BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Application of Union Electric Company (d/b/a AmerenUE) for an order authorizing the sale, transfer and assignment of certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company (d/b/a AmerenCIPS) and, in connection therewith, certain other related transactions.	))))))))))	Case No. EO-2004-0108

AFFIDAVIT
OF
MICHAEL S. PROCTOR

STATE OF MISSOURI	)	
	)	ss
COUNTY OF COLE	)	

Michael S. Proctor, first being duly sworn, on his oath states that he has prepared this affidavit consisting of seven pages and schedules attached hereto to be presented in the above case, and that he has knowledge of the matters addressed in this affidavit; and that his statements set forth herein are true and correct to the best of his knowledge, information and belief:

1. At the request of Commissioner Steve Gaw, Chairman of the Missouri Public Service Commission (Commission), Union Electric Company, d/b/a AmerenUE (AmerenUE) provided the Commission, the Commission Staff (Staff) and the other parties at the evidentiary hearing with a comparison of annual transmission revenue requirements (a transmission cost of service study minus transmission revenues) for the cases of without and with the Metro East transfer.

The results of these calculations have been entered into the record in Case No. EO-2004-0108 as AmerenUE Exhibit 71.

2. Recall that the Staff expressed concern that this comparison was not included in AmerenUE's direct case filing, nor subsequently in its surrebuttal case filing after this concern had been raised in my rebuttal testimony. The importance of this issue is that differences in annual transmission revenue requirements could have a significant effect on the economics of the transfer; i.e., the determination of whether or not the transfer is the least-cost alternative for AmerenUE to meet its long-term capacity and energy needs. Thus, it is important that the results shown in AmerenUE's Exhibit 71 be reviewed by the Staff for correctness. The Regulatory Law Judge has afforded the Staff an opportunity to review these calculations and file comments regarding the findings of its review. I have reviewed AmerenUE's work papers for correctness and this affidavit is a statement of the findings of my review.

3. Regarding AmerenUE's determination of the transmission cost of service without a Metro East transfer, I found the results presented by AmerenUE to be a correct application of cost-of-service allocations for the limited purposes of this proceeding. (For example, in determining allocation factors in a ratemaking proceeding, the Staff would want to take a closer look at the particular situation of certain customers served by AmerenUE's transmission system, such as Missouri municipals that were formally wholesale customers of AmerenUE located on AmerenUE's transmission system, and have now become wholesale customers of Ameren Energy Marketing. Also, as indicated in a later section of this affidavit, the Staff does not necessarily agree with the allocation method used by AmerenUE for allocating transmission fixed costs). I developed a spreadsheet to replicate those calculations, and found only minor

differences between my spreadsheet calculations and the results shown by AmerenUE in Exhibit 71. I concluded that these minor differences were due to AmerenUE's rounding of various allocation factors in its calculations.

4. Regarding AmerenUE's determination of the transmission cost of service with a Metro East transfer, I found that while the costs for AmerenUE as a whole were correctly calculated, in many instances, these calculations failed to include the further allocation between AmerenUE's Missouri retail customers and its wholesale customers. This oversight resulted in an overstatement of the transmission cost of service for Missouri retail customers in the transfer case of just under $1.4 million. The effect on the economic comparison of the two cases is that since the transmission cost of service for the Metro East transfer shown in AmerenUE's Exhibit 71 is overstated, the benefits from the Metro East transfer of comparing transmission revenue requirements will be understated by $1.4 million.

5. The methodology followed by AmerenUE to determine the transmission revenues from sales of transmission service allocated to AmerenUE's Missouri retail customers is correct. Specifically, transmission revenues were first allocated between AmerenUE and Central Illinois Public Service Company, d/b/a AmerenCIPS (AmerenCIPS) based on each entity's percentage of transmission plant (per the Joint Dispatch Agreement), and then allocated to Missouri retail customers using the same allocation factor used to allocate transmission plant. The Metro East transfer results in a decrease in transmission plant for AmerenUE, and therefore the transfer results in a decrease in transmission revenues allocated to AmerenUE. However, in checking the calculations performed by AmerenUE, I found that due to rounding the allocation factors to the nearest percent, AmerenUE's calculations overstated the loss of transmission revenues to

AmerenUE's Missouri retail customers resulting from the Metro East transfer by \$271,000, annually. When the difference in transmission revenue requirements shown in AmerenUE's Exhibit 71 is only \$385,000, annually, this rounding error is significant, as it would have added \$271,000 annually to the benefits from the Metro East transfer.

6. In summary, while AmerenUE's Exhibit 71 shows a net benefit to the Metro East transfer in annual transmission revenue requirements of \$385,000, I calculate the net benefit from the Metro East transfer to Missouri retail customer related to transmission revenue requirements to be just over \$2 million, after the corrections indicated above. The results of my spreadsheet calculations are shown in Schedules 1.1 to 1.3 attached to this affidavit. These Schedules parallel those filed by AmerenUE in its Exhibit 71.

7. For purposes of developing AmerenUE's Exhibit 71, it used what is called a 4 coincident peak (CP) allocation factor for fixed transmission costs in its calculations. This approach uses the four summer coincident peak demands of the various classes of customers to which the costs are to be allocated (Missouri retail 91.54%, Illinois retail 6.87% and Wholesale 1.93%). Until the most recent Staff excess earnings/revenues complaint case, AmerenUE used a 12 CP allocation factor for allocating fixed production and transmission costs among Missouri retail, Illinois retail and Wholesale customer classes; i.e., all twelve months of coincident peak demands were used. The Staff has traditionally used a 12 CP allocation factor for fixed transmission costs, and continued to use it in the most recent Staff excess earnings/revenues complaint case involving AmerenUE. The 12 CP allocation factors result in a lower percent of production and transmission fixed costs being allocated to Missouri retail customers.

8. In order to determine the effect of using the traditional 12 CP allocation factors on the net benefits in transmission revenue requirements from the Metro East transfer, the Staff obtained from AmerenUE witness Gary Weiss a transmission cost of service based on 12 CP, which AmerenUE had calculated in addition to the 4 CP cost of service contained in its Exhibit 71. I substituted these 12 CP allocation factors (Missouri retail 91.20%, Illinois retail 6.87% and Wholesale 1.93%) for the 4 CP allocation factors used as the basis for results shown in my Schedules 1.1, 1.2 and 1.3. In addition, I substituted 12 CP allocation factors utilized by AmerenUE decommissioning cost and trust fund witness Kevin Redhage (Missouri retail 90.95%, Illinois retail 7.12% and Wholesale 1.93%), which results in a somewhat lower allocations to Missouri retail customers than the 12 CP allocation factors provided by AmerenUE witness Gary Weiss. The results are shown in Schedules 2.1 to 2.3 for AmerenUE's 12 CP allocation factors received from Gary Weiss and in Schedules 3.1 to 3.3 for the12 CP allocation factors utilized by Kevin Redhage, both of which are attached to this affidavit. The decrease in net benefits, regarding the Metro East transfer, from the annual transmission revenue requirements based on a 12 CP methodology, rather than on a 4 CP methodology are: a) \$100,000, annually for AmerenUE's 12 CP allocation factors received from Gary Weiss; and b) \$200,000, annually for the 12 CP allocation factors used by Kevin Redhage. Thus, in the case of transmission revenue requirements, applying these different allocation factor methodologies and calculations has very little impact on the results.

9. In summary, my review found that the net benefits to AmerenUE's Missouri retail customers from the Metro East transfer with respect to annual transmission revenue requirements ranges from \$1.841 million to \$2.033 million, where the range depends on which allocation methodology and factors are used for allocating fixed transmission costs. This result assumes that current levels of transmission revenues will continue. If these transmission revenues decrease by 25% subsequent to Ameren's participation in the Midwest ISO, as AmerenUE indicates in its Exhibit 71, the annual transmission revenue requirement benefit from the Metro East transfer increases by approximately $1.0 million; i.e., the range changes to $2.813 million to $3.089 million. In reality, the loss of transmission revenues is not an overall benefit to AmerenUE's Missouri retail ratepayers. The reason that a 25% decrease in transmission revenues increases the transmission revenue requirement benefits for the Metro East transfer when compared to no transfer, is that the loss of revenues for the Metro East transfer case is smaller than for the no transfer case, and since annual transmission revenue requirement benefits are measured as the difference between the two cases, the benefits for the Metro East transfer increase.

10. While annual transmission revenue requirements is an important, and heretofore missing, component to the determination of the overall economics of the proposed Metro East transfer, it is only one of several concerns raised by Staff in this case as reflected in the Staff's conditions for approval of the transfer submitted by the Staff in rebuttal testimony and in a filing on April 6, 2004. Specifically, while AmerenUE's Exhibit 71 meets, in part, the first condition in section "9. Transmission" of the "Staff's List Of Conditions Necessary For Staff Recommendation That The Commission Approve Ameren's Proposed Metro East Transfer," i.e., that AmerenUE perform a study that shows that the proposed Metro East transfer will have no detrimental impact on AmerenUE's revenue requirements, it does not meet the other transmission conditions of section "9. Transmission" or the other conditions comprising the Staff's list.

Michael S Proctor

Michael S. Proctor

Subscribed and sworn to before me this 26th day of April 2004.

Dawn L. Hake

Notary Public

DAWN L. HAKE
Notary Public – State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

My commission expires

AmerenUE
Summary of Effect of Metro East Transfer
On AmerenUE Missouri Retail Transmission Cost of Service
And Transmission Revenues Using AmerenUE's 4 CP Allocation Factors
(In Thousands of Dollars)

Current Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$	6,256
Decrease in Transmission Revenues Allocated to Missouri Retail	$	(4,223)
Net Benefit to Missouri Retail	$	2,033

25% Decrease in Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$	6,256
Decrease in Transmission Revenues Allocated to Missouri Retail	$	(3,167)
Net Benefit to Missouri Retail	$	3,089

Schedule 1.1

AmerenUE
Missouri Transmission Cost of Service
With and Without Illinois Asset Transfer
Using AmerenUE's 4CP Allocation Factors
(In Thousands of Dollars)

		Without Transfer				With Transfer
Rate Base						
Transmission Plant	$	488,141			$	447,279
Transmission Accumulated Depreciation Reserve	$	192,065			$	175,987
Net Plant	$	296,076			$	271,291
Materials and Supplies	$	2,044			$	2,044
Accumulated Deferred Income Taxes	$	(72,488)			$	(65,857)
Rate Base	$	225,632			$	207,478
Revenue Requirements						
Transmission Operating Expenses	$	32,895			$	30,141
Transmission A&G Expenses	$	4,899			$	4,497
Transmission Depreciation Expense	$	9,068			$	8,228
Taxes Other Than Income Taxes Property	$	3,951			$	3,902
Return (8.293% on Rate Base)	$	18,712			$	17,206
Income Taxes At Allowed Return	$	8,753			$	8,049
Total Revenue Requirement	$	78,279			$	72,023
Difference			**$**	**(6,256)**		
Income Taxes						
Return	$	18,712			$	17,206
Less Interest Expense (2.070%)	$	4,671			$	4,295
Net Income	$	14,041			$	12,911
Composite Income Tax (38.4%)	$	8,753			$	8,049

Percent of Transmission Plant Being Transferred

Total AmerenUE Transmission Plant	[1]	$	533,254,818	
Transmission Plant Being Transferred to CIPS	[2]	$	76,399,042	14.33%
Transmission Plant Remaining with AmerenUE	[3] = [1] - [2]	$	456,855,776	85.67%
Transmission Plant Remaining with Missouri Retail	[4] = (.9790)*[3]	$	447,278,906	97.90%

Schedule 1.2

AmerenUE
Missouri Transmission Revenues
Without and With the Illinois Asset Transfer
Using AmerenUE's 4CP Allocation Factors
(In Thousands of Dollars)

		Current	Reduced 25%
Transmission Revenues			
Point-To-Point Transmission Revenues		$ 35,113	
Third Party NITS Revenues		$ 14,364	
AME and AEM NITS Revenues		$ 30,046	
Total Transmission Revenues		$ 79,523	$ 59,642

Allocations Without Transfer

	Transmission Plant	
	$	%
AmerenUE	$ 533,255	69.30%
AmerenCIPS	$ 236,263	30.70%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	69.30%	$ 55,107	$ 41,330
Allocation to AmerenUE Missouri Retail	91.54%	$ 50,445	$ 37,834

Allocations With Transfer of $ 76,399

	Transmission Plant	
	$	%
AmerenUE	$ 456,856	59.37%
AmerenCIPS	$ 312,662	40.63%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	59.37%	$ 47,212	$ 35,409
Allocation to AmerenUE Missouri Retail	97.90%	$ 46,222	$ 34,667
Decrease in Transmission Revenues from Transfer		$ (4,223)	$ (3,167)

Schedule 1.3

AmerenUE
Summary of Effect of Metro East Transfer
On AmerenUE Missouri Retail Transmission Cost of Service
And Transmission Revenues Using Weiss' 12CP Allocation Factors
(In Thousands of Dollars)

Current Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$ 5,957
Decrease in Transmission Revenues Allocated to Missouri Retail	$ (4,024)
Net Benefit to Missouri Retail	$ 1,933

25% Decrease in Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$ 5,957
Decrease in Transmission Revenues Allocated to Missouri Retail	$ (3,018)
Net Benefit to Missouri Retail	$ 2,939

Schedule 2.1

AmerenUE
Missouri Transmission Cost of Service
With and Without Illinois Asset Transfer
Using Weiss' 12CP Allocation Factors
(In Thousands of Dollars)

		Without Transfer				With Transfer
Rate Base						
Transmission Plant	$	486,328			$	447,388
Transmission Accumulated Depreciation Reserve	$	191,352			$	176,030
Net Plant	$	294,976			$	271,358
Materials and Supplies	$	2,044			$	2,044
Accumulated Deferred Income Taxes	$	(72,299)			$	(65,873)
Rate Base	$	224,721			$	207,529
Revenue Requirements						
Transmission Operating Expenses	$	32,773			$	30,149
Transmission A&G Expenses	$	4,899			$	4,498
Transmission Depreciation Expense	$	9,035			$	8,230
Taxes Other Than Income Taxes Property	$	3,936			$	3,903
Return (8.293% on Rate Base)	$	18,636			$	17,210
Income Taxes At Allowed Return	$	8,718			$	8,051
Total Revenue Requirement	$	77,997			$	72,040
Difference			**$**	**(5,957)**		
Income Taxes						
Return	$	18,636			$	17,210
Less Interest Expense (2.070%)	$	4,652			$	4,296
Net Income	$	13,984			$	12,915
Composite Income Tax (38.4%)	$	8,718			$	8,051

Percent of Transmission Plant Being Transferred

Total AmerenUE Transmission Plant	[1]	$	533,255	
Transmission Plant Being Transferred to CIPS	[2]	$	76,399	14.33%
Transmission Plant Remaining with AmerenUE	[3] = [1] - [2]	$	456,856	85.67%
Transmission Plant Remaining with Missouri Retail	[4] = (.9790)*[3]	$	447,388	97.93%

Schedule 2.2

AmerenUE
Missouri Transmission Revenues
Without and With the Illinois Asset Transfer
Using Weiss' 12 CP Allocation Factors
(In Thousands of Dollars)

		Current	Reduced 25%
Transmission Revenues			
Point-To-Point Transmission Revenues		$ 35,113	
Third Party NITS Revenues		$ 14,364	
AME and AEM NITS Revenues		$ 30,046	
Total Transmission Revenues		$ 79,523	$ 59,642

Allocations Without Transfer

	Transmission Plant	
	$	%
AmerenUE	$ 533,255	69.30%
AmerenCIPS	$ 236,263	30.70%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	69.30%	$ 55,107	$ 41,330
Allocation to AmerenUE Missouri Retail	91.20%	$ 50,258	$ 37,693

Allocations With Transfer of $ 76,399

	Transmission Plant	
	$	%
AmerenUE	$ 456,856	59.37%
AmerenCIPS	$ 312,662	40.63%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	59.37%	$ 47,212	$ 35,409
Allocation to AmerenUE Missouri Retail	97.93%	$ 46,234	$ 34,675
Decrease in Transmission Revenues from Transfer		$ (4,024)	$ (3,018)

Schedule 2.3

AmerenUE
Summary of Effect of Metro East Transfer
On AmerenUE Missouri Retail Transmission Cost of Service
And Transmission Revenues Using Redhage's 12 CP Allocation Factors
(In Thousands of Dollars)

Current Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$ 5,730
Decrease in Transmission Revenues Allocated to Missouri Retail	$ (3,889)
Net Benefit to Missouri Retail	$ 1,841

25% Decrease in Transmission Revenues

Decrease in AmerenUE Missouri Cost of Service	$ 5,730
Decrease in Transmission Revenues Allocated to Missouri Retail	$ (2,917)
Net Benefit to Missouri Retail	$ 2,813

Schedule 3.1

AmerenUE
Missouri Transmission Cost of Service
With and Without Illinois Asset Transfer
Using Redhage's 12CP Allocation Factors
(In Thousands of Dollars)

	Without Transfer		With Transfer
Rate Base			
Transmission Plant	$ 484,995		$ 447,363
Transmission Accumulated Depreciation Reserve	$ 190,827		$ 176,020
Net Plant	$ 294,168		$ 271,342
Materials and Supplies	$ 2,044		$ 2,044
Accumulated Deferred Income Taxes	$ (72,160)		$ (65,869)
Rate Base	$ 224,051		$ 207,517
Revenue Requirements			
Transmission Operating Expenses	$ 32,683		$ 30,147
Transmission A&G Expenses	$ 4,875		$ 4,498
Transmission Depreciation Expense	$ 9,010		$ 8,229
Taxes Other Than Income Taxes Property	$ 3,926		$ 3,902
Return (8.293% on Rate Base)	$ 18,581		$ 17,209
Income Taxes At Allowed Return	$ 8,692		$ 8,050
Total Revenue Requirement	$ 77,766		$ 72,036
Difference		**$ (5,730)**	
Income Taxes			
Return	$ 18,581		$ 17,209
Less Interest Expense (2.070%)	$ 4,638		$ 4,296
Net Income	$ 13,943		$ 12,914
Composite Income Tax (38.4%)	$ 8,692		$ 8,050

Percent of Transmission Plant Being Transferred

Total AmerenUE Transmission Plant	[1]	$ 533,254,818	
Transmission Plant Being Transferred to CIPS	[2]	$ 76,399,042	14.33%
Transmission Plant Remaining with AmerenUE	[3] = [1] - [2]	$ 456,855,776	85.67%
Transmission Plant Remaining with Missouri Retail	[4] = (.9790)*[3]	$ 447,362,541	97.92%

Schedule 3.2

AmerenUE
Missouri Transmission Revenues
Without and With the Illinois Asset Transfer
Using Redhage's 12 CP Allocation Factors
(In Thousands of Dollars)

		Current	Reduced 25%
Transmission Revenues			
Point-To-Point Transmission Revenues		$ 35,113	
Third Party NITS Revenues		$ 14,364	
AME and AEM NITS Revenues		$ 30,046	
Total Transmission Revenues		$ 79,523	$ 59,642

Allocations Without Transfer

	Transmission Plant $	Transmission Plant %
AmerenUE	$ 533,255	69.30%
AmerenCIPS	$ 236,263	30.70%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	69.30%	$ 55,107	$ 41,330
Allocation to AmerenUE Missouri Retail	90.95%	$ 50,120	$ 37,590

Allocations With Transfer of $ 76,399

	Transmission Plant $	Transmission Plant %
AmerenUE	$ 456,856	59.37%
AmerenCIPS	$ 312,662	40.63%
Total	$ 769,518	100.00%

		Current	Reduced 25%
AmerenUE Percent of Transmission Plant	59.37%	$ 47,212	$ 35,409
Allocation to AmerenUE Missouri Retail	97.92%	$ 46,231	$ 34,673
Decrease in Transmission Revenues from Transfer		$ (3,889)	$ (2,917)

Schedule 3.3