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

In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase Its Annual Revenues for Electric Service	)))	Case No. ER-2010-0036

<u>AFFIDAVIT OF MICHAEL GORMAN REGARDING INTERIM RATE TARIFF</u>

STATE OF MISSOURI)
) ss
COUNTY OF ST. LOUIS)

Michael Gorman, being first duly sworn on his oath states:

1. My name is Michael Gorman. I am employed as a managing principal with Brubaker & Associates, Inc. We have been retained by the Missouri Industrial Energy Consumers ("MIEC") in this proceeding on its behalf.

2. I hereby declare and affirm the following:

(a) I have reviewed AmerenUE's rate filing to identify whether or not an interim rate increase is needed to ensure AmerenUE can: (1) secure the funds necessary to carry on its public utility obligations, (2) maintain its financial integrity, and (3) avoid an earned return on equity that is so dire it may threaten its ability to provide service. Based on my conclusions below, I find AmerenUE does not need an interim rate increase in this proceeding.

(b) AmerenUE's filing proves it has the liquidity to fund operations and support capital improvements. AmerenUE witness Mr. Lee Nickloy outlines a renewed bank line of credit of $1.15 billion. While Mr. Nickloy outlines the increased cost associated with maintaining this line of credit, he also states that only approximately $300 million of this total line of credit is outstanding as of March 31, 2009. *Direct Testimony of Lee Nickloy at pages 7-8.* As such, this bank line of credit provides liquidity to AmerenUE to allow it to fund needed capital investments. Mr. Nickloy also states that while capital markets have been distressed, the bank market is generally open and available to investment grade utilities like AmerenUE.

(c) AmerenUE continues to have strong financial integrity. Mr. Nickloy's work papers include Pricing Term Sheets associated with recent AmerenUE bond issuances. As of March 13, 2009, AmerenUE had bond ratings from Moody's, Standard & Poor's, and Fitch, of "Baa1," "BBB," and "A," respectively. Importantly, AmerenUE's bond rating from each of these credit rating agencies is rated "stable." AmerenUE's stable bond rating supported a $350 million bond issuance in March 2009. AmerenUE's current investment grade bond rating is two notches above the minimum investment grade bond rating category. This indicates a strong credit rating and has allowed AmerenUE to access capital markets even in the current distressed capital market.

(d) I do not endorse a return on equity as a sufficient measure to justify an interim rate increase. Rather, I support a financial integrity standard as a balancing test to award an interim rate increase. Nevertheless, I note that AmerenUE has not, and cannot, show that its earnings over a 12-month period under its new rates will not produce a fair return on equity. AmerenUE's new rates were approved in January 2009 and implemented in March 2009. *Direct Testimony of Gary Weiss at page 17.* AmerenUE's actual earned return on common equity for the 12-month period ending March of 2009 to be 6.02% and 5.61% for the period ending May 2009. *Id. at pages 33-34* Mr. Weiss argues that these returns are lower than the 10.76% return authorized in AmerenUE's rate order in January 2009. While AmerenUE's earned return on equity is lower than its current authorized return on equity, this does not prove that new rates will produce unreasonably low earnings. Mr. Weiss's return on equity estimates are predominately based on AmerenUE's old rates, not its new rates. AmerenUE's new rates did not go into effect until March 2009. *Weiss Direct at page 17.*. Hence, AmerenUE has not shown and does not know what its earnings will be for the first 12 months under its new rates. Significantly, Mr. Weiss did estimate that the annual effect of the new rates implemented in March could increase AmerenUE's revenue by $166 million. *Id.* This annual revenue enhancement is not reflected in his actual return estimates. AmerenUE's new rates will improve its earnings and it will help earn its authorized return on equity after the new rates are in effect for 12 months without the proposed interim rate increase. Further, Mr. Weiss' actual return on equity has not been shown to reflect only Missouri retail jurisdictional operations. The actual earned returns could have been negatively impacted by costs that could not be recovered from Missouri retail customers, or by low revenue recovered from non-Missouri retail operations. This is additional reason the actual return on equity estimates cannot be used to determine whether an interim rate increase is required.

(e) For the above reasons, AmerenUE's proposed interim rate increase should be denied.

3. I hereby swear and affirm that the foregoing is true and correct.

Michael Gorman

Subscribed and sworn to before me this 27th day of August, 2009.

Tammy S Klossner

Notary Public

My Commission Expires:

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 14, 2011
Commission # 07024862