BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company, d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company's Missouri Service Area.	))))	Case No. ER-2008-0318

AMERENUE'S STATEMENTS OF POSITION

COMES NOW Union Electric Company d/b/a AmerenUE (AmerenUE or Company), and in accordance with the Missouri Public Service Commission's *Order Adopting Procedural Schedule and Establishing Test Year*, hereby provides its Statement of Position on each of the disputed issues in this case.

1. Overview and Policy: Overview of "cost of service" and/or what policy considerations, if any, should guide the Commission in deciding this case?

AmerenUE is seeking this rate increase because, like other electric utilities across the country, it is facing sharply rising costs in almost every area of its business. The Company's day-to-day expenses, such as wages, materials and fuel have increased significantly since its last rate case, concluded a little over a year ago, and they are expected to continue to increase in the future due to the increasing impact of inflationary factors. In addition, AmerenUE faces the prospect of incurring significant increases in its capital costs and expenses over the next several years in order to: (a) improve the overall reliability of its system, (b) storm-harden its system in the wake of the devastating 2006/2007 storms, and (c) comply with the Commission's newly-enacted rules regarding vegetation management, infrastructure inspection and reliability reporting. In recent years, both the Company's customers and the Commission have made it crystal clear that they expect AmerenUE to maintain and improve the reliability of its system, and the

Company has taken steps to meet those expectations. Maintaining and improving the Company's system costs money and, due to the severe impact of regulatory lag, AmerenUE has been unable to recover its costs in recent years. Because it presently has no fuel adjustment clause (FAC) (unlike almost every other integrated electric utility), the Company has to wait until after fuel costs are incurred to recover them in rates which take effect months later, meaning a significant portion of the Company's fuel cost increases can never be recovered at all. Missouri's use of an historic test year means that AmerenUE's rates will always trail its costs in an inflationary environment. And Missouri statutes prohibit AmerenUE from recovering its capital costs until capital projects are "fully operational and used for service," leading to delays in cost recovery of months or even years.

All of these factors have had a significant, adverse impact on AmerenUE's financial performance and its access to capital, particularly during the credit crisis that is currently plaguing the country. AmerenUE's credit rating sits just one (Standard & Poor's) or two (Moody's) notches above junk status. The Company currently has no access to commercial paper, an important source of short-term debt. Its access to long-term debt is also diminished—new issuances to companies with AmerenUE's credit ratings are limited and very expensive in the current market. And its access to any kind of capital on reasonable terms is under severe stress.

AmerenUE currently has electric rates that are 40% below the national average, and it will continue to have among the lowest electric rates in the country even if its requested rate increase is granted in full. What AmerenUE is requesting in this case is simply mainstream regulatory treatment that will allow it to pay the cost of operating its

system, and compete for capital on reasonable terms with other similarly situated utilities. Specifically, AmerenUE is requesting:

- An FAC with mainstream provisions similar to other FACs in effect throughout the country;
- A reasonable return on equity (ROE) that is consistent with other ROEs awarded;
- A tracking mechanism that will permit AmerenUE to recover all of its costs of complying with the Commission's new vegetation management and infrastructure rules, as contemplated by those rules;
- Recovery of its actual incentive compensation costs paid to its employees other than officers; and
- Reasonable treatment of its other cost and revenue items.

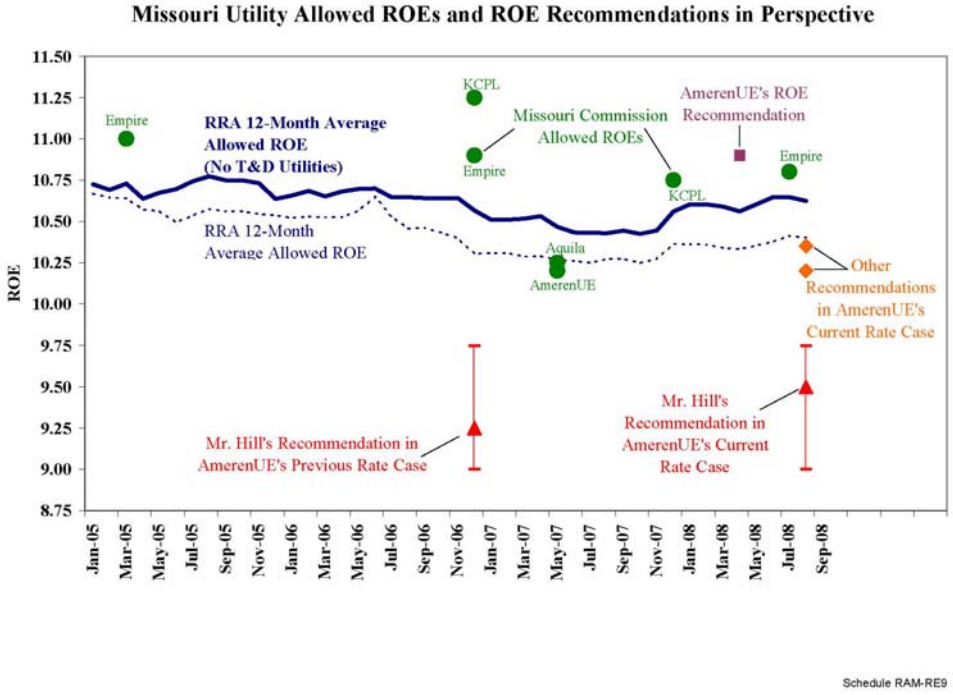
AmerenUE believes that it is critically important to the Company and its customers that the Commission issue an order in this case that will enable AmerenUE to maintain and improve its overall financial health and its ability to compete for capital with other utilities. The specific issues in this case must be viewed in the context of this over-arching policy consideration.

2. Return on Equity: What return on equity should be used in determining revenue requirement?

AmerenUE's proposed ROE recommendation is sponsored by Dr. Roger A. Morin, Emeritus Professor of Finance and Professor of Finance for Regulated Industry at Georgia State University. Dr. Morin is a well-respected expert in utility finance matters--he has taught classes on the subject at major universities, he has authored textbooks, monographs and articles on utility finance, and he has testified before fifty regulatory bodies on the subject. Dr. Morin applied versions of the CAPM, the Risk Premium and discounted cash flow (DCF) methods to proxy groups of companies to arrive at an overall ROE recommendation of 10.9% if an FAC is approved for AmerenUE and 11.15% if an FAC is not approved. In his surrebuttal testimony, Dr. Morin stated that it would not be

unreasonable to add a 25 basis point adjustment to his recommendation, in light of the current credit crisis, which since he filed his direct testimony has increased the cost of capital for regulated utilities like AmerenUE.

Dr. Morin's recommendations regarding the appropriate ROE are supported by eight separate analyses that he describes in his direct testimony. Moreover, Dr. Morin's recommendations, unlike those of the other ROE witnesses (and most particularly Staff witness Stephen Hill) are consistent with ROEs awarded to integrated electric utilities by this Commission, and Commissions across the country. As shown by Schedule RAM-RE9, which is reproduced below, Dr. Morin's recommendation falls squarely in the mainstream of ROEs awarded to other similar utilities.



What capital structure should be used?

AmerenUE's position on the appropriate capital structure for the Commission to use in this case is set forth in the direct and rebuttal testimony of Company witness Michael G. O'Bryan. The appropriate capital structure is AmerenUE's actual capital structure, consisting of 52% equity. This capital structure includes the undistributed earnings of AmerenUE's previously-owned subsidiaries, which the Company incorrectly removed from its common equity balance when it filed its direct testimony. Since these subsidiaries are no longer owned by AmerenUE, it is no longer appropriate to deduct undistributed earnings attributable to them in calculating AmerenUE's capital structure.

3. Vegetation Management/Infrastructure Inspection Tracker:

AmerenUE's proposal for recovering its cost of compliance with the Commission's recently-adopted vegetation management and infrastructure rules is outlined in the rebuttal and surrebuttal testimony of AmerenUE witness Ronald C. Zdellar. Staff chose to break out the questions for this topic as if there were two separate trackers, but AmerenUE is requesting one tracker that tracks the cost of compliance with both the vegetation management rule and the infrastructure inspection rule.

a. Vegetation Management

i. What level of vegetation management expense is appropriate for recognition in AmerenUE's revenue requirement in this case?

AmerenUE's position on this question is further discussed below within its answer to part v. below. AmerenUE believes the Commission should use the two year average of the Company's budget for this work (2009 and 2010 budgets) as was done with the tracker recently approved for The Empire District Electric Company (Empire).

AmerenUE believes the vegetation management portion of the base amount for this tracker should be is $54.1 million.

ii. Should AmerenUE's revenue requirement in this case include a three year amortization of vegetation management expense from January 1, 2008 to June 30, 2008 that is in excess of the $45 million annual level that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002?

AmerenUE believes it is appropriate for the Commission to grant approval for it to amortize, over three years, compliance costs which are above the dollar amount included in the Company's current rates for costs incurred between January 1, 2008 (when the Company began complying with the new rules) and September 30, 2008. That amount is $5.6 million for vegetation management. The Company proposes to begin collecting that amortization in rates set in this rate case since these are additional costs incurred through the true-up period in this case, September 30, 2008.

iii. Should AmerenUE's revenue requirement in this case include a three year amortization of vegetation management expense from July 1, 2008 to September 30, 2008 that is in excess of the $45 million annual level that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002?

AmerenUE's position on this question is contained within its answer to part ii. above.

iv. Should accounting authority be granted for vegetation management expense incurred from October 1, 2008 to February 28, 2009 in excess of the $45 million annual level that was included in AmerenUE's revenue requirement for Case No. ER-2007-0002, with this cost being deferred for treatment in AmerenUE's next rate case?

AmerenUE has also requested an accounting authorization for the additional costs of compliance with the new Commission rules which are incurred after the true-up cut-off date, but before the operation of law date in this case (between October 1, 2008 and

February 28, 2009). Those costs would be considered for recovery in AmerenUE's next rate case. These are amounts that AmerenUE is required to expend to comply with the Commission's new rules, but which it will not recover in rates during that time.

v. Should a tracker be implemented for vegetation management expense that exceeds the level of vegetation management expense the Commission recognizes in AmerenUE's revenue requirement in this case? Should such a tracker be implemented for the one-year period of March 1, 2009 to February 28, 2010?

AmerenUE believes the Commission should approve a two-way tracker for vegetation management and infrastructure inspection rule-related costs (one tracker that tracks both items) incurred after the order in this rate case. This is precisely the mechanism adopted by the Commission in Empire's rate case that was concluded just a few months ago. As stated above, AmerenUE believes the base amount of the vegetation management costs in this tracker should be set at $54.1 million.

The vegetation management rules are new and no utility knows exactly what compliance is going to cost. AmerenUE is ahead of many Missouri utilities in its compliance efforts, as it had already been working toward a four/six year trim cycle and it began its effort to comply with the other aspects of the Commission's rules on January 1, 2008 rather than waiting until July 1, 2008. The rules, however, required AmerenUE to make significant changes to its practices that are beyond those that it had implemented prior to January 1, 2008. For example, the vegetation management rule requires mid-cycle inspections, vertical clearances, customer education and notification efforts. Staff agrees that the actions taken by AmerenUE in this regard have been prudent, but argues that AmerenUE has already reached its likely level of expenditures. AmerenUE disagrees, but if it were to turn out that the future work necessary to comply with the new

rules does not cost more, then additional costs will not be reflected in the tracker. If it is necessary to spend more money, however, then AmerenUE will have the opportunity to recover these prudently incurred costs, an opportunity that may unfairly be lost without the tracking mechanism. Either way, both the Company and customers will be protected by the creation of a regulatory asset (if expenditures exceed the base amounts) or a regulatory liability (if expenditures are less than the base amounts) to be recovered or returned with interest, as was ordered in the Empire case referenced above.

b. Infrastructure Inspection and Repair

i. What level of infrastructure inspection and repair expense is appropriate for recognition in AmerenUE's revenue requirement in this case?

AmerenUE's position on this question is more fully set forth in its answer to part v. below. AmerenUE believes the Commission should use the two year average for the Company's budget for this work (2009 and 2010 budgets). AmerenUE believes the base amount of costs in this tracker for infrastructure inspections and repairs should be $23.9 million.

ii. Should AmerenUE's revenue requirement in this case include a three year amortization of infrastructure inspection and repair expense from January 1, 2008 to June 30, 2008?

AmerenUE believes it is appropriate for the Commission to grant approval for it to amortize, over three years, compliance costs which are above the dollar amount included in the Company's current rates for costs incurred between January 1, 2008 and September 30, 2008. That amount is $10.7 million. The Company proposes to begin collecting that amortization in rates set in this rate case since these are additional costs incurred through the true-up period in this case, September 30, 2008.

iii. Should AmerenUE's revenue requirement in this case include a three year amortization of infrastructure inspection and repair expense from July 1, 2008 to September 30, 2008?

AmerenUE's position on this question is contained within its answer to part ii. above.

iv. Should accounting authority be granted for infrastructure inspection and repair expense incurred from October 1, 2008 to February 28, 2009, with these costs being deferred for treatment in AmerenUE's next rate case?

AmerenUE has also requested an accounting authorization for the additional costs of compliance with the new Commission rules which are incurred after the true-up cut-off date, but before the operation of law date in this case (between October 1, 2008 and February 28, 2009). Those costs would be considered for recovery in AmerenUE's next rate case. These are amounts that AmerenUE is required to expend to comply with the Commission's new rules, but which it will not recover in rates during that time.

v. Should a tracker be implemented for infrastructure inspection and repair expense that exceeds the level of infrastructure inspection and repair expense the Commission recognizes in AmerenUE's revenue requirement in this case? Should such a tracker be implemented for the one-year period of March 1, 2009 to February 28, 2010?

AmerenUE believes the Commission should approve a two-way tracker for vegetation management and infrastructure inspection (one tracker that tracks both items) rule-related costs incurred after the order in this rate case. This is precisely the mechanism adopted by the Commission in Empire's rate case that was concluded just a few months ago. AmerenUE believes the base amount of costs for infrastructure inspection and repair in this tracker should be set at $23.9 million.

These rules are new and no utility knows exactly what compliance is going to cost. AmerenUE is ahead of many Missouri utilities because it began its compliance efforts early, but the Company still is ramping up this work. The Commission rule on infrastructure inspection requires AmerenUE to make significant changes to its practices which will increase the amount to be spent over that which is reflected in the updated test year. For example, the required inspections of underground facilities and streetlights will not be fully implemented until January of 2009. Accordingly, the costs associated with those inspections and repairs will be in addition to the cost of repairs currently contained in AmerenUE's cost of service. As explained above, a tracker protects both AmerenUE and its customers by creating a regulatory asset (if expenditures exceed the base amount) or a regulatory liability (if expenditures are less than the base amount) to be recovered or returned with interest, as ordered in the Empire case.

4. January 13, 2007 Ice Storm Accounting Authority Order (AAO): In Case No. EU-2008-0141, the Commission authorized AmerenUE an AAO for the extraordinary costs of the January 13, 2007 Ice Storm but deferred to this case the determination of the starting date of the five-year amortization of the deferred costs. What should be the start date of the five year amortization?

AmerenUE's position on the accounting authority order for the January 13, 2007 storm costs is set forth in the rebuttal testimony of Company witness Lynn M. Barnes. The Staff and the Company have reached agreement regarding the amount of the storm costs to be amortized and the length of the amortization period (five years). The only issue remaining is when the amortization of the storm costs should begin. The Company believes that the amortization period should begin on the effective date of rates set in this proceeding. That will provide the Company with the opportunity to fully recover its prudently-incurred costs of responding to the storm. The Staff argues that amortization

of the costs should begin on February 1, 2007. However, this will mean that more than two-fifths of the storm costs will be amortized away before AmerenUE has any opportunity to recover the costs. This is a particularly unfair result given the fact that the Company had a rate case pending at the time that the storm costs were incurred, and that rate case resulted in a decision that AmerenUE's rates should be increased by approximately $43 million, even without considering the storm response costs. AmerenUE believes that allowing full recovery of its storm costs is fair to both the Company and its customers, and supports AmerenUE's efforts to improve its storm restoration practices to ensure that service to customers is restored as quickly as possible.

5. Deferred Income Taxes: Three items included by AmerenUE in the deferred income tax balance offset to ratebase relating to deductions taken by AmerenUE on prior tax returns may be disallowed by the IRS, but there will not likely be a final IRS ruling before 2011. Should these uncertain tax positions be included or excluded from the determination of AmerenUE's revenue requirement in this case?

AmerenUE's position on accumulated deferred income tax is set forth in the rebuttal testimony of AmerenUE witness Gregory L. Nelson. Deferred income tax liabilities are generally treated as a reduction to rate base. AmerenUE's position is that, in determining its rate base, deferred tax liabilities should not include liabilities attributable to potential tax benefits that are associated with uncertain tax positions and not recorded in a deferred tax liability account pursuant to Generally Accepted Accounting Principles (GAAP), under Federal Accounting Standards Board Interpretation No. 48 (FIN 48). AmerenUE is required to review its liabilities associated with uncertain tax positions quarterly, and adjust them to take into account changes in laws and regulations. The quarterly balance in this account represents the amount of money that AmerenUE expects to have to repay the government, with interest, once its

uncertain tax positions have been resolved. This balance is also reviewed by AmerenUE's external auditors on a quarterly basis.

The Staff's position is that all liabilities associated with uncertain tax positions should be included in the deferred income tax liability balance and deducted from rate base, even if they are not permitted to be recorded as deferred tax liabilities under FIN 48. This position unfairly assumes that AmerenUE will prevail in all the uncertain tax positions it has taken. If Staff's position is adopted and if AmerenUE's uncertain tax positions are not sustained in their entirety, there is no mechanism to recover these costs in some future period. AmerenUE's approach, which excludes from deferred taxes the best estimate of the amount it will have to pay due to the resolution of uncertain tax issues, is fair to both the Company and its customers.

6. Entergy Arkansas Equalization Costs in SO_2 or Other Tracker: Should AmerenUE be required by the Commission to accumulate in its SO_2 or some other tracker refunds it may prospectively receive relating to the Entergy Equalization costs?

AmerenUE addresses the issues associated with the Entergy litigation in the rebuttal testimony of Company witness Shawn E. Schukar. The Company is willing to account for any revenues it receives from the Entergy litigation so that the Commission can provide appropriate ratemaking treatment for those revenues in a future rate proceeding. However, whether and to what extent potential refunds from this litigation should be refunded to customers may depend on (a) what periods are covered by the refund, (b) whether and to what extent ratepayers actually paid the costs that are being refunded, and (c) whether retroactive adjustment of costs is appropriate for periods where purchased power costs were not covered by a fuel adjustment clause.

7. Off-System Sales:

a. Off-System Sales Margin: What amount of off-system sales margin is appropriate for recognition in AmerenUE's revenue requirement in this case?

The Company's recommended margins relating to energy produced from the Company's generating units, including treating the Taum Sauk Plant as if it was in service, would be $256.35 million (of which $14.25 million is attributable to the Taum Sauk Plant). Additional margins relating to Revenue Sufficiency Guaranty payments from the MISO ($4.7 million), capacity sales, including treating the Taum Sauk Plant as if it were in service ($11.3 million, $6.4 million unrelated to the Taum Sauk Plant and $4.9 million of which relate to the Taum Sauk Plant), and for ancillary services ($3.5 million) should also be included in off-system sales margins. Consequently, the total off-system sales margins would be $275.85 million.

b. Natural Gas and Purchased Power/Market Energy Prices: What are the appropriate natural gas and purchased power prices/market energy prices to use in this case for purposes of inputs into the production cost models of AmerenUE and the Staff?

The average gas and energy prices for the two-year period ending September 30, 2008 are the most appropriate to use in this case.

c. Prior Period Taum Sauk Capacity Sales: Should there be an adjustment to hold customers harmless from the adverse effects of the failure of the Taum Sauk pumped storage unit with regard to foregone capacity sales in prior periods?

No. As outlined in the rebuttal testimony of AmerenUE witness Shawn E. Schukar, AmerenUE already held ratepayers harmless from the unavailability of the Taum Sauk Plant in the last rate case. At the time AmerenUE made the final calculation of rates on January 1, 2007, AmerenUE had not sold all of the capacity that was available

for sale in any month. Thus, had Taum Sauk been available at the time of the last rate case, there would not have been any additional capacity sales made, and the rates set in the last rate case would have been exactly the same as the rates that were actually set in that case. Imputing revenues in a manner that is inconsistent with the determination of rates is inappropriate because it would isolate one item of potential revenue while ignoring other items of potential expense.

d. Non-Taum Sauk Capacity Sales: What level of non-Taum Sauk capacity sales revenues should be included in AmerenUE's off-system sales?

As noted under item a. above, $6.4 million.

e. Taum Sauk Capacity Sales: What level of Taum Sauk capacity sales revenues should be included in AmerenUE's off-system sales?

As noted under item a. above, $4.9 million.

f. Non-Asset Based Trading Margins: Should the margins associated with non-asset-based trading of wholesale capacity and energy products be included in the calculation of AmerenUE's Missouri jurisdictional revenue requirement?

No. The FERC Uniform System of Accounts requires non-asset-based trading (speculative trading) costs and revenues to be accounted for below-the-line. Ratepayers should not be exposed to the risks and uncertainties associated with speculative trading.

Overall Position on Off-System Sales

AmerenUE's position respecting the appropriate level of off-system sales revenues for use in setting the net base fuel costs in the Company's proposed FAC (or to include in base rates, if the Commission does not approve the Company's FAC request), is outlined in the direct, rebuttal and surrebuttal testimonies of AmerenUE witness Shawn E. Schukar. As explained by Mr. Schukar, AmerenUE has calculated normalized energy

prices for inclusion in its PROSYM production cost model to match the normalized loads, revenues and expenses used to set every other aspect of the Company's revenue requirement. These normalized energy prices are based on two years of actual energy prices received by the Company for sales made at its generating stations, for the two-year period ending with the true-up date in this case, September 30, 2008. These normalized energy prices result in a normalized level of off-system sales revenues relating to the energy produced at the Company's generating units of $452 million annually. Using normalized values to model off-system sales is critically important given the need to match normalized loads and to take into account various other short-term impacts that can occur within just one year, such as temporary transmission and generation outages, congestion, coal supply disruptions, abnormal hydroelectric generation due to abnormal rainfall, market speculation, and changes in law (such as the effect of the federal courts' vacating the Federal Clean Air Interstate Rule in June 2008).

Off-system sales also include normalized capacity sales margins, ancillary services sales margins, and Revenue Sufficiency Guarantee (RSG) margins from the MISO, each of which must be added to the revenues associated with the energy that is sold. The Company has included additional amounts for each of these items, as follows: $6.4 million for capacity sales, $3.5 million for ancillary services sales, and $4.7 million for RSG revenues.

The Company has also calculated the revenues that the Taum Sauk plant would have generated if it had been in service, which are $20.9 million related to energy and $4.9 million related to capacity. If the FAC is approved, the sum of these two values ($20.9 million and $4.9 million, or $25.8 million) will be reflected in factor "TS" as a

reduction to total fuel and purchase power expense in the FAC until the Taum Sauk plant returns to service, which is expected to occur in March, 2010. If the FAC were not approved, the additional $25.8 million would have to be included in off-system sales revenues.

Like energy prices, normalized natural gas prices must also be utilized to model off-system sales. As explained by AmerenUE witness Scott A. Glaeser, gas costs are highly volatile, making it necessary to use more than one year's data as Mr. Schukar did in calculating normalized power prices. Otherwise, gas prices that are not reflective of normalized conditions, upon which the rest of AmerenUE's revenue requirement is determined, create distorted modeling results.

8. Fuel Adjustment Clause (FAC):

a. FAC – Should the Commission approve AmerenUE's proposed fuel adjustment clause, should the Commission approve a FAC with modifications for AmerenUE, or should the Commission reject the authorization of a FAC for AmerenUE?

The Commission should approve AmerenUE's proposed fuel adjustment clause.

b. FAC Structure – If the Commission authorizes a FAC for AmerenUE, what are the proposals of the various parties for fuel and purchased power cost recovery pursuant to a FAC to be adopted for AmerenUE?

i. AmerenUE proposal – 95% of the difference between actual fuel and purchased power costs, net off-system sales and the cost included in base rates.
ii. MIEC proposal – 80%/20%, with an annual limit plus or minus 50 basis points impact.
iii. State proposal – 80%/20%

AmerenUE's proposal should be adopted.

c. FAC Structure – Accumulation periods per year. If the Commission authorizes a FAC for AmerenUE, should there be four-month accumulation periods (three per year) or six-

month accumulation periods (two per year) during which the variations form the base fuel costs are accumulated for later recovery subject to the tracking provisions?

There should be three four-month accumulation periods.

d. FAC Structure – Length of recovery periods. If the Commission authorizes a FAC for AmerenUE, should there be twelve-month recovery periods or six-month recover periods?

AmerenUE proposed a 12-month recovery period with its three four-month accumulation periods. If the Commission adopts two six-month accumulation periods, it should shorten the recovery period to six months, consistent with its treatment of Empire's FAC.

e. FAC Structure – Outage replacement power costs/risk management. If the Commission authorizes a FAC for AmerenUE, should ratepayers bear the effects of the cost of replacement power in the context of major unit outages?

Ratepayers should pay all of the prudently incurred fuel and purchased power costs of the Company, pursuant to the FAC tariff.

f. FAC Structure – Treatment of Taum Sauk. If the Commission authorizes a FAC for AmerenUE, how should the absence of Taum Sauk generation be treated?

The absence of Taum Sauk should be accounted for through the "TS" factor in the FAC tariff, which will result in a total offset to fuel and purchased power cost in the FAC of $25.8 million related to this issue.

g. FAC Structure – Timing of recovery periods. If the Commission authorizes a FAC for AmerenUE, shall the recovery periods be time to reduce the number of rate changes within a year?

AmerenUE does not object to timing recovery periods to reduce the number of rate changes within a year. Two of AmerenUE's proposed three rate changes could be

timed to coincide with seasonal rate changes, meaning there would be just one additional rate change per year beyond the two seasonal rate changes that already occur.

FAC Structure – Recovery of fuel cost accumulations. If the Commission authorizes a FAC for AmerenUE, should the recovery (or return) of the difference between the base fuel and the actual fuel cost be billed on a calendar or billing month basis?

AmerenUE does not object to billing on a billing month basis.

FAC Structure – Base fuel and purchased power cost. If the Commission authorizes a FAC for AmerenUE, should there be a single annual average base cost or a seasonal average base cost?

AmerenUE does not object to a seasonal average base cost.

FAC Structure – FAC tariff sheet. If the Commission authorizes a FAC for AmerenUE, should the tariffed FAC schedule include the Fuel and Purchased Energy Cost Adjustment(s) currently in effect and a tariff sheet detailing the calculation of the rate?

AmerenUE agrees to file the referenced tariff sheet.

FAC Content – Costs/Revenues to be included. If the Commission authorizes a FAC for AmerenUE, what costs/revenues should be included in the FAC?

The specific costs and revenues AmerenUE proposes for inclusion are set forth in its FAC tariff. Generally, these consist of all fuel and purchased power costs, net of off-system sales revenues.

FAC – Additional Information. If the Commission authorizes a FAC for AmerenUE, should AmerenUE be required to submit information in addition to what is required by 4 CSR 240-3.161(5) and (6)? If so, what additional information should AmerenUE be required to provide?

Within reason, AmerenUE is willing to submit any information that the Staff wants.

h. FAC Heat Rate Tests/Efficiency Tests Requirements. If the Commission authorizes a FAC for AmerenUE, has AmerenUE met

the heat rate test/efficiency tests [in the] minimum filing requirement, 4 CSR 240-3.161(2)(P)?

Yes.

Overall Position on Fuel Adjustment Clause

AmerenUE's position regarding its requested FAC is outlined in detail in the direct, rebuttal and surrebuttal testimonies of AmerenUE witness Martin J. Lyons, Jr. Other supporting evidence related to the FAC request is contained in several other AmerenUE testimonies.[1] AmerenUE is requesting a fuel adjustment clause in this case because it cannot recover its cost of service without one. In an environment where the Company faces significant, known fuel cost increases each year, the Commission's traditional rate case process, based on an historical test year with a cut-off date for known and measurable changes many months before rates take effect, simply cannot keep up with the fuel cost increases. Even if the Company files rate case after rate case, without an FAC, the Company will be required to absorb tens of millions of dollars in fuel costs each year, simply due to regulatory lag. This is illustrated by the Company's last rate case, which was optimally timed to reflect a fuel cost increase taking effect January 1, 2007. However, since the rates from that rate case did not take effect until June, 2007, the Company was required to absorb approximately $42 million in fuel costs, never to be recovered.

Senate Bill 179, which authorized fuel adjustment clauses, suggests that a fuel adjustment clause should be approved where it is required for an electric utility to have a sufficient opportunity to earn a fair return on equity. This standard is obviously met in this case: AmerenUE has no opportunity to earn a fair ROE without a fuel adjustment

[1] These other witnesses are Robert K. Neff, Ajay K. Arora, Scott A. Glaeser, Randall J. Irwin, Mark C. Birk, Paul W. Mertens, Kenneth Gordon and Gary M. Rygh.

clause unless, by magic, other costs suddenly decrease to offset the tens of millions of dollars in increased fuel costs each year.

The Commission has also considered three additional factors when examining requests for an FAC, all of which AmerenUE meets. First, the cost or revenue change must be "substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases." No one can seriously contend that AmerenUE does not meet this standard. Its coal costs alone are over $600 million per year. Moreover, the Commission already found that AmerenUE meets this criterion in its last rate case, Case No. ER-2007-0002, Report and Order, p. 21.

The second standard the Commission has applied is that costs or revenues must be "beyond the control of management, where utility management has little influence over experienced revenue or cost levels." Again it is clear that AmerenUE's costs and revenues meet this standard. Although the Company can and has hedged its fuel costs where possible (and thereby exercised some influence over the costs), it simply cannot control the underlying fuel and power markets, which are subject to myriad national and international influences. Moreover, significant components of net fuel cost simply cannot be hedged (i.e. coal burn variability, most gas costs, most off-system sales revenues) putting them completely beyond the Company's ability to control.

The third standard the Commission has relied on says that costs or revenues must be "volatile in amount, causing significant swings in income and cash flows if not tracked." Again, AmerenUE clearly meets this standard since a material portion of its net fuel costs is subject to the uncertainty inherent in demonstrably volatile markets. Not all of the Company's fuel costs can be hedged, and unhedged off-system sales revenues,

earned in the volatile daily power markets, do not offset coal and nuclear cost increases, which are largely locked in through hedges every year. AmerenUE has presented exhaustive analyses of volatility in the testimony of Ajay Arora, which supports these common sense conclusions.

Finally, aside from these standards, there are important policy considerations that strongly support the conclusion that the Commission should permit AmerenUE to use a fuel adjustment clause. If AmerenUE is unable to use a fuel adjustment clause and therefore is unable to recover its cost of service and earn a reasonable rate of return, its financial strength will be further eroded, to the ultimate detriment of its customers and the State of Missouri. If it does not have a fuel adjustment clause, it will be unable to compete for increasingly limited pools of capital against other vertically integrated utilities, almost all of which have an FAC. The Commission should keep these over-arching policy considerations in mind when it evaluates AmerenUE's request for a fuel adjustment clause.

Some parties have contended that AmerenUE's use of a fuel adjustment clause will eliminate the Company's incentives to operate its plants efficiently and optimize net fuel costs. But this is simply not true. AmerenUE will have as much or more incentive as any other utility in the state to continue to operate efficiently and keep net fuel costs low. Among AmerenUE's incentives are:

- AmerenUE's proposed 95%/5% sharing of changes in net fuel costs;
- The 12-month lag built into the FAC recovery mechanism;
- Ameren Corporation's coal pool, which requires regulated and unregulated plants to pay the same cost for the same coal;
- AmerenUE's incentive compensation program, which provides plant operators, fuel procurement personnel and power marketers financial incentives to meet efficiency and cost reduction goals;
- Exhaustive prudence reviews by the Staff every 18 months;

- The requirement to obtain approval for an FAC every four years; and
- Plant heat rate testing and other reporting requirements.

These incentives will ensure that AmerenUE will continue to do the best job possible in keeping fuel costs low, running its plants efficiently and optimizing off-system sales. Moreover, AmerenUE's track record in operating under its Purchased Gas Adjustment Clause suggests that it will be diligent in procuring fuel and operating its system efficiently.

9. Callaway Unit II Combined Construction and Operating License Application (COLA) Costs: Should or can the costs of the combined construction and operating license application to the Nuclear Regulatory Commission for the prospective Callaway II unit be recovered in rates by AmerenUE? Can any such recovery proceed without a determination of public convenience and necessity or does AmerenUE intend to rely on the 1975 certificate?

As addressed in the surrebuttal testimony of AmerenUE witness Ajay K. Arora, the 2005 federal Energy Policy Act (EPAct) provided very substantial production tax credits for new nuclear plants so long as a Combined Construction and Operating License Application (COLA) was submitted to the Nuclear Regulatory Commission by the later of (a) December 31, 2008, or (ii) the date on which the aggregate nameplate capacity of advanced nuclear facilities for which COLAs have been filed with the NRC equals or exceeds 6,000 megawatts. AmerenUE's analysis indicates that these production tax credits could potentially save ratepayers approximately $500 million if a second unit is built at the Callaway Plant site. Consequently, it was clearly prudent for the Company to file the COLA when it did to avoid the loss of these potential benefits forever. Stated another way, AmerenUE's COLA filing preserves those benefits for ratepayers, if a regulated Callaway unit 2 is ultimately built.

Inclusion of the COLA costs does not violate Proposition One (Section 393.135, RSMo.). This is because a COLA for a new nuclear plant, particularly one associated with a plant that would qualify for the EPActs's production tax credits, is a separate asset with an independent value, apart from any new plant itself. Thus, even if AmerenUE never builds Callaway unit 2, the COLA could be used by another power plant operator to allow the construction of a merchant plant. Under these circumstances, it is inappropriate to saddle AmerenUE's shareholders with the cost and risk associated with pursuing the COLA.

10. MISO Day 2: Should AmerenUE recover in cost of service Revenue Sufficiency Guaranty resettlement costs for prior years?

AmerenUE's position on the resettlement of Midwest Independent Transmission System Operator, Inc. (MISO) charges is set forth in the rebuttal testimony of AmerenUE witness Gary S. Weiss. As Mr. Weiss explains, during the test year, the MISO billed AmerenUE additional charges (totaling $12,430,094) associated with AmerenUE's load attributable to transactions dating back to the start of the MISO's Day 2 energy market on April 1, 2005. MISO had failed to bill these charges as required by its FERC tariff. Had the MISO billed these charges correctly, the charges would have been included in the test year expenses used to set rates in the Company's last rate case, Case No. ER-2007-0002, and the Company's rates would have been higher as a result. Solely because of the MISO's error, these charges were not taken into account in setting the Company's rates in the last rate case.

The MISO's mistake caused ratepayers to receive the full benefit of AmerenUE's membership in the MISO without paying the full cost. The only way to ensure that ratepayers properly pay these charges, which were billed and paid during the test year in

this case, is to include them in the Company's revenue requirement in this case. The Company proposes to amortize the costs over two years (which equates to approximately the period over which the charges accrued). These costs are material and extraordinary, and should be treated like other material and extraordinary expenses outside a test year (such as storms costs) are treated. This is particularly true where, as here, the Company has been unable to earn its authorized return from its last rate case. Otherwise, ratepayers get the full benefit of MISO services while shareholders pay the full cost.

11. Incentive Compensation and Restricted Stock Compensation/ Performance Share Unit Plans:

a. Incentive Compensation: AmerenUE eliminated from cost of service the Executive Incentive Plan for officers and directors that is awarded on the basis of earnings per share performance. Should AmerenUE recover the costs of all other incentive compensation programs?

b. Restricted Stock Compensation: Should AmerenUE recover the costs of the Restricted Stock Compensation/Performance Share Unit plan?

AmerenUE's position on incentive compensation costs is set forth in the rebuttal testimony of Company witness Krista G. Bauer. AmerenUE believes it should be permitted to recover the cost of all of its incentive compensation plans, other than the Executive Incentive Plan applicable to officers, which the Company excluded from its cost of service. This includes both the Company's short-term incentive compensation plans and the long-term compensation plan.

Both short and long-term incentive compensation plans are important components of a competitive total compensation package that permits AmerenUE to attract, retain and motivate well-qualified employees. Industry surveys indicate that the vast majority of Ameren's peer companies offer long and/or short-term incentive compensation to their

employees, and AmerenUE must be in a position to compete for skilled employees with those companies. This issue is becoming increasingly important as the workforce ages, and interest in skilled craft declines. AmerenUE anticipates that 50% of its workforce will leave the company in the next 10 years. Moreover is spite of active recruiting efforts (including offering a $15,000 hiring bonus for line workers), AmerenUE has had increasing difficulty filling engineering and skilled craft positions.

AmerenUE's short-term incentive compensation plans have been redesigned in an effort to address concerns expressed by the Commission in previous cases. In particular, the plans have been largely decoupled from Company earnings. Currently, incentive compensation is based on employees' achievement of Key Performance Indicators, which establish specific performance measures that incent employees to reach goals such as reliability improvement, increased customer satisfaction, safety improvement, operational performance and cost reduction. AmerenUE also offers an Exceptional Performance Bonus which offers employees a one-time payment of $500-$3,000 for exceptional performance, such as working long hours without any additional pay during an ice storm.

These incentive compensation plans directly benefit customers by improving the Company's operational performance, reducing costs, enhancing safety and increasing customer satisfaction. They are a standard component of compensation in our industry, and they are necessary to allow the Company to attract, retain and motivate qualified employees. Consequently these costs are appropriate for inclusion in the Company's cost of service.

12. Depreciation: Should depreciation rates for the plant accounts for the Callaway I nuclear generating station be adjusted, based on less than a full depreciation study of all plant accounts, to use the actual book accumulated depreciation reserve amounts, which adjustment would

amortize an [sic] over accrual of the nuclear depreciation reserve accounts, i.e., the difference between the actual book accumulated depreciation and the theoretical accrued depreciation, on the basis that the Callaway I plant will be relicensed for an additional 20 years?

AmerenUE's position on the depreciation issue raised by the Office of the Public Counsel (OPC) is set forth in the rebuttal testimony of John F. Wiedmayer. AmerenUE opposes the recommendation of OPC witness William W. Dunkel to selectively reduce the depreciation rates of plant accounts for the Callaway Nuclear Plant, which would reduce AmerenUE's revenue requirement by approximately $7.1 million. As explained in Mr. Wiedmayer's testimony, it is not appropriate to adjust depreciation rates for a selected set of accounts without conducting a depreciation study that analyzes all accounts. In AmerenUE's case, there is reason to believe that an analysis of all accounts would result in an increase in depreciation rates. Depreciation rates for AmerenUE's steam production plant accounts are extremely low—among the lowest Mr. Wiedmayer has ever observed. For example, the average service life for Account 315, Accessory Electrical Equipment, based on the current depreciation rates is 90 years, which is obviously far too long. The average service life for Account 311, Structures and Improvements, which includes items such as elevators, HVAC equipment and floor coverings, is 115 years, with a maximum service life for the account of 231 years – again, far too long. The depreciation rates for these accounts can and should be corrected when a complete depreciation study is conducted for all of AmerenUE's accounts. Meanwhile, it would be inappropriate and unfair to adjust depreciation rates down for the accounts Mr. Dunkel has selected, without considering accounts whose rates should be adjusted up.

In addition, it is noteworthy that Mr. Dunkel's adjustments to the Callaway accounts require the Commission to adjust from the *whole life* rates approved in the last case to *remaining life* rates that he recommends in this case. Mr. Dunkel's proposed change in methodology should be considered the next time AmerenUE's rates are adjusted pursuant to a comprehensive depreciation study.

13. Demand Side Management (DSM): In Case No. ER-2007-0002, AmerenUE was ordered by the Commission to book the costs of acquiring demand side management resources in a regulatory asset account. Should the Commission require netting of revenues for only demand response programs or should netting apply to all demand side management resources?

AmerenUE's position relating to the tracking of costs associated with its demand-side management (DSM) activities is outlined in the surrebuttal testimony of AmerenUE witness Richard A. Voytas. In AmerenUE's last rate case, Case No. ER-2007-0002, the Commission ordered the Company to track the costs of DSM programs in a regulatory asset account. AmerenUE supported this concept, which was first proposed by Staff witness Lena Mantle. In this case, Staff witness Henry Warren asked the Commission to clarify that net expenditures should be included in the regulatory asset account, rather than just the costs of these programs. OPC witness Ryan Kind also filed testimony asking the Commission to adopt language which would require the Company to net all benefits and expenses in this regulatory asset not otherwise credited.

AmerenUE agrees that netting these costs against an identifiable benefit is appropriate for certain programs, specifically demand response programs for large industrial customers, because there is a definitive link between the program and a benefit. One example is AmerenUE's Industrial Demand Response (IDR) program. AmerenUE is already offsetting the cost of the program against the additional off-system sales it is

able to make because of its curtailment calls under the IDR program. However, for programs other than large industrial demand response programs, there is not an identifiable benefit. An energy efficiency program, such as weatherization, typically reduces energy consumption across most hours of the year rather than during an identifiable period of time. This makes it impossible to determine whether any off-system sales that would not otherwise have been made were somehow enabled by the energy efficiency program. Imposing a netting requirement for energy efficiency programs does not make sense nor is it practical. AmerenUE supports a netting requirement only for demand response programs which have a clearly identifiable link to revenue associated with the program.

14. Low-income Weatherization Program: Should AmerenUE provide an additional $300,000 for funding the current low-income weatherization program for the full amount directed by the Commission in Case No. ER-2007-0002 for the twelve months ended July 5, 2008? Should AmerenUE continue to fund the current low-income weatherization program for the full amount directed by the Commission in Case No. ER-2007-0002 for the twelve months ending July 5, 2009? In what annual amount and from what source of funds should AmerenUE continue to fund the current low-income weatherization program beyond the Commission's Report and Order in Case No. ER-2007-0002?

AmerenUE's position respecting the Missouri Department of Natural Resource's (DNR) Low Income Weatherization proposal is set forth in the rebuttal testimony of AmerenUE witness Richard J. Mark. AmerenUE believes it is in compliance with the order from its last rate case, Case No. ER-2007-0002. After that case, the Company paid the weatherization money as it had been ordered. However, a new rate case resets the Company's base revenue requirement (revenue and expense) and AmerenUE must again seek approval from the Commission to recover these costs in its rates. In keeping with

this reality, AmerenUE paid three fourths of an annual weatherization payment, which funded its obligation up to the operation of law date in this case. Presuming that the Commission continues to include the cost of funding weatherization in AmerenUE's revenue requirement, the Company will continue to make payments to DNR. However, if the Commission does not allow the recovery of this funding in rates, AmerenUE believes it is under no obligation to continue funding these costs after the operation of law date in this case.

DNR has requested that AmerenUE commit to providing a continuous source of funding, regardless of what occurs in a rate case. While AmerenUE appreciates that a long-term funding commitment would be beneficial to DNR, the rate case-to-rate case length of funding is driven by the Company's need for these expenditures to be determined prudent and recoverable by the Commission. The Commission is unable do that for a commitment that extends beyond the Company's next rate case. In this case, the Company is asking for approval to continue the current level of funding which is recovered through its rates, a total of $600,000 a year. This commitment would continue until AmerenUE's next rate case, where the idea of a ratepayer funded share would be re-evaluated by both the Company and by the Commission.

15. Pure Power Program (Voluntary Green Power Program/Renewable Energy Credits (REC)): Should the Commission authorize AmerenUE to continue its Pure Power Program/Voluntary Green Program, and if the Commission does so, in what form should the Commission authorize the continuation of the program?

AmerenUE's position respecting the Company's Pure Power program is set forth in the rebuttal testimony of AmerenUE witness William J. Barbieri. AmerenUE believes the Commission should authorize it to continue Pure Power in its present form. Pure

Power is a voluntary program available to AmerenUE customers where they pay an additional amount ($15 per MW equivalent) to purchase a Renewable Energy Credit (REC), which reflects the intangible attributes of green electricity. Pure Power was adopted by AmerenUE in response to customer demands and was approved by the Commission. AmerenUE's literature states that the purchase of a REC is not the purchase of green electricity and we believe customers who participate in this program understand the distinction, and their participation is driven by a desire to support green power producers. AmerenUE's Pure Power program was awarded the 2008 New Green Power Program of the year by the U.S. Department of Energy, in conjunction with the U.S. Environmental Protection Agency and the Center for Resource Solutions.

AmerenUE has provided information quantifying the percentage of funds spent upon REC procurement, consumer education and administrative costs. The Company believes those percentages are not unreasonable for a program that is still gearing up.

16. Union Issues: The Unions are in support of AmerenUE's proposed rate increase, but raise the following issues:

a. Should AmerenUE be required to expend a substantial portion of the rate increase investing in its employee infrastructure, in general, including recruitment and training, if the Commission has the authority to require AmerenUE to do so;

b. [I]f the Commission has the authority to require AmerenUE to do so, [s]hould AmerenUE be required to fully and permanently staff itself within 3 years for its normal and sustained workload, thereby reducing the need for subcontracting and overtime, if the Commission has the authority to require AmerenUE to do so;

c. Should AmerenUE be required to be liable for and to ensure the training and certification of its subcontractors, if the Commission has the authority to require AmerenUE to do so; and

d. Should AmerenUE be required to make good faith efforts to hire locally, both its internal and external workforces, if the Commission has the authority to require AmerenUE to do so?

The Company's position on the issues raised by unions that represent some of its employees is set forth in the rebuttal testimonies of AmerenUE witnesses Mark C. Birk and Ronald C. Zdellar. The Unions ask for relief that exceeds the Commission's legal authority. As the Commission has recognized on numerous occasions, it is a body of limited jurisdiction and has no authority to take over the general management of any utility or to dictate the manner in which a utility company shall conduct its business.[2] Moreover, the Commission is not empowered to substitute its judgment for that of the directors of the utility corporation.[3] The "relief" requested by the Unions is simply beyond the Commission's authority because the Unions ask the Commission to dictate to AmerenUE who to hire and when to hire. For example, Mr. Giljum asks the Commission to order AmerenUE to use only "its permanent, direct workforce within the next three years" to accomplish its "customary work load." To grant that relief, the Commission would have to dictate to AmerenUE's management who it should hire, and when that hiring should occur. This the Commission cannot do.

Other Union leaders go even further. Mr. Walter asks the Commission to dictate to AmerenUE's management how it should spend its revenue requirement, by asking the Commission to "require Ameren[UE] to expend a substantial portion of the rate increase on investing in its employee infrastructure…."[4] To do that, the Commission would have to effectively become the financial manager of the Company. This the Commission

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[2] *See, e.g.State ex rel.Laclede Gas Co. v. Pub. Serv. Comm'n*, 600 S.W.2d 222, 228 (Mo. App. W.D. 1980); *State ex rel. Pub. Serv. Comm'n v. Bonacker*, 906 S.W.2d 896, 899 (Mo. App. W.D. 1995) (*cited* by the Commission in, *e.g.*, Report and Order, In the Matter of a Proposed Regulatory Plan of Kansas City Power & Light Company, Case No. EO-2005-0329 (July 28, 2005).

[3] State ex rel. General Telephone Company v. Public Serv. Comm'n, 537 S.W.2d 655, 659 (Mo. App. K.C. 1976).

[4] Messrs. Datillo and Desmond ask for similar relief.

cannot do either in that the courts have clearly held that the Commission is "not the financial manager of the utility."[5]

Aside from these legal considerations, the Unions' criticisms of the Company's operations are simply not true. As Mr. Birk explains, there have been marked improvements in the efficiency and safety of the Company's power plants using the labor practices criticized by Mr. Giljum. As Mr. Zdellar explains, substantial changes in workforce needs have properly led the Company to reduce its permanent, in-house workforce. Failing to respond to these workforce changes would simply have led to higher than necessary costs for the Company and its customers.

17. Hot Weather Safety Program: Should the Hot Weather Safety Program proposed by AARP be adopted by the Commission?

AmerenUE's position respecting AARP's hot weather initiative is set forth in the rebuttal testimony of AmerenUE witness Richard J. Mark. AmerenUE opposes the AARP recommendation that the Company should provide credits on the bills of low-income, elderly customers during the summer months. While the Company shares AARP's concern for these customers and the risk that extreme temperatures may pose for those who choose not to turn on their air conditioners, it does not believe the proposal will have the effect hoped for by AARP. The Company's own research has not shown that there are large numbers of low income, elderly customers who do not run air conditioning during extreme heat. Additionally, there is no reason to believe that a monthly bill credit will cause those customers to run their air conditioning at those times. Finally, the Company believes this type of program is a social program that is better developed and run by social service agencies and funded by the legislature.

[5] *Id.*

AmerenUE's opposition to this program is not motivated by a lack of concern about its customers; the Company currently works with various community outreach organizations to alert the public about the dangers of excessive heat, to encourage the use of air conditioning and to promote the location of the cooling centers within AmerenUE's service territory. AmerenUE believes its voluntary efforts have made a positive difference.

18. Certain Power On and Dollar More Advertising Expense: Should AmerenUE's advertising expense for certain Power On and Dollar More advertising be recovered in rates?

AmerenUE's position respecting Power On advertising is set forth in the direct testimony of AmerenUE witness Richard J. Mark. AmerenUE spent approximately $1,355,000 in the test year on advertising designed to communicate with its customers about Project Power On (Power On). Power On advertising is an essential component of AmerenUE's communication to its customers about the significant investments the Company is making in its distribution system. After the storms of 2006 and 2007, AmerenUE proactively sought feedback from its customers. Throughout 2007, the Company held more than 525 meetings with individuals, community leaders, neighborhood associations, senior citizen centers, legislators and business owners to receive input on their concerns. The Company also conducted focus groups throughout its service territory. These customers told the Company that they wanted more information about AmerenUE's investment in its distribution system and the steps it is taking to harden the distribution system against the impacts of vegetation and weather. Power On advertising provides exactly the information that customers have requested. Power On advertising is a form of mass communication with the Company's customers

that simply cannot be accomplished in any other manner and its cost should be included in the Company's cost of service.

In addition, the Company seeks recovery of $60,257 related to advertising for its Dollar More program. The Company believes that the Dollar More program is beneficial to its customers and although the Company pays certain administrative costs of the program, advertising costs associated with the program should be included in rates.

19. Class Cost of Service and Rate Design:

a. Class Cost of Service: How should class revenue responsibility be determined? A number of parties have submitted class cost-of-service studies.

i. Should the revenue responsibility of the various customer classes be based in part on the class cost-of-service study results?

ii. Should there be an increase or decrease in the revenue responsibility of the various customer classes?

iii. If the answer to "ii" above is "yes," what basis should be used to increase or decrease the revenue responsibility of the various classes?

b. Rate Design:

i. In respect to the class cost-of-service determination, including the class cost of-service study determination, how should the Commission change the level of the rates of each customer class that it orders in this case?

AmerenUE's position regarding the appropriate design of its rates is contained in detail in the direct and rebuttal testimonies of AmerenUE witnesses Wilbon L. Cooper, William M. Warwick and James R. Pozzo. The Company is proposing that the rate increase granted by the Commission in this case be spread evenly across all rate classes. Staff and the OPC agree with this proposal. The Company's proposal is similar to the rate design which was agreed upon by all parties in Case No. ER-2007-0002.

Other issues in the rate design area are the appropriate method to allocate fixed production assets. The Company's net investment in fixed production assets represents

approximately 68% of net original cost rate base in this case. AmerenUE uses the 4 NCP Average and Excess method for allocating these assets, which gives proper weighting to both class peak demands and to class energy consumption (average demands).

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Motion was served on the following parties via electronic mail (e-mail) on this 13th day of November, 2008.

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