

Schedule 4
Tracker for Pension and Other Post-Employment Benefits

INTENT:

These provisions of the Stipulation and Agreement are intended to accomplish the following:

- a. To ensure that the amount collected in rates for pension and other post-employment benefit costs is based on the FAS 87 and FAS 106 costs AmerenUE recognizes for financial reporting purposes; and
- b. To ensure AmerenUE recovers in rates certain contributions it makes to its pension and VEBA trusts; and
- c. To clarify, for ratemaking purposes, the accounting treatment of future charges AmerenUE would be required to record to equity (e.g., decreases to other comprehensive income) by FAS 87, FAS 106 or any other FASB statement or procedure relative to the recognition of pension and OPEB costs and/or liabilities.

PROCEDURE:

1. The FAS 87 and FAS 106 costs AmerenUE recognizes for financial reporting purposes shall be recognized in rates. The calculation of these costs shall be, unless specifically changed by the issuance of new FASB accounting standards, based on the Market Related Value of Assets that reflects gains and losses over a 4 year period. Unrecognized gains and losses shall be, unless specifically changed by the issuance of new FASB accounting standards, amortized over a 10-year period. This calculation does not employ the corridor approach. AmerenUE will inform the Staff of the Missouri

Public Service Commission and the Office of Public Counsel as soon as it becomes aware of a new FASB accounting standard that would affect the calculation parameters discussed above.

2. Each year AmerenUE shall contribute to its pensions and VEBA trusts the amount of its FAS 87 and FAS 106 costs for that year.

3. AmerenUE shall be allowed rate recovery for contributions it makes to its pension trust that exceed its FAS 87 cost for any of the following reasons: the minimum required contribution is greater than the FAS 87 cost, avoidance of Pension Benefit Guaranty Corporation (PBGC) variable premiums, and avoidance of a charge to other comprehensive income. To track any such excess contributions, a regulatory asset will be established and will be included in rate base.

4. The difference between the level of pension (FAS 87 & FAS 88) costs AmerenUE incurs and the level of those costs built into rates shall be tracked by means of regulatory assets and/or liabilities described in the following paragraphs. Similarly, the difference between the level of other post-employment benefits (OPEBs) shall be tracked by means of regulatory assets and/or liabilities described in the following paragraphs.

5. Regulatory assets or liabilities shall be established on AmerenUE's books to track the difference between the level of FAS 87 and FAS 106 costs AmerenUE incurs during the period between general electric rate cases and the level of FAS 87 and FAS 106 costs built into rates for that period. If the FAS 87, or FAS 106, cost during the period is more than the FAS 87, or FAS 106, cost built into rates for the period, AmerenUE shall establish a regulatory asset which has been reduced by any existing regulatory liability for pensions, or OPEBs, maintained pursuant to the following

paragraph. If the FAS 87, or FAS 106, cost during the period, adjusted for any amount of such expense used to reduce a regulatory liability maintained pursuant to the following paragraph, is less than the cost built into rates for the period, AmerenUE shall establish a regulatory liability. Since this is a cash item, the regulatory asset or liability will be included in rate base for purposes of setting new rates in the next rate case, and amortized over 5 years beginning with the effective date of the new rates.

6. If AmerenUE incurs negative FAS 87, or FAS 106, cost, AmerenUE shall set up a regulatory liability to offset the negative cost. The regulatory liability will increase by the amount of negative cost, or decrease by the amount of positive cost, in each subsequent year. Positive cost in such subsequent year will be used to reduce this regulatory liability before being used to establish a regulatory asset pursuant to the preceding paragraph. Any existing regulatory liability related to prior negative FAS 87 or FAS 106 cost will reduce the FAS 87 or FAS 106 included in cost of service in AmerenUE's next rate case. This regulatory liability is a noncash item that AmerenUE shall exclude from its rate base in future rate cases.

7. The parties have designed this agreement so that AmerenUE will receive through rates reimbursement of its FAS 87 and FAS 106 costs. Therefore, AmerenUE shall set up a regulatory asset to offset any charges that would otherwise be recorded against equity (e.g., decreases to other comprehensive income) caused by applying the provisions of FAS 87, FAS 106, or any other FASB statement or procedure that requires accounting adjustments due to the funded status or other attributes of AmerenUE's Pension or OPEB plans. This regulatory asset shall not be amortized into rates or included in rate base because AmerenUE will recover for the amounts in this regulatory

asset in rates through AmerenUE's FAS 87 or FAS 106 costs in future years. This regulatory asset will increase or decrease each year by the same amount that the equity charge increases or decreases.

8. If AmerenUE has a curtailment, settlement, or special termination cost or credit due to requirements of applicable accounting rules according to FAS 88 and FAS 106, the following procedure will be used to address the cost reimbursement for pension and OPEB costs:

A. If the special event triggers a charge, then AmerenUE will establish an offsetting regulatory asset. This regulatory asset will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public Service Commission. AmerenUE shall make additional contributions to the applicable pension or VEBA trust equal to the amount of the amortization.

B. If the special event triggers a credit, then AmerenUE shall establish an offsetting regulatory liability. This regulatory liability will not be added to rate base (since it is not a cash item), and it will be amortized over five years beginning when new rates are implemented in AmerenUE's next general electric rate increase or decrease proceeding before the Missouri Public Service Commission. Generally, AmerenUE will contribute to the applicable pension or VEBA trust an amount equivalent to its FAS 87/106 costs for the year less the amortization amount, subject to the following condition:

C. If pension cost becomes negative as a result of a FAS 87 and/or FAS 88 credit, the Parties agree AmerenUE shall set up an offsetting regulatory liability. This regulatory liability is a non-cash item which will not require rate base treatment. When FAS 87 costs becomes positive again, the regulatory liability will be amortized over five years, or longer, if necessary to avoid the net of the FAS 87 cost and the offsetting amortized regulatory liability yielding a result which is less than \$0 in any year.

9. The parties agree the attached example calculation accurately reflects the intent of this Appendix to the Stipulation and Agreement, and that the testimony Steve Carver and Ken Vogl filed in Case No. ER-2007-0002 provides explanation of the matters addressed in these paragraphs.

**Ameren Electric Company
Case No. GR-2007-0003**

Example of Stipulated Tracking Mechanism for FAS 87 & FAS 88 Pension Cost ⁽¹⁾

| Financial & Rate Recognition | | Row Reference | 1 | 2 | 3 | Balance End of Yr 3 | New Rates | | | | | Total All 8 Years |
|---|--------------|---------------|----------|--------|--------|------------------------|-----------|----------|----------|----------|----------|----------------------|
| | | (A) | | | | | 4 | 5 | 6 | 7 | 8 | |
| FAS 87 | Rates | (A) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$10.00 |
| FAS 87 | Actual | | \$0.00 | \$0.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$12.00 |
| FAS 88 | Actual | | (\$5.00) | | | (\$5.00) | | | | | | (\$5.00) |
| FAS 88 Liability | | | (\$5.00) | | | (\$5.00) | | | | | | |
| FAS 88 Liability - Amortization | | (B) | | | | | (\$1.00) | (\$1.00) | (\$1.00) | (\$1.00) | (\$1.00) | (\$5.00) |
| FAS 87 Asset | | | | | \$2.00 | \$2.00 | | | | | | |
| FAS 87 Asset - Amortization | | (C) | | | | | \$0.40 | \$0.40 | \$0.40 | \$0.40 | \$0.40 | \$2.00 |
| Net Pension Cost in Rates | | (A)+(B)+(C) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$1.40 | \$1.40 | \$1.40 | \$1.40 | \$1.40 | <u>\$7.00</u> |
| Net Pension Cost - Actual | | | (\$5.00) | \$0.00 | \$2.00 | (\$3.00) | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | <u>\$7.00</u> |
| Funding Requirement | | | | | | | | | | | | |
| FAS 87 | Actual | | \$0.00 | \$0.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$2.00 | \$12.00 |
| FAS 88 Liability | Amortization | | | | | | (\$1.00) | (\$1.00) | (\$1.00) | (\$1.00) | (\$1.00) | (\$5.00) |
| Net Funding Requirement | | | \$0.00 | \$0.00 | \$2.00 | \$2.00 | \$1.00 | \$1.00 | \$1.00 | \$1.00 | \$1.00 | <u>\$7.00</u> |

⁽¹⁾ FAS 88 addresses accounting treatment for special events related to pension accounting under FAS 87.

FAS 106 addresses the accounting treatment for other post-employment benefits, including special events.

The example provided above would also reflect the tracking mechanism for Other Post-employment Benefits calculated according to FAS 106.