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Witness: Lynn M. Barnes
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

DIRECT TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
July, 2009

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DIRECT TESTIMONY

OF

LYNN M. BARNES

CASE NO. ER-2010-_____

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lynn M. Barnes. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri.

Q. Please describe your educational background and qualifications.

A. I have a Bachelor of Science degree in Accounting from Millikin University, Decatur, Illinois. I am also a licensed Certified Public Accountant in the states of Missouri and Illinois.

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

A. I am employed by Union Electric Company d/b/a AmerenUE ("AmerenUE" or the "Company") as Vice President, Business Planning and Controller.

Q. Please describe your employment history.

A. After 11 years in public accounting with Deloitte & Touche as an auditor and 16 months with the Boeing Company (formerly McDonnell Douglas Corporation), as Manager of Financial Reporting, I joined AmerenUE in 1997 as General Supervisor of Financial Communications. I was promoted to Manager of Financial Communications in 1999, and my responsibilities included managing the financial reporting department, the regulatory accounting department, and investor relations during the period of transition from a single utility to a public utility holding company with multiple operating companies. I directed financial management functions including preparation and analysis

of monthly/quarterly financial statements and external reports for all Ameren Corporation entities. In 2002, I transferred to Ameren Services Company's Energy Delivery Department as Controller, and in 2005 I was promoted to Director of Energy Delivery Business Services. In July 2007 I was promoted to Controller for AmerenUE and in October 2007 I was promoted to Vice President, Business Planning and Controller for AmerenUE.

Q. Please describe your duties and responsibilities as Vice President, Business Planning and Controller for AmerenUE.

A. In my current position as Vice President, Business Planning and Controller, I supervise the Company's financial affairs, including nearly $2 billion of annual operations and maintenance expenses and capital expenditures. I direct AmerenUE's financial management functions including analysis of monthly/quarterly financial statements, financial forecasting, budget development and management, and management of the customer accounts department. I also coordinate the performance management reporting and the business planning process used throughout the Company. I interact with AmerenUE's Chief Executive Officer and senior leadership concerning strategic initiatives, financial forecasts and reports. I also serve as liaison between AmerenUE's management and the Ameren Corporation controller function.

Q. Have you previously testified in a proceeding before the Missouri Public Service Commission ("MPSC" or "Commission")?

A. Yes. I previously testified before the MPSC in the Company's last electric rate case (Case No. ER-2008-0318) on miscellaneous cost of service issues.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my testimony is to sponsor continuation of the Company's fuel adjustment clause ("FAC"). My testimony includes a schedule (Schedule LMB-E1) reflecting compliance with the minimum filing requirements prescribed by the Commission's FAC rules for continuing the Company's FAC, and also addresses updating the net base fuel costs ("NBFC") which form the base against which changes in the Company's net fuel costs (fuel and purchased power costs net of off-system sales) are tracked in the FAC. I will also propose minor changes in the true-up process and a minor refinement in the costs to be included in the FAC.

Q. Please summarize your testimony.

A. In summary, the conditions that were present when the FAC was initially awarded still exist today and the need for an FAC is just as important today as it was when the FAC was approved a few months ago. Continuing to track changes in net fuel costs, which continue to be volatile and beyond the Company's control, allows increases in those costs to be recovered on a more timely basis, which provides the Company with improved cash flows and a better opportunity to earn a fair return on equity, both of which will help the Company maintain its credit quality in the current economic climate.[1] As AmerenUE witness Lee R. Nickloy discusses in his direct testimony, these improved cash flows improve the Company's credit metrics and reduce borrowing costs, which is particularly important given the continued challenges that exist in the credit markets and

[1] While the FAC improves the Company's cash flows, the long recovery period and the use of historic, not projected net fuel cost changes as provided for in the Commission's FAC rules still create a significant lag between when net fuel costs change and when those changes are fully reflected in rates.

the higher interest rates that the Company must pay on its debt as compared to historical rates. Continuing the FAC in its current form also promotes regulatory consistency (both for AmerenUE and for Missouri utilities generally, three of whom have similar FACs), which is supportive of credit quality.[2] Maintaining the Company's credit quality, lowering borrowing costs and improving the opportunity to earn a fair return translates to a benefit for customers, by allowing AmerenUE to remain a financially stable utility company that can continue to keep its rates below the national average. And, if net fuel costs do decrease (as they did on the company's first accumulation period), the FAC is structured so that Customers will see a more immediate benefit from those decreases through downward FAC-related rate adjustments on their bills.

III. THE CONTINUATION OF THE FUEL ADJUSTMENT CLAUSE

Q. When was the Company's FAC approved?

A. The FAC was approved in late January of this year in Case No. ER-2008-0318, and became effective March 1, 2009. The first accumulation period, intended to cover the period February-May, was only a partial period due to the effective date of the FAC and was completed May 31, 2009. The first adjustment filing relating to this first accumulation period will be made by August 1, 2009, with the experienced change in net fuel costs (addressed below) to be reflected in customer bills during the period October 2009-September 2010. The Company is currently in the second accumulation period of June 2009-September 2009, which will result in another adjustment filing by December 1 of this year.

[2] Kansas City Power & Light Company is ineligible for an FAC at this time given agreements it made in connection with its 2004 Regulatory Plan.

Q. How are the changes in net fuel costs measured during an accumulation period?

A. The Company calculates its actual, historical net fuel costs for the months included in the accumulation period and compares those actual, historical costs to the base level of net fuel costs established in its last rate case (i.e., the "NBFC" referenced earlier) contained in the FAC tariff. The NBFC is expressed on a per kilowatt-hour ("kWh") basis, and is seasonally differentiated, as provided for in the FAC tariff. If these actual, historical net fuel costs for the accumulation period at issue are higher than the NBFC, an upward FAC adjustment will be made and it will then be reflected on customers' bills as a separate line item. If the actual net fuel costs are lower than the NBFC, the FAC adjustment will lower customers' bills, and this decrease in rates will also be shown as a separate line item on the bill. Schedule LMB-E2 illustrates the operation of the Company's FAC.

Q. Have net fuel costs increased or decreased since the last rate case?

A. Because the FAC has only been in effect for approximately five months, we have only minimal history to rely upon. However, the net fuel costs tracked in the first accumulation period that ended May 31 were approximately 22% lower than the base amount (the NBFC referenced above), as established in the Company's last rate case. We will be filing the first adjustment to reflect this change by August 1, 2009, and the rate adjustment will take effect on October 1, 2009.

Q. Do you have an expectation for the level of net fuel costs likely to be experienced once new rates are set in this case?

A. Yes. We know we are facing substantial increases in coal and coal transportation costs and nuclear fuel costs in 2010, and as addressed in the direct testimony of AmerenUE witness Jaime Haro, normalized prices for energy, which determine the level of off-system sales included in the FAC, are expected to be lower than the energy price assumed when the current net fuel cost levels were set in the FAC in the Company's last rate case. This combination of higher fuel costs and lower off-systems sales suggest that net fuel costs will be higher on a going-forward basis.

Q. What are the rules for requesting or continuing an FAC?

A. Establishing and continuing an FAC is governed by Section 386.266, RSMo and Commission Rules codified at 4 CSR 240-20.090 and 4 CSR 240-3.161, in particular 3.161(3)(A) through (S), which prescribe the minimum filing requirements for continuation of an FAC. These minimum filing requirements are provided in the attached Schedule LMB-E1.

Q. Is the Company requesting to continue its FAC?

A. Yes. The conditions that resulted in the FAC being awarded in the 2008 rate case are still present, thus the FAC is still the most appropriate mechanism to address those issues.

Q: Can you elaborate on the specific reasons why the Company believes that continuing its FAC is still appropriate?

A. Certainly. There are multiple reasons why it makes sense to continue the FAC. First, in the Company's last rate case, where the FAC was established, the Commission found that AmerenUE did not have a sufficient opportunity to earn a fair return on equity without an FAC because regulatory lag prevented the Company from

timely reflecting increasing fuel costs in rates. This is because an 11-month rate case process (in fact, as a practical matter, filing and completing a rate case takes longer than 11 months) does not provide a vehicle for timely inclusion of changes in fuel costs in rates. This consideration is unchanged. Missouri's 11-month rate case process is still inadequate to allow changes in fuel costs to be reflected in rates on a timely basis, and AmerenUE's FAC continues to be the appropriate mechanism to address that problem.

Second, the Commission approved AmerenUE's FAC in part based upon its conclusions about three other factors it typically considers when reviewing FAC requests, that is, that the cost or revenue changes must be:

1. Substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases;
2. beyond the control of management, where the utility has little influence over experienced revenue or cost levels; and
3. volatile in amount, causing significant swings in income and cash flows if not tracked.

The Company's fuel and purchased power costs are clearly substantial—they continue to represent the Company's largest single cost item, comprising over $841 million in the test year and 47% of the Company's total operations and maintenance expense reflected in the Company's revenue requirement (discussed in detail in the direct testimony of AmerenUE witness Gary S. Weiss). The main revenue tracked in the FAC – off-system sales – are also substantial (estimated to be $306 million based upon normalized energy prices and conditions). These costs and revenues also continue to be beyond the control of management. This is because coal and coal transportation costs, natural gas costs, nuclear fuel costs and power prices for off-system sales continue to be dictated by national and international markets. Finally, these costs and revenues continue to be quite volatile, because those same national and international markets continue to be

volatile. For example, since the end of the true-up period in our last rate case (September, 2008), the annual average of wholesale power prices has already fallen approximately 25% as noted in Mr. Haro's testimony, and further declines are anticipated (see also Mr. Haro's Schedule JH-E2). In summary, these large fuel and purchased power costs and significant off-system sales revenues cannot be controlled by the Company, and can vary substantially from period to period because of the volatility inherent in the markets in which fuel and purchased power are acquired and in which off-system sales are made.

It is also obvious that significant swings in the Company's financial performance and earnings can occur unless net fuel costs are tracked in the FAC, which can negatively impact cash flows (requiring greater, higher cost borrowings) and affect the Company's ability to earn a fair return on equity. In the current economic climate, it is more important than ever for the Company to stabilize its cash flows and strengthen its credit quality, which ultimately benefits the customer by keeping borrowing costs lower. As a result, the Company is requesting to continue its FAC on essentially the same terms already approved by the Commission in the last rate case, with minor revisions as discussed in more detail below, as it is still the most appropriate mechanism to address the recovery of the Company's fuel costs and to more appropriately match net fuel costs incurred by the Company with the net fuel cost-related portion of the rates paid by customers.

Q. Does the FAC fully address the lag between the incurrence of costs and the recovery of those costs?

A. Not entirely. As illustrated by Schedule LMB-E2, it will take at least 16 months between the time when changes in net fuel costs occur and when those

changes are fully recovered (in the case of an increase) from customers. This is because unlike in many states, the FAC rules adopted by the Commission required the use of historic, not projected costs, and this is also because of the extended 12-month recovery period included in AmerenUE's FAC.

Q. Has the Company updated the NBFC included in the FAC tariff to reflect the current level of NBFC?

A. Yes. When rates are re-set in a rate case, the Commission essentially updates all of the costs and revenues that comprise the revenue requirement to reflect more current conditions. Net fuel costs are one of the elements of the cost of service that must be updated. Consequently, as with every other cost in a rate case, the base level of net fuel costs has been updated to reflect the current levels of fuel and purchased power expense and off-system sales.

In the prior rate case, the Commission set the NBFC at 1.001 cents per kWh for the Summer and at 0.69 cents per kWh for the Winter. The NBFC included in the Company's revenue requirement in this case, allocated between the Summer and the Winter as before, is 1.102 cents per kWh for the Summer and 1.494 cents per kWh for the Winter. The calculation of the NBFC is addressed in detail in the direct testimony of Mr. Weiss.

Q. It appears that NBFC have increased. Please discuss the reasons for that increase.

A. As discussed in the last case, the Company has in place long-term contracts for coal and coal transportation. Those costs will increase substantially on

January 1, 2010, in accordance with those contracts. Moreover, the cost to refuel the Callaway Plant's reactor (which occurs every 18 months) has increased.[3] Consequently, two key cost components tracked in the FAC have increased substantially. There are some costs tracked in the FAC that have decreased, including purchased power costs and capacity purchase costs (due to the expiration of the Company's long-term purchased power contract with the former Arkansas Power & Light Company).

However, as addressed in more detail in the direct testimony of Mr. Haro, normalized energy prices have declined substantially, which in turn has substantially reduced off-system sales revenues. Combining all of these factors has resulted in the increase in net fuel costs we see in the updated NBFC numbers listed above.

Q. Is the Company proposing any changes to the FAC?

A. Yes. The Company is proposing two minor changes, as follows: 1) a refinement of the true-up process to allow each true-up to occur after the completion of a full recovery period; and 2) the inclusion of the sulfur quality adjustment component of coal contracts in the FAC (rather than in the SO_2 tracker established two rate cases ago) since the Company is also filing a request for an Environmental Cost Recovery Mechanism ("ECRM") in this case. Given the Company's request for an ECRM, the Company is also proposing the elimination of the SO_2 tracker on a prospective basis, as explained in the direct testimony of AmerenUE witness Mark C. Birk. A specimen of the slightly modified FAC tariff, with changes tracked against the FAC tariff that is currently in effect, is attached to my direct testimony as Schedule LMB-E3.

Q. Please explain the change you are proposing to the true-up process.

[3] The next Callaway refueling will occur next Spring.

A. The minor change I am proposing to the true-up process would improve the FAC process by greatly simplifying the auditing requirements, and it would also match the true-up process for AmerenUE to the true-up process that is in place in the FAC of the Greater Missouri Operations division of Kansas City Power & Light Company. In AmerenUE's existing FAC tariff, a true-up filing is required on May 1 of each year after completion of the true-up year, which would end February 28, 2010 (one year after the March 1, 2009 commencement of the FAC). The purpose of the true-up is to compare the amount calculated for each accumulation period to the amounts actually collected from customers during the recovery period. The amounts collected will vary from the actual net fuel cost change occurring in a given accumulation period because the estimated customer usage during the subject recovery period will always vary to some extent from the actual customer usage experienced during that recovery period. It would seem logical, then, that the true-up period should follow the completion of each recovery period (which in this case would occur after September 2010 for the first accumulation period) rather than following the one-year anniversary of the initial implementation date of the FAC, which falls in the middle of a recovery period. The result of this change could actually increase the number of true-up filings occurring in a twelve-month calendar year based on the completion dates of each recovery period, but it would greatly simplify the process of auditing those filings. Schedule LMB-E2 illustrates the operation of the Company's FAC, as slightly modified by this proposed change to the true-up process.

Q. You also mentioned that you were proposing to include the sulfur quality adjustment component of coal costs in the FAC in light of the Company's request for an ECRM. How is the FAC impacted by the ECRM request?

A. The ECRM request results in the prospective elimination of the SO_2 tracker currently in place, which also results in a slight change to the FAC. As background, two rate cases ago, in Case No. ER-2007-0002, the Staff and the Company recommended the establishment of an SO_2 tracking mechanism, and that recommendation was approved by the Commission. The SO_2 tracking mechanism tracks SO_2 allowance costs and revenues, and also tracks adjustments in the price AmerenUE pays for coal included in the AmerenUE's coal contracts due to the variability of the sulfur content in the coal AmerenUE buys. The net of these amounts is tracked against a $5 million base level, with the overage or underage to be reflected in the Company's revenue requirement in subsequent rate cases. This tracker was rebased in the Company's last rate case (Case No. ER-2008-0318) and because this tracker existed, AmerenUE did not propose to include this quality adjustment component of coal costs in the FAC.

Absent this tracking mechanism, it would have been logical for the quality adjustment component of the Company's coal costs to be included in coal costs in the FAC because that quality adjustment is essentially a component of the price paid for the coal. The ECRM mechanism described in AmerenUE witness Mark C. Birk's direct testimony includes the costs or revenues relating to SO_2 emission allowances in the ECRM (since emission allowances are an environmental compliance mechanism). Consequently, there is no need for an SO_2 tracker for the emission allowances, and

because it makes sense for the quality adjustment component to be handled as a fuel cost, AmerenUE is proposing to include that quality adjustment in its FAC. The benefit of making this change is a more transparent view of costs within the Company's rate adjustment mechanisms.

Q. Is the Taum Sauk Plant (Factor TS) still included in the FAC?

A. Yes. While we anticipate that the Taum Sauk Plant will return to service before rates take effect from this case, since the plant is not in service at this time, it is appropriate to continue Factor TS to treat the Company's net fuel costs as if the Taum Sauk Plant were operating. Upon the plant's return to service, Factor TS, by its terms, will become zero and the effect on the Company's net fuel costs due to the actual operation of the Taum Sauk Plant will be reflected in the FAC. Mr. Haro's direct testimony explains the calculation of the energy and capacity value that is included in Factor TS. This proposal insures continuance of the Company's commitment to hold ratepayers harmless that has been made by the Company until the plant returns to service.

IV. SUMMARY AND CONCLUSIONS

Q. Please summarize your conclusions.

A. As the Commission concluded in the Company's last rate case, AmerenUE's fuel and purchased power costs and its net fuel costs overall are substantial, largely beyond the control of the Company's management, and volatile in amount. Furthermore, the commission found that the FAC was necessary to provide sufficient opportunity for the Company to earn a fair return on equity and to compete for capital with other utilities with fuel adjustment mechanisms. All of these considerations still apply and support continuation of the FAC. With the FAC in place, the Company is able

to strengthen its financial position by improving its cash flow thus reducing the need to incur additional debt (at historically high costs) to fund operations and capital investments. In the current economic climate, keeping credit metrics within investment grade is critical; both the cash flows and the rider mechanism itself are positive steps to maintaining current credit ratings. Continuing the FAC in its current form also promotes regulatory consistency (both for AmerenUE and for Missouri utilities generally, three of whom have similar FACs), which is also supportive of credit quality. Long term, customers will benefit from lower interest costs in the Company's revenue requirement and the lower rates enabled by AmerenUE's ability to remain a financially stable company; shareholders also benefit from the FAC because it provides a better opportunity to earn a fair return, as contemplated by Senate Bill 179. The FAC is still the most appropriate mechanism to allow for the timely recovery of changes in net fuel costs to meet these goals.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.	)))))	Case No. ER-2010-

AFFIDAVIT OF LYNN M. BARNES

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

Lynn M. Barnes, being first duly sworn on her oath, states:

1. My name is Lynn M. Barnes. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Vice President, Business Planning and Controller.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 14 pages, Schedules LMB-E1 through LMB-E3, 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.

Lynn M. Barnes

Subscribed and sworn to before me this 24th day of July, 2009.

Notary Public

My commission expires:

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011

FAC MINIMUM FILING REQUIREMENTS[1]

(A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(2)(D);

LOCAL PUBLIC HEARING NOTICE

AmerenUE has filed tariff sheets with the Missouri Public Service Commission (PSC) that would increase the company's electric service revenues by approximately $402.5 million. Included in this amount is an increase in the level of net fuel costs that are recovered in base rates of approximately $227 million, which will have the effect of making the company's fuel adjustment clause charges lower in the future than they otherwise would have been. The request would raise a typical residential customer's bill by approximately 18%, translating to just more than an approximately $14 monthly increase, or less than fifty cents per day. The permanent rate increase request, which is subject to regulatory approval, would take effect no later than the early summer of 2010. [A portion of the rate increase was implemented by the Commission on an interim, subject to refund basis on October 1, 2009.] AmerenUE's rate filing also includes a request to continue its fuel adjustment clause in substantially its current form which would continue to allow 95% of increases or decreases in net fuel costs to be passed through to customers as a separate line item on customer's bills.

AmerenUE's filing also includes a request to implement an environmental cost recovery mechanism. An environmental cost recovery mechanism, if approved by the Commission, would allow net increases or decreases in governmentally-mandated environmental costs to be passed through to customers as a separate line item on customers' bills (either through a separate charge in the case of an increase or through a billing credit in the case of a decrease).

Public comment hearings have been set before the PSC as follows:

[To be determined by the Commission]

If you are unable to attend a live public hearing and wish to make written comments or secure additional information, you may contact the Office of the Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102, telephone (573) 751-4857, email opcservice@ded.mo.gov or the Missouri Public Service Commission, Post Office Box 360 Jefferson City, Missouri 65102, telephone 800-392-4211, email pscinfo@psc.mo.gov. The Commission will also conduct an evidentiary hearing at its offices in Jefferson City during the weeks of _____ through _____, beginning at _____ a.m. The hearings and local public hearings will be held in buildings that meet accessibility standards required by the Americans with Disabilities Act.

If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

(B) An example customer bill showing how the proposed RAM shall be separately identified on affected customers' bills in accordance with 4 CSR 240-20.090(8);

[1] Each item (A) .... (T) corresponds to the subparagraphs in 4 CSR 240-3.161(3).

Attached hereto as Attachments A and B are two different examples of customer bills (one in the postcard format used by AmerenUE for residential customers and one in the billing format used by AmerenUE for non-residential customers), as required by 4 CSR 240-20.091(8).

(C) Proposed RAM rate schedules;

Attached to the testimony to which this Schedule is attached as Schedule LMB-E3 is Rider FAC - Fuel and Purchased Power Adjustment Clause, which is the proposed rate schedule for the fuel adjustment clause proposed by AmerenUE, and which shows minor changes to the existing Rider FAC as outlined in the testimony.

(D) A general description of the design and intended operation of the proposed RAM;

As discussed in the testimony to which this Schedule is attached, AmerenUE is proposing to continue its existing Fuel and Purchased Power Adjustment Clause ("FAC") in substantially its current form. The FAC applies to all rate classes, and would reflect increases or decreases in fuel, transportation and purchased power costs, including transportation, net of off-system sales revenues ("net fuel costs"), according to the formula expressed in the rate schedule referred to in item (C) above. Historic fuel, transportation and purchased power costs, including transportation, net of off-system sales revenues, would be accumulated during three different Accumulation Periods, as designated in the rate schedule, and then 95% of the change in fuel costs would be recovered (if an increase) or credited (if a decrease) using the calculated FPA (as defined in the rate schedule) over three different Recovery Periods (also designated in the rate schedule), each of which cover a period of 12 months. Two of the three changes to the FPA rate would coincide with the existing seasonal changes in AmerenUE's base rates. The tariff includes two seasonal base amounts, known as the "net base fuel costs" (factor NBFC in the tariff), against which changes in net fuel costs are tracked. The FPA would be applied to customer bills on a per kilowatt-hour ("kWh") basis, as adjusted for voltage level (to take into account varying line losses at different service voltage levels).

The FPA formula includes a factor to accommodate adjustments made as a result of the true-up process or any prudence disallowances occurring as a result of prudence reviews; a factor to accommodate a reduction in fuel costs to account for the value of the Taum Sauk Plant (factor "TS" in the tariff); and a factor to account for an agreement from AmerenUE's last rate case regarding off-system sales (factor "S" in the tariff).

(E) A complete explanation of how the proposed RAM is reasonably designed to provide the electric utility a sufficient opportunity to earn a fair return on equity;

AmerenUE's continued FAC tariff, which is substantially the same as its existing FAC, continues to be reasonably designed to provide AmerenUE with a sufficient opportunity to earn a fair return on equity for several reasons. First, it provides for full and timely recovery of 95% of the changes in AmerenUE's fuel, transportation, and

purchased power costs, including transportation, net of off-system sales revenues, by reflecting increases and decreases in such costs in rates. The 5% of changes not passed through the FAC provide the Company with additional incentives to manage fuel and purchased power costs, but still provide recovery of 95% of those costs. Full and timely recovery of 95% of those costs is based upon the assumption that an appropriate level of costs for fuel and purchased power, including transportation, net of off-system sales, will be set in base rates based upon these costs in the test year, as updated and trued-up in the rate case, and it also assumes appropriate base rate recovery of other cost of service items. With the FAC, it is more likely that fuel and purchased power costs, which are often times much more significant, volatile, uncertain and much more difficult to control than other utility costs, will be timely and fairly reflected in the rates charged to customers. Examples of factors that can often make these very large but critical costs highly volatile, uncertain and beyond the utility's control include the fact that fuel and purchased power is purchased on national markets which are subject to increasing volatility due to global demand, increased trading activities, world events, financial crises, weather (e.g. hurricanes), abnormally hot or cold weather, or other factors. Second, the FAC assists in addressing the relentlessly increasing, volatile and uncertain fuel costs incurred by the Company in providing service to its customers. Third, a continuation of the FAC continues to keep AmerenUE on comparable footing with utilities operating in other states, more than 95% of which use similar rate adjustment mechanisms. Moreover, it will keep AmerenUE on equal footing with the overwhelming majority (36 out of 37) of utilities operating in other non-restructured Midwestern states, including the heavily coal-based utilities (26 out of 27) in these other states. Fourth, the FAC continues to be reasonably designed to provide AmerenUE with a sufficient opportunity to earn a fair return on equity because it mitigates the very significant regulatory lag which is prevalent when dealing with such large, uncertain and often volatile costs, by preventing deterioration in the utility's financial position (including relative credit standing, which is a key determinant of borrowing costs), particularly in the fact of known fuel cost increases facing AmerenUE, and by ensuring recovery of actual net fuel costs, which may vary substantially from expected levels.

(F) A complete explanation of how the proposed FAC shall be trued-up to reflect over- or under-collections, or the refundable portion of the proposed IEC shall be trued-up, on at least an annual basis;

The FAC will be trued-up on the first filing date for an adjustment to the FPA rate that occurs at least two months after the end of each 12-month recovery period. Any true-up adjustments will include interest, as provided for in the FAC tariff.

True-up amounts will reflect the difference between net fuel costs authorized for recovery under the FAC for the subject recovery period and net fuel costs actually collected. Actual collections can vary from those expected based upon actual net fuel costs because of variations in the actual kWh sales during a given recovery period versus the estimated KWh sales used to set the FAC rate in effect during a given recovery period.

(G) A complete description of how the proposed RAM is compatible with the requirement for prudence reviews;

AmerenUE's FAC is compatible with the requirement for prudence reviews for several reasons. AmerenUE's FAC is based on actual fuel and purchased power costs, including transportation, net of actual off-system sales revenues, which simplifies the prudence review. The fuel and purchased power costs included in the FAC are well defined in Rider FAC (the FAC tariff), including specific references to the FERC accounts in which the costs are recorded. Moreover, 4 CSR 240-3.161(5), requires the filing monthly of all the supporting data for the fuel and purchased power costs, revenues, plant generation and related information, all of which can be used as part of the prudence review process. These reports are currently being filed by AmerenUE on a monthly basis. This includes providing monthly fuel burn and generating statistics for each of the generating plants. In addition, 4 CSR 240-3.190 requires submission to the Commission Staff each month of information on system output, hourly generation, purchases and sales, planned outages, forced outages and capacity purchases. All contracts for fuel, transportation and purchased power will also be available for review in connection with the prudence review process. The prudence review could also be used in conjunction with an audit plan, through which appropriate financial data can be sampled from the fuel and fuel transportation invoices that will be available.

(H) A complete explanation of all the costs that shall be considered for recovery under the proposed RAM and the specific account used for each cost item on the electric utility's books and records;

These costs are generally described as follows:

Coal Commodity Costs. This will include costs associated with purchase of coal, as well as british thermal unit ("btu") content adjustments and sulfur content quality adjustments associated with coal contracts. These costs are accumulated in an inventory account, and expensed on a weighted average cost basis as used. A detailed accounting of all additions and adjustments to the coal inventory account and allocation of dollars to each plant through the coal pooling mechanism will be included in a reconciliation, as well as the calculation of the fuel expense recorded during the accounting period.

Coal Transportation Costs. This will include costs associated with transportation of coal, as well as fuel adjustments (e.g., diesel surcharges) associated with transportation contracts and price hedging mechanisms. These costs are accumulated in an inventory account, and expensed on a weighted average cost basis as coal is used. A detailed accounting of all additions and adjustments to the coal inventory account will be included in a reconciliation, as well as the calculation of the fuel expense recorded during the accounting period. Railcar costs are included in this account, and a separate accounting of all railcar costs flowing through inventory will be maintained as well as the allocation of costs to plant inventory accounts.

Oil Costs. This will include costs associated with oil and any price hedging mechanisms. These costs are accumulated in an inventory account, and expensed on a weighted average cost basis as used. A detailed accounting of all additions and adjustments to the oil inventory account will be included in a reconciliation, as well as the calculation of the fuel expense recorded during the accounting period.

Natural Gas Costs. This will include costs associated with the gas commodity, storage, reservation, transportation, hedging costs and oil costs associated with gas-fired plants. A detailed accounting of all additions and adjustments to inventory will be included in a reconciliation, including the calculation of fuel expenses recorded during the accounting period. Also included will be details of all direct costs to expense.

Water for Power. This will include costs associated with water used for hydraulic power generation. Details of water purchased for power will be included in a reconciliation.

Nuclear Fuel Costs. This will include costs associated with nuclear fuel. These costs are accumulated in inventory accounts under FERC Account 120, and amortized on a weighted average cost basis as used. A detailed accounting of all additions and adjustments to the inventory account will be included in a reconciliation, as well as the calculation of the fuel expense recorded during the accounting period.

Cost of Purchased Power. This will include the cost at the point of receipt by the Company of electricity purchased for resale. It shall include, also, net settlements for exchange of electricity or power, such as economy energy, off-peak energy for on-peak energy, spinning reserve capacity, etc. In addition, this category will include costs incurred from regional transmission organizations ("RTOs") for Revenue Sufficiency Guarantee, Losses, deviation charges, revenue neutrality and inadvertent charges, but shall exclude MISO administrative costs arising under MISO Schedules 10, 16, 17 and 24, and shall exclude capacity charges under contracts with a term in excess of one (1) year.

The following table summarizes this information by account:

Type of Cost	Inventory Major	Expense Major	Description
Coal Commodity	151	501	Cost of coal delivered at the mine
Applicable Taxes	151	501/547/ 518	Applicable taxes on fuel and transportation costs
Btu adjustments	151	501	Added/subtracted amounts to coal contracts for btu content of coal
Coal Quality (sulfur) adjustments	151	501	Added/subtracted amounts to coal contracts for sulfur content of coal
SO_2 Hedge costs/revenues	151	501	Costs/Revenues associated with price hedges related to coal contract SO_2 adjustments

Railroad, truck and barge transportation	151	501	Costs associated with delivering coal from mine to plant
Switching & Demurrage	151	501	Costs associated with switching and demurrage costs incurred in delivering coal from the mine to the plant
Railcar repair	151	501	All railcar costs will be aggregated in a separate minor account under major Account No. 151. As part of the monthly closing process, these costs will be allocated to transportation inventory at the plants based on tonnage delivered during the period.
Railcar depreciation	151	501	
Railcar leases	151	501	
Railcar inspection	151	501	
Heating Oil Hedge costs/ revenues	151	501	Costs/revenues associated with price hedges related to diesel fuel adjustments in coal transportation contracts
Hedge costs associated with coal	151	501	Costs/revenues associated with price swaps, options, or other derivatives to manage fuel costs
Commissions and fees	151	501	Broker costs and commissions associated with hedging activities of coal commodity and transportation
Oil	151	501/547	Costs associated with oil used at plants for generation
Nuclear Fuel	120	518	Costs associated with nuclear fuel, including provisions for transportation, storage and disposal of nuclear fuel including spent fuel disposal fees, and handling costs for nuclear fuel assemblies.
Water for Power	Expensed	536	Costs associated with water used for hydraulic power generation
Fuel costs	151/direct expense	547	Delivered cost of gas, oil, propane, and other fuels used in other power generation
Ash Disposal Costs	Direct Expense	501	Cost to dispose of ash, net of ash revenues
Other Portfolio optimization activities	151	501/547	Revenues and expenses related to selling excess coal or natural gas and other portfolio optimization activities
Purchased Power Costs		555, 565, and 575	Cost of purchased power, but excluding MISO administrative costs under MISO Schedules 10, 16, 17 and 24, and excluding capacity charges under contracts with a term in excess of one (1) year, incurred to support sales to all Missouri retail customers and off-system sales allocated to Missouri retail operations. Also included are replacement power insurance premiums (other than relating to the Taum

			Sauk Plant) to the extent those premiums are not reflected in base rates. Change in replacement power insurance premiums (other than those relating to the Taum Sauk Plant) from the level reflected in base rates shall increase or decrease purchased power costs. Notwithstanding the foregoing, concurrently with the date the "TS" factor is eliminated, premiums relating to replacement power insurance for the Taum Sauk Plant shall also be included in purchased power expense. See Item (I) below relating to the treatment of replacement power insurance recoveries

(I) A complete explanation of all the revenues that shall be considered in the determination of the amount eligible for recovery under the proposed RAM and the specific account where each such revenue item is recorded on the electric utility's books and records;

Description	Major	Comments
Off-System Sales	447	All sales transactions (excluding retail sales or long-term full or partial requirements sales to non-jurisdictional customers) that are associated with (1) AmerenUE Missouri jurisdictional generating units and (2) power purchases made to serve Missouri retail customers, including any associated transmission.
Coal Sales	151	Fuel costs reduced by revenues from coal sales
Coal and Transportation Fuel Hedges	151	Revenues associated with price swaps and other hedges related to coal contracts and Fuel for Transportation adjustments
Coal and Transportation Fuel Hedges	151	Revenues associated with price swaps and other hedges related to coal contracts, and Fuel for Transportation adjustments upon settlement.
Railcar leases	151	Transportation costs reduced by revenue from lease of company owned/leased railcars to other companies
Gas Sales	151/547	Revenues and expenses associated with hedging activities and gas portfolio optimization
Ash Sales	501	Sales of fly ash and other types of ash produced at plants
Replacement Power Insurance Recoveries	555	Expected replacement power insurance recoveries (other than those relating to the Taum Sauk Plant) qualifying as assets under Generally Accepted Accounting Principles. Notwithstanding the foregoing, concurrently with the date the "TS" factor is eliminated, expected replacement power insurance recoveries relating to the Taum Sauk Plant that qualify as assets under Generally Accepted Accounting Principles will also be included.

(J) A complete explanation of any incentive features designed in the proposed RAM and the expected benefit and cost each feature is intended to produce for the electric utility's shareholders and customers;

AmerenUE's FAC contains the same FAC-specific incentive feature the Commission included in its existing FAC, and that has also been included in the FACs approved for Aquila, Inc. in Case No. ER-2007-0004, for The Empire District Electric Company in Case No. ER-2008-0093, and that is contained in the continued FAC for Kansas City Power & Light Company – Greater Missouri Operations (formerly Aquila) in Case No. ER-2009-0090. The FAC is symmetrical. That is, 95% of increases or decreases are passed through the FAC. Given that it is expected that AmerenUE's fuel costs will continue to increase for the foreseeable future, by only passing through 95% of the changes in fuel costs, it is highly likely that customers will benefit by not bearing 5% of those increases. If fuel costs were to decrease (because of, for example, higher off-system sales revenues), customers would receive 95% of the decrease. If off-system sales were outside the FAC, customers would not benefit from those higher off-system sales. Customers also benefit because of the additional incentive to mitigate fuel cost increases created by the fact that the Company will simply not recover 5% of the increase in fuel costs.

(K) A complete explanation of any rate volatility mitigation features designed in the proposed RAM;

AmerenUE's proposed FAC spreads the recovery of the difference between the base fuel costs set in the rate proceeding and fuel costs during each Accumulation Period over a full 12-month period. This has a mitigating effect on rate increases or decreases that will occur as a result of the three periodic FAC adjustments each year. Moreover, as discussed in Item (L) below, AmerenUE utilizes a hedging strategy designed to mitigate fuel cost volatility. Moreover, the FAC is seasonally adjusted and contains seasonally differentiated net base fuel costs. This results in tracking higher actual fuel costs against higher base fuel costs (in the Summer) and lower actual fuel costs against lower base fuel costs (in the Winter), both of which tends to mitigate volatility.

(L) A complete explanation of any feature designed into the proposed RAM or any existing electric utility policy, procedure, or practice that can be relied upon to ensure that only prudent costs shall be eligible for recovery under the proposed RAM;

In addition to keeping books and records relating to fuel, transportation and purchased power in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts, AmerenUE employs a number of policies, procedures and practices, including the use of internal audits where appropriate, to ensure the prudency of such costs. Described below are relevant policies, procedures and practices.

Fuel Accounting

In order to ensure proper accounting for coal, gas, and nuclear fuel costs, the following procedures and practices are in place.

Coal. A trainbook is maintained by the coal supply and fuel accounting group. This database maintains information relating to all contracts, and deliveries scheduled and received against each contract. Fuel accounting enters invoice information into a database, and ensures that all coal paid for was contracted for, received by the plant, and that the invoice amount agrees with the contracted amount. This trainbook also calculates quality standards, and btu and sulfur adjustments are accrued for based on receipts and trued-up with actual invoices. This database is a critical tool in the month-end accrual process, to ensure that all coal commodity, transportation, and quality adjustment costs have been accrued in the proper period. All inventory, receivable, and payable accounts associated with coal are balanced on at least a quarterly basis.

Gas. Gas supply executives prepare a month-end estimated gas cost worksheet for AmerenUE's generating units. Current month estimates, plus a true-up of prior month actuals versus estimates, are recorded in the current month. All inventory, receivable, and payable accounts associated with gas are balanced on at least a quarterly basis.

Nuclear Fuel. Nuclear fuel expenses and month end balances are calculated in the nuclear fuel accounting system called Surf'n, which is maintained by the nuclear fuel procurement group. All accounts charged in the general ledger are balanced with the nuclear fuel system on at least a quarterly basis.

Fuel Procurement

Fossil (e.g., coal and natural gas): To ensure fuel purchases are prudent, the fuel acquisition for AmerenUE's generation is governed by the AmerenEnergy Fuels and Services Company (AFS) Risk Management Policy. The rules and guidelines within the Policy, which were approved by Ameren's Risk Management Steering Committee, identify the levels of coal and natural gas for generation that must be acquired and hedged for future periods, identifies the various types of allowable commodity transactions, and creates extensive management reporting to monitor all commodity transactions and price positions. The Policy provides that coal and natural gas be purchased using a risk management strategy that secures the required volume for future periods within maximum and minimum policy limits while reducing exposure to market volatility. The volumetric risk (securing the necessary quantities of fuel needed for electricity production) and price risk (entering into financial and physical transactions to hedge against price spikes and volatility in the market) for generation fuels are controlled through compliance with the Policy procurement limits. These limits create maximum and minimum levels of volumetric and price hedging for up to six years into the future to ensure disciplined acquisition of fuel and

to diversify price risk over time. Purchasing fuel under these procurement limits provides several benefits, including avoiding the need to purchase large quantities of fuel during periods of price spikes, and ensuring that sufficient quantities are purchased in advance of actual need to minimize any physical shortage that might occur in the fuel markets. These limits do not necessarily result in the lowest possible price for fuel, but strike a balance between price stability and security of supply. In addition to the Risk Management Policy, there are annual fuel supply planning processes which determine the actual acquisition of fuel for generation needs from various production basins and other parameters of fuel supply including transportation, inventory levels, management of inventory levels through purchases and sales, and logistics with power plants/power traders/generation dispatchers. These processes also encompass the development of competitive or alternative transportation methods between transportation providers to ensure competitive and reliable fuel supply. To ensure competitive fuel supply in the commodity markets, the fuel is procured and hedged through several diverse methods including periodic competitive bids, negotiated purchases, electronic trading, Over-the-Counter (OTC) transactions, futures market transactions, and spot market transactions. In addition to the Risk Management Policy and fuel planning processes, the Internal Audit Department conducts routine audits of fuel supply on a three year cycle for purposes of reporting to senior executives and the Board of Directors. Fuel for generation is purchased by AFS, which is staffed with full-time fuel professionals to manage all aspects of fuel supply and operations with a mission of delivering reliable and competitive fuel supply for all Ameren affiliated companies, including AmerenUE.

Nuclear: To ensure nuclear fuel purchases are prudent, AmerenUE follows a number of corporate procurement practices (as outlined below), including a specific Nuclear Fuel Risk Management Policy approved by the Ameren Risk Management Steering Committee, and a Nuclear Procedure for Nuclear Fuel Contracts. These practices and policies provide very similar controls to those described above relating to procurement of fossil fuels. The foregoing practices, policies and procedures are designed to: i) ensure a reliable supply of nuclear fuel to the Callaway Plant, ii) effectively manage nuclear fuel costs, iii) reduce AmerenUE's exposure to nuclear fuel price volatility, iv) mitigate risks related to nuclear fuel, and v) provide highly reliable nuclear fuel to the Callaway Plant. Nuclear fuel is procured using several processes. AmerenUE utilizes long-term contracts to ensure nuclear fuel is available for Callaway requirements. In addition, inventories of nuclear fuel are maintained to enhance security of supply. AmerenUE also continually monitors market assessments of nuclear fuel supply and demand, price forecasts, and projections of Callaway fuel requirements. This monitoring is an integral part in the continued review of procurement plans. Price and non-price elements, such as reliability of supply, supplier diversity, quality and quantity must also be balanced. In appropriate instances, nuclear fuel procurements are also made through competitive bidding, with all qualified suppliers solicited (however, depending upon the need, in some instances only 2-3 suppliers may be available). Moreover, while the nuclear fuel supply market is worldwide, other than the uranium supply component itself, there are limited suppliers for the other components of the nuclear fuel cycle. With the excellent

operating performance of existing plants, and the announced plans for new units, supplies of nuclear fuel have also tightened.

Nuclear fuel procurement is also under the direction and control of a full-time professional in nuclear fuel procurement to manage all aspects of nuclear fuel supply and operations.

(M) A complete explanation of the specific customer class rate design used to design the proposed RAM base amount in permanent rates and any subsequent rate adjustments during the term of the proposed RAM;

The FAC applies the FPA to all of AmerenUE's Missouri electric retail customers (*see* Schedule No. 5 - Schedule of Rates for Electric Service customers). To the extent fuel and purchased power costs are included in base rates the rate design discussed in the direct testimony of AmerenUE witness Wilbon C. Cooper is also applied. With regard to the proposed RAM amount in base rates, a level of 1.102 cents per kilowatt-hour at the generation level is included in Rider FAC for the Summer and 1.494 cents per kilowatt-hour for the Winter, as filed. Adjustments to the rates for each class will be performed in accordance with the formula reflected in Rider FAC and will be reflective of changes in the factors included in the formula versus the values used to determine the RAM amount in base rates. The adjustments reflect a calculation of the FPA based on test year costs and sales consistent with the factors included in the FPA formula in Rider FAC. Actual customer FPA adjustments will be applied to all retail billings for electric service on a per kilowatt-hour basis, as adjusted for losses based on the customers' service voltage (secondary, primary, large transmission service).

(N) A complete explanation of any change in business risk to the electric utility resulting from implementation of the proposed RAM in setting the electric utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the electric utility;

Continuing the RAM will not change AmerenUE's business risk. The continuation of a fuel adjustment mechanism (the proposed RAM) would continue to allow AmerenUE to pass through to its customers increases and decreases in fuel costs without the need for a costly and time-consuming rate proceeding necessitated by changes in fuel costs. In recent years, the lack of a fuel adjustment mechanism in Missouri has been a major concern to the financial community because fuel costs have been highly volatile. Because fuel adjustment clauses predominantly are part of the regulation of other U.S. utilities, continuing a fuel adjustment mechanism will keep the business risk of AmerenUE more comparable to the risks of other utilities. Without a fuel adjustment mechanism, the business risk of AmerenUE would be higher than that of other utilities, all else being equal. However, since most of the electric utilities used in the sample groups of comparable companies in AmerenUE's cost of equity studies are able to recover their fuel costs through fuel adjustment clauses, the reduced risk of implementing the proposed RAM in Missouri is already reflected in AmerenUE's base cost of equity recommendation (11.5%) in this case.

(O) A description of how responses to subsections (B) through (N) differ from responses to subsections (B) through (N) for the currently approved RAM;

Item (B) has been updated to account for a line item on customers' bills relating to the environmental cost recovery mechanism requested in this case. Item (C) contains only minor changes, as discussed in the testimony to which this Schedule is attached and as shown in Schedule LMB-E3 to that testimony. Items (D), (F), (G), (K), and (N) are essentially the same as before. Item (E) is substantially the same as before, but contains updated information on the prevalence of FACs in the United States. Items (H) and (I) are very similar to prior Items (H) and (I), except for changes to the handling of quality adjustments in coal contracts (as addressed in the testimony to which this Schedule is attached) and to account for stipulated agreements relating to the existing FAC from the last rate case relating to replacement power insurance. Item (J) is similar to the prior Item (J), but has been updated to reflect updated information on FACs in Missouri and to reflect expectations regarding net fuel costs in the future. Item (L) is very similar to the prior Item (L), and includes additional information regarding practices relating to off-system sales. Item (M) has been updated to take into account the seasonal differentiation in the Company's FAC, and to update the net base fuel cost level in the FAC.

(P) The supply side and demand side resources that the electric utility expects to use to meet its loads in the next four (4) true-up years, the expected dispatch of those resources, the reasons why these resources are appropriate for dispatch and the heat rates and fuel types for each supply-side resource; in submitting this information, it is recognized that supply and demand-side resources and dispatch may change during the next four (4) true-up years based upon changing circumstances and parties will have the opportunity to comment on this information after it is filed by the electric utility;

Attachment C to this Schedule lists the supply- and demand-side resources expected to meet the AmerenUE load requirements for the periods July 1, 2010 to June 30, 2011, and each one-year period thereafter. The data in the table lists the resource name, ownership, primary fuel type, heat rate at full load, and projected generation for the four true-up years. The projected generation for these four years is appropriate because they were developed from a detailed production cost model run. The production cost model used by AmerenUE is the PROSYM production cost model. This is the same model that is used by AmerenUE in this case to calculate fuel, transportation and purchased power costs and off-system sales. The major inputs to the PROSYM production cost model include: normalized hourly loads, unit availabilities, fuel prices, unit operating characteristics, hourly energy market prices, and system requirements.

(Q) The results of heat rate tests and/or efficiency tests on all the electric utility's nuclear and non-nuclear steam generators, HRSG, steam turbines and combustion turbines conducted with the previous twenty-four (24) months;

Attachment D to this Schedule contains the results of heat rate tests that have been completed in the prior 24 months according to the heat rate/efficiency testing processes

implemented in connection with approval of the fuel adjustment clause in the Company's last rate case. These include reports (Performance Reports) of heat rate tests completed on the Company's coal-fired units, data from heat rate testing at the Callaway Plant, and available heat rate test results for the Company's CTG units.

(R) Information that shows that the electric utility has in place a long-term resource planning process, important objectives of which are to minimize overall delivered energy costs and provide reliable service;

On February 5, 2008, AmerenUE made its most recently required Integrated Resource Plan ("IRP") filing, reflecting that an important objective of AmerenUE's IRP process is to minimize overall delivered energy costs (i.e. least cost planning) and provide reliable service. This filing covers AmerenUE's long-term resource planning process and consisted of multiple volumes. AmerenUE's IRP filing reflected least cost analyses for a number of resource options and portfolios, and also examined the Company's capacity position and needs in detail. This information included AmerenUE's load forecasts as well as its analysis of available supply-side and demand-side resources. The end result is a twenty year resource plan. AmerenUE's filing was made in compliance with 4 CSR 240-22.010, et. seq. This very comprehensive Commission rule is designed to insure utilities provide energy services which "...are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest." 4 CSR 240-22.010(2). On May 5, 2009, AmerenUE provided a required notice to the Commission respecting a change to its preferred resource plan. The Company is also currently in the process of conducting the work necessary to make its next regularly scheduled IRP filing, which is due to be filed on February 5, 2011.

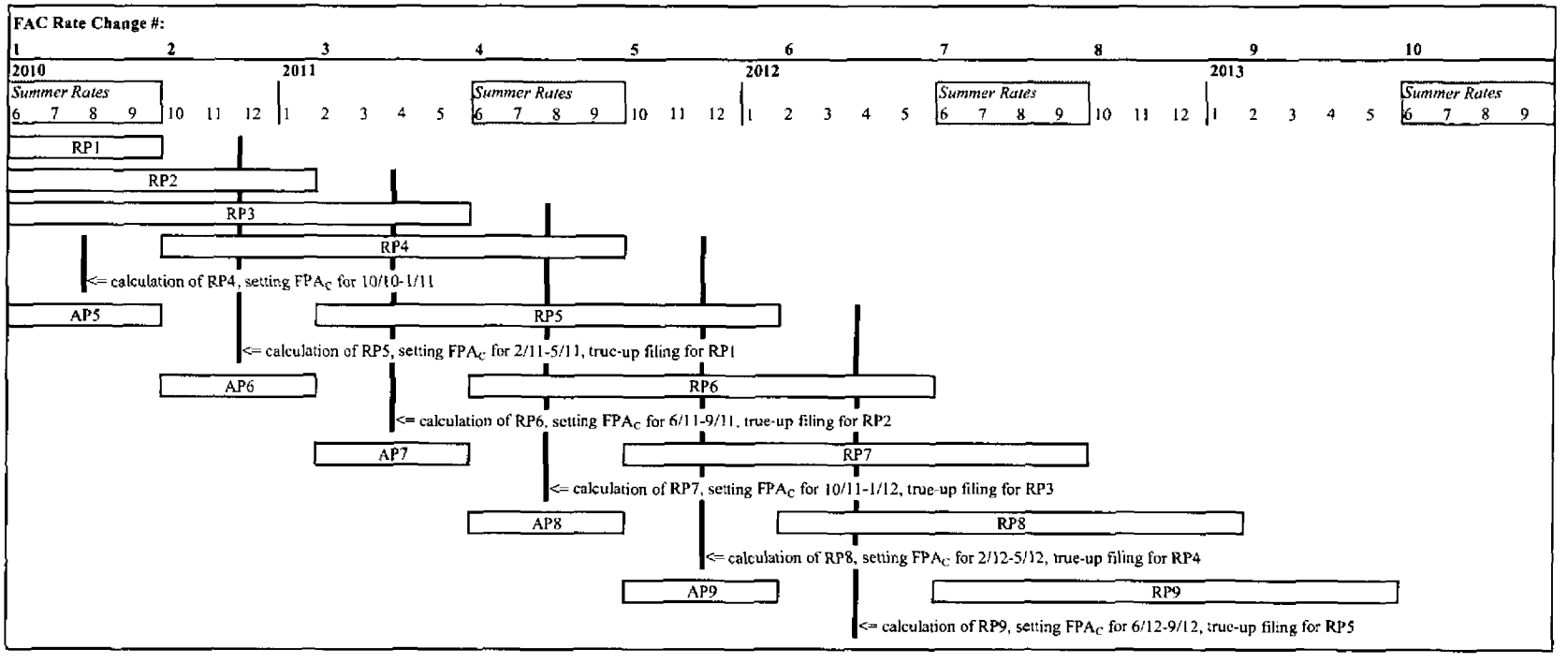
(S) If emissions allowance costs or sales margins are included in the RAM request and not in the electric utility's environmental cost recovery surcharge, a complete explanation of forecasted environmental investments and allowances purchases and sales;

Emissions allowance costs or sales margins are not included in the proposed FAC.

(T) Any additional information that may have been ordered by the Commission to be provided in the previous general rate proceeding.

The Commission has not ordered any additional information to be provided in connection with a continuation of the FAC.

Illustration of AmerenUE's FAC with Seasonal NBFC and Rate Changes



FAC Illustration

Schedule LMB-E2

* RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE

APPLICABILITY

This rider is applicable to kilowatt-hours (kWh) of energy supplied to customers served by the Company under Service Classification Nos. 1(M), 2(M), 3(M), 4(M), 5(M), 6(M), 7(M), 8(M), 11(M), and 12(M).

Costs passed through this Fuel and Purchased Power Adjustment Clause (FAC) reflect differences between actual fuel and purchased power costs, including transportation, net of Off-System Sales Revenues (OSSR) (i.e., Actual Net Fuel Costs) and Net Base Fuel Costs (factor NBFC, as defined below), calculated and recovered as provided for herein.

For purposes of this FAC, the true-up year shall be from March 1 through the last day of February of the following year. The Accumulation Periods and Recovery Periods are as set forth in the following table:

Accumulation Period (AP)	Filing Date	Recovery Period (RP)
February through May	By August 1	October through September
June through September	By December 1	February through January
October through January	By April 1	June through May

Accumulation Period (AP) means the historical calendar months during which fuel and purchased power costs, including transportation, net of OSSR for all kWh of energy supplied to Missouri retail customers are determined.

Recovery Period (RP) means the billing months as set forth in the above table during which the difference between the Actual Net Fuel Costs during an Accumulation Period and NBFC are applied to and recovered through retail customer billings on a per kWh basis, as adjusted for service voltage level.

The Company will make a Fuel and Purchased Power Adjustment (FPA) filing by each Filing Date. The new FPA rates for which the filing is made will be applicable starting with the Recovery Period that begins following the Filing Date. All FPA filings shall be accompanied by detailed workpapers supporting the filing in an electronic format.

FPA DETERMINATION

Ninety five percent (95%) of the difference between Actual Net Fuel Costs and NBFC for all kWh of energy supplied to Missouri retail customers during the respective Accumulation Periods shall be reflected as an FPA_C credit or debit, stated as a separate line item on the customer's bill and will be calculated according to the following formulas.

For the FPA filing made by each Filing Date, the FPA_C rate, applicable starting with the Recovery Period following the applicable Filing Date, to recover fuel and purchased power costs, including transportation, net of OSSR, to the extent they vary from Net Base Fuel Costs (NBFC), as defined below, during the recently-completed Accumulation Period is calculated as:

* Indicates Addition.

RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

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$$FPA_{(RP)} = [[(CF+CPP-OSSR-TS-S) - (NBFC \times S_{AP})] \times 95\% + I + R]/S_{RP}$$

The FPA rate, which will be multiplied by the voltage level adjustment factors set forth below, applicable starting with the following Recovery Period is calculated as:

$$FPA_C = FPA_{(RP)} + FPA_{(RP-1)} + FPA_{(RP-2)}$$

where:

FPA_C = Fuel and Purchased Power Adjustment rate applicable starting with the Recovery Period following the applicable Filing Date.

FPA_{RP} = FPA Recovery Period rate component calculated to recover under/over collection during the Accumulation Period that ended prior to the applicable Filing Date.

$FPA_{(RP-1)}$ = FPA Recovery Period rate component from prior FPA_{RP} calculation, if any.

$FPA_{(RP-2)}$ = FPA Recovery Period rate component from FPA_{RP} calculation prior to $FPA_{(RP-1)}$, if any.

CF = Fuel costs incurred to support sales to all retail customers and Off-System Sales allocated to Missouri retail electric operations, including transportation, associated with the Company's generating plants. These costs consist of the following:

* a) For fossil fuel or hydroelectric plants:

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(i) the following costs reflected in Federal Energy Regulatory Commission (FERC) Account Number 501: coal commodity, applicable taxes, gas, alternative fuels, fuel additives, Btu adjustments assessed by coal suppliers, quality adjustments related to the sulfur content of coal assessed by coal suppliers, railroad transportation, switching and demurrage charges, railcar repair and inspection costs, railcar depreciation, railcar lease costs, similar costs associated with other applicable modes of transportation, fuel hedging costs (for purposes of factor CF, hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel and purchased power, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), hedging costs associated with SO2 and fuel oil

* Indicates Change.

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*** RIDER FAC**
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, ash disposal revenues and expenses, and revenues and expenses resulting from fuel and transportation portfolio optimization activities; and

(ii) the following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, capacity reservation charges, fuel losses, hedging costs, and revenues and expenses resulting from fuel and transportation portfolio optimization activities;

b) Costs in FERC Account Number 518 (Nuclear Fuel Expense).

CPP = Costs of purchased power reflected in FERC Account Numbers 555, 565, and 575, excluding MISO administrative fees arising under MISO Schedules 10, 16, 17, and 24, and excluding capacity charges for contracts with terms in excess of one (1) year, incurred to support sales to all Missouri retail customers and Off-System Sales allocated to Missouri retail electric operations. Also included in factor "CPP" are insurance premiums in FERC Account Number 924 for replacement power insurance (other than relating to the Taum Sauk Plant) to the extent those premiums are not reflected in base rates. Changes in replacement power insurance premiums (other than those relating to the Taum Sauk Plant) from the level reflected in base rates shall increase or decrease purchased power costs. Additionally, costs of purchased power will be reduced by expected replacement power insurance recoveries (other than those relating to the Taum Sauk Plant) qualifying as assets under Generally Accepted Accounting Principles. Notwithstanding the foregoing, concurrently with the date the "TS" factor is eliminated as provided for in this tariff, the premiums and recoveries relating to replacement power insurance coverage for the Taum Sauk Plant shall be included in this CPP Factor.

OSSR = Revenues from Off-System Sales allocated to Missouri electric operations.

Off-System Sales shall include all sales transactions (including MISO revenues in FERC Account Number 447), excluding Missouri retail sales and long-term full and partial requirements sales, that are associated with (1) AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve Missouri retail load, and (3) any related transmission.

* Indicates Addition.

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

*TS = The Accumulation Period value of Taum Sauk. This factor will be used to reduce actual fuel costs to reflect the value of Taum Sauk, and will be credited in FPA filings (of which there are three each year as shown in the table above), until the next rate case or, if sooner, until Taum Sauk is placed back in service. This value is $26.8 million annually, one third of which (i.e., $8.93 million) will be applied to each Accumulation Period.

S = The Accumulation Period value of Blackbox Settlement Amount of $3 million annually, which shall expire on September 1, 2010. One third of the annual value ($1 million) shall be applied to each Accumulation Period. For the Accumulation Period during which the factor expires, the factor shall be prorated according to the number of days during which it was effective during that Accumulation Period.

*I = Interest applicable to (i) the difference between Actual Net Fuel Costs (adjusted for Taum Sauk and factor "S") and NBFC for all kWh of energy supplied to Missouri retail customers during an Accumulation Period until those costs have been recovered; (ii) refunds due to prudence reviews (a portion of factor R, below); and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings provided for herein (a portion of factor R, below). Interest shall be calculated monthly at a rate equal to the weighted average interest rate paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

*R = Under/over recovery (if any) from currently active and prior Recovery Periods as determined for the FAC true-up adjustments, and modifications due to adjustments ordered by the Commission (other than the adjustment for Taum Sauk as already reflected in the TS factor), as a result of required prudence reviews or other disallowances and reconciliations, with interest as defined in item I.

S_{AP} = Supplied kWh during the Accumulation Period that ended prior to the applicable Filing Date, at the generation level.

S_{RP} = Applicable Recovery Period estimated kWh, at the generation level, subject to the FPA_{RP} to be billed.

* Indicates Change.

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RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

* NBFC = Net Base Fuel Costs are the net costs determined by the Commission's order as the normalized test year value (and reflecting an adjustment for Taum Sauk, consistent with the term TS) for the sum of allowable fuel costs (consistent with the term CF), plus cost of purchased power (consistent with the term CPP), less revenues from off-system sales (consistent with the term OSSR), less an adjustment (consistent with the term "S"), expressed in cents per kWh, at the generation level, as included in the Company's retail rates. The NBFC rate applicable to June through September calendar months ("Summer NBFC Rate") is 1.102 cents per kWh. The NBFC rate applicable to October through May calendar months ("Winter NBFC Rate") is 1.494 cents per kWh.

*To determine the FPA rates applicable to the individual Service Classifications, the FPA_c rate determined in accordance with the foregoing will be multiplied by the following voltage level adjustment factors:

Secondary Voltage Service	1.0789
Primary Voltage Service	1.0459
Large Transmission Voltage Service	1.0124

The FPA rates applicable to the individual Service Classifications shall be rounded to the nearest 0.001 cents, to be charged on a cents/kWh basis for each applicable kWh billed.

***TRUE-UP OF FAC**

After completion of each Recovery Period, the Company will make a true-up filing in conjunction with an adjustment to its FAC, where applicable. The true-up filings shall be made on the first Filing Date that occurs at least two (2) months after completion of each Recovery Period. Any true-up adjustments or refunds shall be reflected in item R above, and shall include interest calculated as provided for in item I above.

The true-up adjustments shall be the difference between the revenues billed and the revenues authorized for collection during the Recovery Period.

GENERAL RATE CASE/PRUDENCE REVIEWS

The following shall apply to this Fuel and Purchased Power Adjustment Clause, in accordance with Section 386.266.4, RSMo. and applicable Missouri Public Service Commission Rules governing rate adjustment mechanisms established under Section 386.266, RSMo:

The Company shall file a general rate case with the effective date of new rates to be no later than four years after the effective date of a Missouri Public Service Commission order implementing or continuing this Fuel and

*Indicates Change.

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Deleted: After the completion of each true-up year,

Deleted: make a true-up filing by May 1 of each year (starting by May 1, 2010) with the Commission. Such filings

Deleted: by May 1 of every subsequent year until all fuel and purchased power costs accumulated during the effective period of the FAC have been recovered and trued-up.

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* RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Purchased Power Adjustment Clause. The four-year period referenced above shall not include any periods in which the Company is prohibited from collecting any charges under this Fuel and Purchased Power Adjustment Clause, or any period for which charges hereunder must be fully refunded. In the event a court determines that this Fuel and Purchased Power Adjustment Clause is unlawful and all moneys collected hereunder are fully refunded, the Company shall be relieved of the obligation under this Fuel and Purchased Power Adjustment Clause to file such a rate case.

Prudence reviews of the costs subject to this Fuel and Purchased Power Adjustment Clause shall occur no less frequently than every eighteen months, and any such costs which are determined by the Missouri Public Service Commission to have been imprudently incurred shall be returned to customers with interest at a rate equal to the weighted average interest rate paid on the Company's short-term debt.

*Indicates Addition.

RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Calculation of Current FPA_C Rate:

	Accumulation Period Ending:		mm/dd/yy
1.	Total Energy Cost (CF+CPP-OSSR-TS-S)		$0
2.	Base Energy Cost	-	
	2.1 NBFC ($/kWh)	x	$0.0000
	2.2 Accumulation Period Sales kWh (S_{AP})		0
3.	First Subtotal (1.-2.)		$0
4.	Customer Responsibility	x	95%
5.	Second Subtotal		$0
6.	Adjustment for Under / Over recovery for Prior Periods Plus Interest (I + R)	±	$0
7.	Third Subtotal		$0
8.	Estimated Recovery Period Sales kWh (S_{RP})	÷	0
9.	FPA_{RP}		$0.0000
10.	FPA_{RP-1}	+	$0.0000
11.	FPA_{RP-2}	+	$0.0000
12.	FPA_C (without Voltage Level Adjustment)		$0.0000
*13.	Voltage Level Adjustment Factor		
	13.1 Secondary	x	1.0789
	13.2 Primary	x	1.0459
	13.3 Large Transmission	x	1.0124
14.	FPA_C (with voltage level adjustment)		
	14.1 Secondary		$0.0000
	14.2 Primary		$0.0000
	14.3 Large Transmission		$0.0000

* Indicates Change.