are crucially needed by  
6 consumers and small and large businesses for their normal working capital and expansion  
7 needs. In the credit freeze of the fall of 2008, both the necessity and choice elements were in  
8 place with the banks. The large number of mortgage write-offs which I previously  
9 mentioned meant that banks had less capital to lend. As banks attempted to replace this  
10 capital with new money from investors, these potential investors required that the banks be  
11 much less levered and more liquid than they had been. Thus, banks chose to hold on to any  
12 capital they had to decrease their leverage instead of providing credit even to large, credit-  
13 worthy businesses. Even after the government injected capital into the troubled banks, banks

1 used the funds to strengthen their balance sheets rather than to lend. Nevertheless, credit  
2 default swap prices of major financial institutions indicated that investors still lacked  
3 confidence about their solvency, implying serious downside risks persisted well into the fall  
4 of 2008. A bank's credit default swap is an instrument in which the risk of a credit default by  
5 that bank is transferred from the buyer of the swap to the seller. The greater the risk of the  
6 bank's credit default, the higher the swap is priced in order to induce the seller to take on that  
7 increased risk. As shown on Chart 4, this was true of the largest providers of credit to  
8 Ameren and Ameren Missouri.

9 **Chart 4**

### Ameren Credit Facility Top Tier Lenders



Source: Barclays Capital, Market



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11 By October 2008, the situation had become so dire that former Federal Reserve  
12 Chairman Alan Greenspan testified to the House Committee of Government Oversight and  
13 Reform that “we are in the midst of a once-in-a century credit tsunami.” He further testified  
14 that “the crisis, however, has turned out to be much broader than anything I could have  
15 imagined. It has morphed from one gripped by liquidity restraints to one in which fears of

1 insolvency are now paramount.” Prepared remarks of Alan Greenspan before the House  
2 Committee of Government Oversight and Reform, as reported in the *Wall Street Journal* on-  
3 line October 23, 2008, 8:27 am.

4 In the presidential debate in September 2008, now-President Obama stated that “We  
5 are going through the worst financial crisis since the Great Depression.” Even looking back  
6 on the situation, in January 2010, President Obama stated that “Our financial system teetered  
7 on the brink of collapse, and the threat of a second Great Depression loomed large.”  
8 President Obama’s response to questions at the 2010 House Republicans Retreat, Baltimore,  
9 Maryland - January 29, 2010.

10 **Q. What was the impact of these events on Ameren and Ameren Missouri?**

11 A. The electric utility industry represents the second most capital-intensive sector  
12 in the United States. Of primary concern to all electric utilities and to both Ameren and  
13 Ameren Missouri was its current liquidity and inability to obtain necessary capital through  
14 their respective credit facilities. Liquidity is the ability to meet expected and unexpected  
15 demands for cash at an acceptable cost at the time when needed. As explained by Ameren  
16 Missouri witness Michael O’Bryan in his direct testimony, a credit facility is essentially a  
17 committed revolving bank credit line under which funds may be borrowed on a short-term  
18 basis—typically 30 days. These facilities are syndicated by a group of bank lenders which  
19 lend by funding borrowing requests under the facility on a pro-rata basis. Funds available  
20 from credit facilities are used to fund large cash requirements such as payments to equipment  
21 suppliers for components purchased for construction projects, payments to suppliers of coal  
22 and natural gas, funding payroll and making tax payments. On a given day, payments such  
23 as these or other large payments may need to be made, but the Company’s incoming cash

1 receipts, surplus cash, and cash equivalents may be insufficient to provide the necessary  
2 funding. In those instances, the Company could borrow under its bank facility to obtain the  
3 funds it needed to make the payments.

4 In fact, at this time Ameren Missouri was operating with negative free cash flow, that  
5 is, capital expenditures were greater than the net cash flows (after paying operating expenses)  
6 provided by rate revenues. This meant that credit was part of the lifeblood of Ameren  
7 Missouri's operations. If substantial amounts of that credit became unavailable, as we  
8 feared, our operations would literally be threatened.

9 With the Lehman Brothers bankruptcy, the Company's exposure in terms of a  
10 reduction in its credit facility totaled \$171 million. We were also quite concerned that other  
11 banks in our credit facilities would not be able to provide the credit to replace this amount (in  
12 fact, other banks did *not* replace \$121 million of the \$171 million). We were also very  
13 concerned that other banks might also fail, further reducing available credit. In fact, an  
14 additional imminent reduction in the credit facility was averted when Wells Fargo Bank  
15 agreed in October 2008 to purchase the failing Wachovia Corp., which had held a significant  
16 portion of that credit facility. Fully one third of our credit commitment was with banks that  
17 were rumored to be on the brink of insolvency. As previously shown, our fears were shared  
18 by the overall market as indicated by their credit default swap prices. And as the securities of  
19 financial institutions are highly interconnected, we could only speculate about the effect that  
20 these bank failures would have on the remaining banks providing our credit. In a worst case,  
21 which certainly could not have been ruled out in the fall of 2008, a few bank failures could  
22 have caused a domino effect of failures across the banking industry.

1           These events led to the very real concerns regarding the ability to renew our existing  
2 credit facility at its existing size and our hesitation to depend on this facility as a reliable  
3 source of short or long-term capital. \*

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10           In October 2008, one of our primary banks indicated that “we are entering a world  
11 where credit is scarce and more expensive. Corporations must adjust to a world where even  
12 those with the strongest balance sheets cannot take access to capital for granted.” They  
13 further indicated that “the capital pressure will remain intense for years to come.”  
14 *“Navigating Troubled Waters: What the Credit Market Turmoil Means for Corporations,”*  
15 Citigroup Global Markets, Inc., October 2008.

16           **Q.     But Staff contends that both Ameren and Ameren Missouri had sufficient**  
17 **liquidity available in December 2008 in that Ameren’s 10-Q for that period showed**  
18 **\$540 million was available to them under a credit facility. Did Ameren Missouri have**  
19 **sufficient credit available in the fall of 2008?**

20           A.     Not at all. \$540 million in available liquidity is not adequate—especially  
21 when it is understood that (a) we had no idea how long the liquidity crisis would last, and  
22 (b) this credit facility was dedicated not just to the needs of Ameren Missouri, but also to the  
23 needs of Ameren and Ameren Energy Generating Company, Ameren’s Illinois generating

**NP**

1 company. \*

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\* Other factors which could

8 have caused our liquidity to be exhausted sooner were extreme cold weather, reduced

9 electricity load due to the recessionary economy, calls for collateral, or even normal working

10 capital fluctuations. Adequate levels of liquidity must be maintained on a daily basis to

11 allow us to manage expected and unexpected cash flow fluctuations in the interest of

12 maintaining basic service at all times.

13 **Q. What other risks faced the Company because of the financial turmoil and**  
14 **decreased credit availability?**

15 A. Generally speaking, where there is stress on a company's liquidity and it is  
16 potentially unable to meet its day-to-day cash flow needs, the company will experience a loss  
17 of counterparty/supplier confidence, a ratings downgrade, and higher interest rates. In  
18 addition, a company in this situation poses a credit risk to counterparties for certain  
19 transactions (i.e., power, coal, or natural gas purchases), which could require additional  
20 significant collateral postings. If the threat of the inability to meet its day-to-day cash flow  
21 needs persists, it can result in the inability to meet its operational responsibilities—in the case  
22 of a public utility, that means its ability to provide service to its customers. And while a non-  
23 utility might have the option to curtail day-to-day operations in such circumstances, a public

1 utility like Ameren Missouri has a statutory obligation to generate and deliver power to  
2 customers. It is thus even more critical for a public utility not to “take chances” in terms of  
3 running out of the cash needed to deliver utility service.

4 In 2008, Ameren was projected to spend \$1.2 billion more than it took in and \$1.3  
5 billion more than it took in during 2009 – this reflects operating in a negative free cash flow  
6 situation, as I addressed earlier. Consequently, in the fall of 2008 an effort was made to  
7 identify options to balance cash inflows and outflows in light of the inability to access new  
8 sources of credit and the concern regarding the viability of the existing credit facilities.  
9 Strategies considered included reduction of inventories, deferral of payments, acceleration of  
10 receivables, alternative financing, reducing operating and capital spending to minimum  
11 levels, avoiding transactions requiring collateral, and the sale of non-core parts of the  
12 business.

13 **Q. Did the Company take any steps in an attempt to increase its liquidity?**

14 A. Yes. The entire utility industry, as well as most other industries, reduced  
15 near-term capital expenditures in order to preserve cash, and Ameren and Ameren Missouri  
16 were no different. In October 2008, Ameren and Ameren Missouri investigated ways to  
17 reduce capital expenditures, primarily by focusing on reductions in larger projects that could  
18 be made quickly, had minimal impact on employees, did not impact safety, would not result  
19 in the violation of any law or regulation, did not impact the actual delivery of utility service  
20 to customers, and involved heavy use of contractors. The Company first reviewed and  
21 categorized capital spending and major operations and maintenance (O&M) spending for the  
22 fourth quarter 2008 and for 2009 as mandatory or deferrable and then developed a  
23 contingency plan. Because of the market uncertainty and the need to increase liquidity—



1 particularly in light of a seasonal liquidity squeeze anticipated to occur in January 2009 –  
2 Ameren Missouri ordered in the fall of 2008 a reduction in capital expenditures classified as  
3 deferrable, which resulted in the deferral of all 2009 plant outages and plant upgrades, a  
4 delay in construction of the Sioux WFGD Projects (a delay of Ameren Energy Generating  
5 Company’s Coffeen WFGD Project also occurred), a reduction in the undergrounding  
6 portion of the Power On initiative expenditures, the deferral of some fleet acquisitions, and  
7 deferral of certain Energy Delivery Technical Services capital projects. In all, Ameren  
8 Missouri put in place a plan to reduce its capital expenditures by approximately \$420 million  
9 through 2009.

10 **Q. What other strategies did Ameren and Ameren Missouri use to address**  
11 **the risks posed by the financial crisis?**

12 A. \*

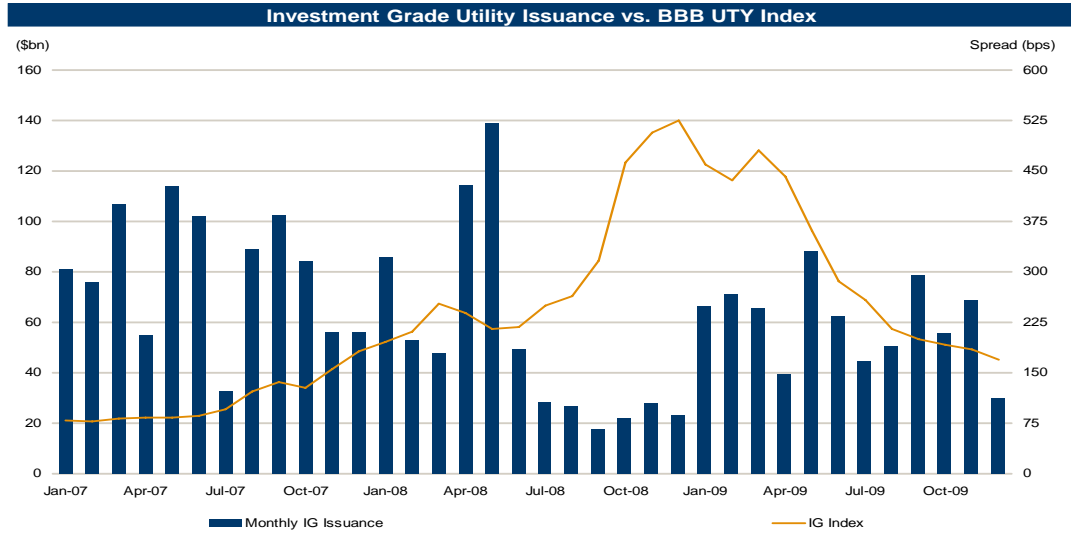
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22 \* As shown by Chart 5 below, investment grade bond issuance in the fall of 2008

1 was well below historical levels and priced at credit spreads more typical of the junk bond  
 2 market.

3 **Chart 5**

**Investment Grade Issuance 2007-2009**



Source: Barclays Capital



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1           **Q.     The decision to ramp back up construction on the Sioux WFGD Project**  
2 **was made in late January 2009. Had Ameren Missouri’s financial situation improved**  
3 **so that the delay was no longer necessary?**

4           A.     At the time the decision to ramp the work back up was made, Ameren and  
5 Ameren Missouri had successfully taken steps to improve its liquidity position. In addition  
6 to the increased availability of cash resulting from the deferral of capital expenditures and  
7 certain O&M costs, Ameren was considering reducing its dividend in order to free up  
8 available cash. In early February 2009, Ameren’s Board of Directors announced a 39%  
9 reduction in the Company’s dividend, as well as a reduction in executive compensation in  
10 order to preserve cash. At that time, reduction of the annual dividend by \$1 per share was  
11 expected to free up an extra \$215 million of cash annually. Also at the time the decision was  
12 made, efforts were under way to raise cash through Ameren Missouri’s issuance of \$350  
13 million of long-term debt, which ultimately occurred in March 2009. While this additional  
14 cash also improved the liquidity of Ameren Missouri at the time; obviously, its availability in  
15 March 2009 (and the availability of common equity to Ameren several months later in  
16 September 2009) was irrelevant to the decisions facing Ameren and Ameren Missouri in the  
17 fall of 2008—a point in time when it was unknown whether it could be accomplished or, if  
18 so, at what cost—despite the Staff’s opinion otherwise.

19           **Q.     Was Ameren Missouri’s decision to reduce its capital expenditures in the**  
20 **fall of 2008, including a reduction in the construction expenses for the Sioux WFGD**  
21 **Project, a prudent one?**

22           A.     Absolutely. Liquidity must be available on a daily basis in order for a  
23 company to operate, and this is particularly so for a public utility with an obligation to serve.

1 We could not risk running out of \* \* . The financial  
2 crisis was quite severe, and while Ameren Missouri was extremely fortunate that the  
3 doomsday scenario did not materialize, prudence required that the Company plan to address  
4 that risk to protect its customers who depend upon it for a reliable supply of power.

5 **Q. Does this conclude your rebuttal testimony?**

6 **A. Yes, it does.**

**NP**

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company    )  
d/b/a AmerenUE for Authority to File        )  
Tariffs Increasing Rates for Electric        )  
Service Provided to Customers in the        )  
Company's Missouri Service Area.            )

Case No. ER-2011-0028

**AFFIDAVIT OF JERRE E. BIRDSONG**

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

Jerre E. Birdsong, being first duly sworn on his oath, states:

1. My name is Jerre E. Birdsong. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Vice President and Treasurer.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Ameren Missouri consisting of 19 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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

  
\_\_\_\_\_  
Jerre E. Birdsong

Subscribed and sworn to before me this 25 day of March, 2011.

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

My commission expires:

