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June 28, 2001

FILED³

JUN 28 2001

Missouri Public
Service Commission

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

**RE: Union Electric Company d/b/a AmerenUE,
Case No. EM-96-149**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight Proprietary copies of the **Affidavit of Mark Burdette Regarding Union Electric Company's June 26, 2001 Motion** and 1 Non-Proprietary copy of this filing. I have on this date mailed, faxed, and/or hand-delivered the appropriate number of copies to all counsel of record. Please "file" stamp the extra enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

John B. Coffman
Deputy Public Counsel

JBC:jb

cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

JUN 9 2001

Missouri Public
Service Commission

In the matter of the application of Union)
Electric Company for an order authorizing:)
(1) certain merger transactions involving)
Union Electric Company; (2) the transfer of)
certain assets, real estate, leased property,)
easements and contractual agreements to)
Central Illinois Public Service Company; and)
(3) in connection therewith, certain other)
related transactions.)

Case No. EM-96-149

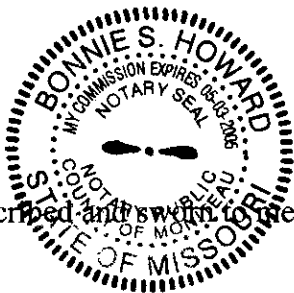
AFFIDAVIT OF MARK BURDETTE
REGARDING UNION ELECTRIC COMPANY'S
JUNE 26, 2001 MOTION

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Mark Burdette, of lawful age and being first duly sworn, deposes and states:

1. My name is Mark Burdette. I am a Financial Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my affidavit consisting of pages 1 through 4.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

Mark Burdette



Subscribed and sworn to me this 27th day of June 2001

Bonnie S. Howard
Notary Public

My commission expires May 3, 2005.

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Affidavit of Mark Burdette Regarding Union Electric Company's June 26th, 2001 Motion

The purpose of this affidavit is to respond to certain statements and claims made by Union Electric Company, d/b/a AmerenUE ("UE") in the company's June 25th, 2001 Emergency Motion of Union Electric Company to Temporarily Stay the Expiration of the EARP and to Establish a Schedule for Further Proceedings and for Expedited Treatment.

Page 5 of UE's motion states "It is important to recognize that, though we believe Ameren to be a fundamentally healthy company, as it stands today, the financial community views the company as a somewhat below-average performer."

In actuality, the investment community sees Ameren as a financially strong company of at least average performance, with above-average strength of finances. Standard & Poor's credit ratings service, in a report dated 17 October 2000, rates Ameren's long term debt as A+. In that report, S&P states "Ameren's creditworthiness benefits from the strong business profiles and robust financial measures of its regulated utility business."

Also, the report states "The stable outlook for Ameren reflects a healthy consolidated financial profile..." and "Ameren's earnings-protection parameters are strong for current ratings, with adjusted pretax interest coverage of 5.4 times (x) and return on equity of 13.4%."

S&P lists the number one risk for Ameren as "Aggressive unregulated generation and growth strategy."

In addition to Standard & Poor's positive financial review of Ameren, The Value Line Investment Survey (6 April 2001) also rates Ameren's financial strength as A+. Additionally, Value Line gives Ameren a Safety Ranking of 1 (the highest, i.e. safest, rating). Value Line describes the Safety Ranking as "a measurement of potential risk associated with individual common stocks." Also, Value Line shows Ameren's beta to be 0.55, which is significantly lower than 1.0, which is the beta of the market overall. A lower beta implies lower risk. Value Line summarizes Ameren's condition as "On balance, we rate Ameren an average electric utility holding."

Ameren's Motion, also on page 5, states "In comparing Ameren's common stock performance to that of the 70 companies included in the Edison Electric Institute's (EEI) Index of Investor-Owned Electrics over the three years ended in March 2001, the median stock performance of those companies was +1.8%, while Ameren's was -2.8%."

Any measure of financial performance depends on the time period in question. The EEI calculations end in March 2001. March 2001 was a relative low point for Ameren's stock, unrepresentative of the actual average performance over the time period. Had the EEI calculations been based on the three years ended February or April 2001, the results would have been much different. Value Line shows that the total three-year return for Ameren's stock as of 5/2001 was 11.031%; the one-year return as of 5/2001 was 27.418%.

Also, stock performance does not depend only on price. The measure of true stock performance for the investor must include the investor's receipt of dividends. Ameren is an income stock, providing much of the shareholder return in the form of the payment of dividends, not through stock price appreciation. UE Senior Vice President for Finance Don Brandt addresses this question in the Ameren Journal, Volume 3, Number 1, page 2, dated January 2000. In discussing where investors are putting their money, Mr. Brandt correctly characterizes Ameren's stock (ticker AEE) as an income stock. Mr. Brandt states "As a result, fewer dollars are being invested in value or income stocks, like AEE, which focus on assets and strong dividend yield. In fact, we are seeing depressed prices across the utility industry." Mr. Brandt recognizes that not all stocks perform the same; he recognizes that AEE is an income stock; he recognizes that the performance of Ameren's stock is not out of line compared to the industry. He goes on to say "Stock market growth is being driven primarily by a select few "large cap" stocks." Mr. Brandt's explanation of stock price performance as shown in the Company's newsletter paints a different picture than the company attempts to paint in the Motion before the Commission.

Also in regard to the EEI Index study, the Motion states **

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Ameren's position on the EEI list is number 42. Empire District Electric Company (Empire) is ranked lower, at 55, as is Kansas City Power & Light (KCPL), ranked 62. As the Missouri Public Service Commission is first-handedly aware, neither Empire nor KCPL are **

** in fact, that the Missouri Public Service Commission denied Empire's request for emergency rate relief in Case No. ER-2001-452. The Report and Order from that case is dated 8 March 2001, the same date the Commission gave the Staff permission to file a complaint case against Ameren.

In general, a single measure of performance, such as the EEI Index study, does not necessarily convey significant financial information. **

The Wall Street Journal reports Ameren's Return on Common equity as 14.54% for the year ended 12/31/00, 14.62% for the 12-months ended 5/01, and 13.01% for the five-year average. Overall profit margin for the same time periods are 11.86%, 11.37% and 11.44%, respectively. These numbers show a utility company earning returns far above the current utility cost of capital, **

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Additionally, Ameren has continued to pay its usual dividend. **

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In regards to Staff's potential complaint case, Ameren's Motion states **

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It is my experience that while the financial community is interested in potential regulatory treatment, the overriding response is a wait-and-see attitude. Given the nature and time-consuming process of a rate case, and the fact that analysts understand the nature of regulation, it would be irrational behavior on the part of investors and the market to **

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In actuality, the expiration of the EARP will enable AmerenUE to discontinue sharing with consumers and retain all earnings beginning 1 July 2001. **

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This is in direct conflict with the assertions made by UE in the Motion.

Finally, it should be remembered that the earnings in question are not UE's authorized, regulatory earnings. The earnings in question are OVER-earnings – that is earnings the company is making over and above those that would be appropriate under cost-based regulation. Even in the event of an earnings reduction ordered by The Missouri Public Service Commission, **

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 28th day of June 2001:

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