FILED[3]
APR 2 5 2007
Missouri Public
Service Commission

Exhibit No.:
Witness: James T. Selecky
Type of Exhibit: Direct Testimony
Issue: Depreciation
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2007-0002

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-2007-0002

FILED[2]
DEC 1 5 2006
Missouri Public
Service Commission

Direct Testimony of

James T. Selecky
on
Book Depreciation

On behalf of

Missouri Industrial Energy Consumers

BAI
BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

Project 8632
December 15, 2006

MIEC Exhibit No. 707
Date 3/12/07 Case No. ER-2007-0002
Reporter

Diana M. Vuylsteke
Voice (314) 259-2543
dmvuylsteke@bryancave.com

BRYAN CAVE

BY HAND DELIVERY

December 15, 2006

FILED[2]
DEC 15 2006
Missouri Public Service Commission

Cully Dale
Missouri Public Service Commission
200 Madison Street
Jefferson City, MO 65101

RE: Case No. ER-2007-0002

Dear Judge Dale:

Attached for filing on behalf of the Missouri Industrial Energy Consumers in the above-referenced case are an original and eight (8) copies each of the Direct Testimony and Schedules of Maurice Brubaker, the Direct Testimony and Schedules of Jim Selecky, the Direct Testimony and Schedules of Mike Gorman and both the Highly Confidential (HC) and Non-Proprietary (NP) versions of the Direct Testimony and Schedules of Jim Dauphinais.

Thank you for your assistance in bringing this filing to the attention of the Commission.

Very truly yours,

Diana Vuylsteke

Diana M. Vuylsteke

DMV:ln

attachment

Bryan Cave LLP
Riverview Office Center
221 Bolivar Street
Jefferson City, MO 65101-1574
Tel 573 556 6622
Fax 573 556 6630
www.bryancave.com

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-2007-0002

STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of James T. Selecky

James T. Selecky, being first duly sworn, on his oath states:

1. My name is James T. Selecky. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2007-0002.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things it purports to show.

James T. Selecky

Subscribed and sworn to before this 14th day of December 2006.

CAROL SCHULZ
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Feb. 26, 2008

Notary Public

My Commission Expires February 26, 2008.

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-2007-0002

Direct Testimony of James T. Selecky

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James T. Selecky. My business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a managing principal in the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A These are set forth in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A This testimony is presented on behalf of the Missouri Industrial Energy Consumers (MIEC). Member companies purchase substantial quantities of electricity from AmerenUE, principally under the Large Primary Service (LPS) Rate Schedule, Rate 11.

Q HAVE YOU PRESENTED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

A Yes. I have been involved in proceedings before this Commission.

Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A My testimony will address AmerenUE's proposed book depreciation rates. I will address the service lives of the steam production plants, the estimated terminal net salvage for the production plants, the depreciable life for Callaway Nuclear Power Plant, and the net salvage associated with the transmission, distribution and general plant accounts. These lives and net salvage parameters are used to develop AmerenUE's proposed depreciation rates and expense. The fact that a depreciation issue is not addressed should not be construed as an endorsement of AmerenUE's position.

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A My conclusions and recommendations are summarized as follows:

1. AmerenUE's proposed book depreciation expense is excessive because the proposed depreciation rates understate certain steam production lives and overstate the net salvage component of the depreciation rates.

2. AmerenUE's steam production depreciation rates should be calculated utilizing a minimum 55-year life span. AmerenUE's proposal to utilize 49-year and 50-year life spans for its Rush Island units should be rejected.

3. AmerenUE has overstated the terminal net salvage cost associated with its production plants. The proposed net salvage ratios are inconsistent with Commission practice.

4. AmerenUE's terminal net salvage utilized to develop its proposed depreciation rates should reflect the potential value of the sites. Ignoring the potential value of the sites results in today's ratepayers passing on to future ratepayers significant benefits without receiving any compensation, distorting price signals, and violating cost causation principles.

5. My changes to AmerenUE's proposed non-nuclear production depreciation parameters reduce AmerenUE's proposed depreciation expense by $29.486 million on a total Company basis.

6. The life span utilized to calculate the Callaway Nuclear Power Plant should be increased by 20 years to reflect life extension.

7. Extending the Callaway life span by 20 years would reduce the depreciation expense by $52.162 million on a total Company basis, and also would reduce the annual decommissioning fund contribution.

8. AmerenUE's transmission, distribution and general (TDG) plant net salvage components of its proposed depreciation rates reflect estimates of future inflation, which unnecessarily raises rates for today's ratepayers and produces intergenerational inequities. These inequities result from shifting cost burdens to today's ratepayers from future ratepayers. Thus, the impact of future inflation should be excluded from the development of book depreciation rates.

9. AmerenUE's proposed TDG plant net salvage component of its depreciation expense produces an annual net salvage expense of $43.474 million based on December 30, 2005 plant balances. This amount is significantly higher than AmerenUE's average annual net salvage expenses over the last five and ten years, which were $4.951 million and $5.871 million, respectively.

10. The actual net salvage cost incurred that is associated with ongoing TDG plant retirements should be utilized to develop the appropriate net salvage ratios to calculate the TDG book depreciation rates. Using actual net salvage experience reduces AmerenUE's proposed test year TDG depreciation expense by $37.819 million on a total Company basis.

11. My proposed changes in AmerenUE's depreciation rates reduce its production depreciation expense by $80.520 million and its TDG depreciation expense by $37.765 million for a total reduction of $118.285 million. These amounts are AmerenUE retail and are based on June 30, 2006 plant balances.

Book Depreciation

Q PLEASE EXPLAIN THE PURPOSE OF BOOK DEPRECIATION ACCOUNTING.

A Book depreciation is a recognition in a utility's income statement for the consumption or use of assets used to provide utility service. Book depreciation is recorded as an expense and is included in the ratemaking formula or overall utility's revenue requirement.

Book depreciation provides for the recovery of the original cost of the utility's assets that are providing service. Book depreciation expense is not intended to provide for replacement of the current assets, but provides for capital recovery or return of current investment. Generally, this capital recovery occurs over the average service life of the investment or assets. As a result, it is critical that appropriate average service lives be used to develop the depreciation rates so no generation of ratepayers is disadvantaged.

In addition to capital recovery, depreciation rates also contain a provision for net salvage. Net salvage is simply the scrap or reused value less the removal cost of the asset being depreciated. A utility will recover the net salvage over the useful life of the asset.

Q ARE THERE ANY DEFINITIONS OF DEPRECIATION ACCOUNTING THAT ARE UTILIZED FOR RATEMAKING PURPOSES?

A Yes. One of the most quoted definitions of depreciation accounting is the one included in the Code of Federal Regulations.

> "Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption of prospective retirement of electric plant in the course of service from causes which are known to be current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities." (18 CFR, Chapter 1, page 274)

Q BEFORE YOU BEGIN YOUR DISCUSSION ON AMERENUE'S PROPOSED DEPRECIATION RATES, PLEASE DEFINE NET SALVAGE.

A Net salvage is simply the value received from the sale or reuse of retired property (salvage value), less the cost of retiring such property (cost of removal). Net salvage can be either positive or negative. If the salvage value exceeds the cost of removal, the net salvage is positive. If the cost of removal is greater than the salvage value received as a result of retirement, the resulting net salvage is negative. For AmerenUE, negative net salvage is a significant component of its TDG depreciation rates.

Q WHAT METHOD, PROCEDURE AND TECHNIQUE WAS USED TO CALCULATE THE PROPOSED DEPRECIATION RATES FOR AMERENUE?

A The proposed depreciation rates were calculated using the straight line method, average life group procedure and whole life technique. The depreciation rates are essentially calculated using the following formula:

$$\text{Depreciation Rate} = \frac{1 - \text{Net Salvage}}{\text{Average Life}}$$

Under this method of developing depreciation rates, the plant in service, adjusted for net salvage, is recovered over the average life of the asset or group of assets. It should be noted that for the production plant accounts, the average life is the average remaining life. In addition to the depreciation rate change, AmerenUE is also proposing to amortize the difference between the actual depreciation reserve and the hypothetical reserve that results from their proposed depreciation parameters. Therefore, at the end of the useful life, the asset is fully depreciated.

AmerenUE Proposal

Q WHAT IS AMERENUE REQUESTING IN THIS PROCEEDING REGARDING ITS DEPRECIATION RATES?

A AmerenUE is proposing to increase its book depreciation rates and ratemaking depreciation expense. On a total Company basis, AmerenUE is proposing to increase its production depreciation expense by $41.842 million and reduce the electric transmission, distribution and general depreciation expense by $0.531 million. This includes the amortization of the claimed depreciation reserve deficiency and is based on June 30, 2006 plant balances.

Q PLEASE SUMMARIZE THE PROPOSED CHANGES THAT YOU WILL BE MAKING TO AMERENUE'S PROPOSED PRODUCTION DEPRECIATION RATES.

A First, I take exception with the life span that AmerenUE has utilized for the Rush Island steam production units. I propose the Commission adopt a 55-year life span for those units. AmerenUE uses at least a 54-year life span for its other steam production units.

In addition, I recommend the Commission exclude the terminal net salvage component from AmerenUE's production depreciation rates. As I will point out later, AmerenUE has not given any recognition to the value that the steam production sites provide for future ratepayers and its proposal is not consistent with Commission practices regarding the treatment of production terminal salvage costs.

Finally, the life span of the Callaway Nuclear Power Plant (Callaway) should be lengthened by 20 years to reflect the increased life associated with extending the nuclear license.

Q WHAT CHANGES DO YOU RECOMMEND TO AMERENUE'S PROPOSED DEPRECIATION RATES FOR TDG DEPRECIATION RATES?

A AmerenUE has overstated the net salvage component of its depreciation rates for its TDG plant accounts. The net salvage component of the depreciation rates should be more reflective of current net salvage costs that AmerenUE incurs on an annual basis, and not a cost that AmerenUE may incur some time in the future. The estimates of future inflation should be removed from AmerenUE's proposed depreciation rates.

Steam Production

Q HOW DID AMERENUE DEVELOP ITS DEPRECIATION RATES FOR ITS STEAM PRODUCTION UNITS?

A AmerenUE developed depreciation rates and expenses for each plant account of its steam production plants.

The following factors were used to calculate the depreciation rates for the steam production plants:

1. Lives based on estimated retirement dates.
2. Interim retirement activity.
3. Terminal net salvage ratio.

Each of these factors is needed to calculate the proposed depreciation rates for the steam production plants' accounts. The proposed depreciation rates and depreciation parameters are shown on Schedule JTS-1. These rates do not reflect any impact of depreciation reserve variance. This will be discussed later in my testimony.

Q WHAT LIVES DID AMERENUE USE TO ESTABLISH THEIR DEPRECIATION RATES FOR THE THEIR STEAM PRODUCTION PLANTS?

A For the steam production plants, AmerenUE is proposing life spans that vary from 73 years to 49 years. A summary of the life spans is shown on Schedule JTS-2. As Schedule JTS-2 shows, the Company has assumed a retirement year of 2026 for all of its steam production units.

Q HOW DID AMERENUE DETERMINE ITS STEAM PRODUCTION PLANT LIFE SPANS?

A As indicated in the direct testimony of William M. Stout, the Steam Production Power Plant retirement dates that are utilized to calculate the book depreciation rates are based on judgment and management's outlook. It should be noted that the final retirement does not represent a date certain for retirement of the plant.

Mr. Stout addresses this as follows in his prefiled direct testimony:

"Q. How is the final retirement date estimates?

A. The retirement date is estimated based on informed judgment incorporating the outlook of management and a consideration of both life spans of retired stations and units and estimates of others for units currently in service.

Q. Does the final retirement date represent a date certain for the retirement of the plant?

A. No it does not. The final retirement date represents the midpoint of a range of dates during which the retirement of the plant is expected to occur. Until the plant is within about five years of retirement it is not possible to forecast the exact year of retirement. However it is possible to identify a relatively low range of dates during which the facility will be retired. (Direct Testimony of William M. Stout, page 13)

It is clear that there are no specific studies supporting the selection of the life span for each of the steam production units. In fact, this becomes obvious when one

realizes that AmerenUE has proposed the same retirement date for depreciation purposes for all of its steam production units. That is, based on this information, AmerenUE will retire approximately 5,500 MW of generation in 2026. It should also be noted that two years prior to that, AmerenUE could also retire Callaway based on the proposed retirement date for that unit.

Q DO YOU TAKE EXCEPTION TO ANY OF THE LIVES THAT AMERENUE UTILIZED TO DEVELOP ITS STEAM PRODUCTION DEPRECIATION RATES?

A Yes. I take exception with the proposed life spans for the Rush Island units. AmerenUE is proposing 49-year and 50-year lives for the two Rush Island units. The lives of these two units are short when compared to the lives of the other steam production units. Given that some units are projected to have life spans in excess of 60 years, a life span of 50 years is inappropriate. As Schedule JTS-2 shows, the average life span for all of the other units is in excess of 54 years.

Q WHAT IS YOUR RECOMMENDATION REGARDING THE LIFE SPAN THAT SHOULD BE UTILIZED FOR PURPOSES OF DEPRECIATING THE STEAM PRODUCTION PLANTS?

A I am recommending that the Commission utilize a 55-year life span for Rush Island units 1 and 2. This will result in an increase in the life span of 5 years for Rush Island unit 1, and 6 years for Rush Island unit 2.

Q IN DEVELOPING ITS PRODUCTION STEAM DEPRECIATION RATES, HAS AMERENUE REFLECTED INTERIM RETIREMENTS?

A Yes. In developing its production depreciation rates, AmerenUE has reflected Iowa

curves that are used to reflect interim retirements. I have also reflected interim retirement activity in developing my proposed steam production depreciation rates for the Rush Island units. To convert the increase in life spans to remaining life spans, I utilized a ratio developed from AmerenUE's remaining life span and average remaining life for the Rush Island plant. The proposed remaining life spans for Rush Island are shown on Schedule JTS-3.

Q WHAT IS AMERENUE PROPOSING REGARDING THE TREATMENT OF NET SALVAGE ASSOCIATED WITH ITS PRODUCTION PLANT INVESTMENT?

A AmerenUE's proposed production depreciation rates include a provision for interim retirement net salvage and a terminal net salvage. Schedule JTS-1 shows AmerenUE's proposed net salvage ratios for the production plants.

It should be noted that AmerenUE was unable to supply the net salvage percentage that is related to interim retirements and terminal net salvage separately. In Data Request MIEC 10-51, the net salvage percentages that relate to interim retirements and dismantling costs were requested. In response to that request, AmerenUE stated the following:

> "The requested information is not available. Interim retirements and its associated net salvage, mainly removal costs, have occurred and have been recorded by AmerenUE for all types of electricity generating units (Steam, Nuclear, Hydro and Other Production). The company expects that interim and final net salvage will occur for all of its electricity generating units to varying degrees. However, AmerenUE expects that final or terminal net salvage will be more significant than interim net salvage.
>
> "A site specific decommissioning study was conducted for all AmerenUE's steam production plants by TLG Services, Inc. The net salvage estimate for steam production is based primarily on the final net salvage amount presented in the TLG Services, Inc. report. While AmerenUE has incurred removal costs related to interim retirements at their steam plants and this is expected to continue until the plant is

ultimately retired, the company expects the terminal net salvage to be much more substantial of the two types of net salvage experienced.

"A site specific decommissioning cost study was not undertaken for Hydraulic and Other Production plants. Instead engineering judgment using industry experience was used to determine the net salvage estimate for Hydro and Other Production Plant. Most of the net salvage incurred for these electricity generating units are expected to occur in connection with the final retirement of the power plant."

Q DO YOU CONCUR THAT THE TERMINAL NET SALVAGE IS MORE SIGNIFICANT THAN THE INTERIM NET SALVAGE?

A Yes. Schedule JTS-4 shows the actual annual net salvage percentage for steam, hydraulic and other production. This data was developed from an average of the annual net salvage costs incurred over the last 10 years as compared to the plant balance as of December 31, 2005. This net salvage relates to interim retirement activity.

As Schedule JTS-4 shows, the net salvage percentages associated with interim retirements are negligible as compared to the net salvage percentages shown on Schedule JTS-1. This clearly shows that nearly 100% of the requested net salvage is associated with terminal net salvage.

Q IN DEVELOPING ITS STEAM PRODUCTION DEPRECIATION RATES, DID AMERENUE REFLECT TERMINAL NET SALVAGE ESTIMATES IN 2026 DOLLARS?

A Yes. AmerenUE included in the development of its depreciation rates an expense for the terminal net salvage. This net salvage is stated in 2026 dollars. These net salvage percentages are developed from dismantling costs stated in 2005 dollars. The dismantling costs were then escalated to 2026. The 2026 cost is divided by the

December 31, 2005 plant balances to determine a net salvage percentage. In this instance, AmerenUE is requesting that current ratepayers pay for future inflation.

Q DID AMERENUE PERFORM ANY SITE SPECIFIC STUDIES TO ESTIMATE DISMANTLING COSTS FOR ITS FACILITIES?

A Yes. AmerenUE retained TLG Services, Inc. to perform dismantling studies for the Labadie, Rush Island, Sioux, Meramec and Venice Power Stations.

Q ARE YOU PROPOSING ANY ADJUSTMENTS TO AMERENUE'S PROPOSED NET SALVAGE ESTIMATES FOR STEAM PRODUCTION?

A Yes. I am proposing that the Commission eliminate AmerenUE's terminal net salvage estimates for the steam production units.

Q WHAT IS THE BASIS FOR YOUR PROPOSED RECOMMENDATIONS TO EXCLUDE TERMINAL NET SALVAGE FOR THE STEAM PRODUCTION DEPRECIATION RATES?

A The Commission has generally not allowed an accrual for terminal net salvage of production plant accounts. Therefore, including terminal net salvage is inconsistent with past Commission orders.

Also, an existing steam production site should be valuable because the site has access to the transmission system. As a result, an existing steam production site should be valuable to AmerenUE and/or any independent power producers for the next generation of power plants. Because these sites currently have access to AmerenUE's transmission system, this should provide a positive benefit to these sites when gross salvage is considered. Also, the cost associated with siting and

permitting a major steam production power plant as compared to an alternative site should enhance the value of the current sites.

Finally, these sites also have access to roads, railroads and water that make the sites valuable for future generating plant. Current ratepayers should benefit from the value that these sites that will be provided to the next generation of ratepayers. Therefore, I recommend that the Commission eliminate the terminal net salvage component from the steam production depreciation rates. This is essentially reducing the cost of removal by an amount equal to the gross salvage.

Q WHAT IS THE COMMISSION'S POSITION REGARDING THE TREATMENT OF NET SALVAGE FOR STEAM PRODUCTION PLANTS?

A In an Empire Electric order, Case No. ER-2004-570, the Commission provided the following regarding the treatment of net salvage as it relates to production plant accounts.

> "Second, with respect to Terminal Net Salvage of Production Plant Accounts, this Commission generally has not allowed the accrual of this item. The reason is that generating plants are rarely retired and any allowance for this item would necessarily be purely speculative. It is true that all depreciation is founded upon estimates, but all estimates are not unduly speculative. Just as utility companies plan rate cases around the projected in-service dates of new plants, so Empire can plan around the retirement of its generating plants so that the Net Salvage expense is incurred in a Test Year. Another alternative is a device of the Accounting Authority Order. As already discussed in connection with Production Account Service Life issue, there is no evidence that the retirement of any of Empire's plants is imminent and the estimated retirement dates considered in this proceeding are not persuasive. For these reasons, the Commission will not allow the accrual of any amount for Terminal Net Salvage of Production Plants." (Order, Page 53)

Q DO THE CONDITIONS THAT APPLY IN THE COMMISSION'S RULING IN THE EMPIRE CASE ALSO APPLY HERE?

A Yes. The review of the proposed retirement dates indicates that the retirement dates are speculative and arbitrary. It is highly unlikely that AmerenUE would retire 5,500 MW of generation in a single year.

Q HAS THERE BEEN ANY OTHER RULING REGARDING THE TREATMENT OF DECOMMISSIONING COSTS FOR STEAM PRODUCTION PLANTS?

A Yes. In a recent electric rate case in Kansas, Westar proposed decommissioning costs that included an inflation factor. Although the Kansas Corporation Commission adopted Westar's proposal, the Kansas Court of Appeals disagreed. The Appeals Court stated that the inclusion of decommissioning costs in circumstances where no actual plans exist to decommission the plants was not acceptable. The Court of Appeals stated the following on that issue:

> "We are not rejecting the inclusion of terminal net salvage depreciation if and when it is supported by evidence before the Commission. We note the Commission has permitted the use of terminal net salvage depreciation in a prior rate case without any objection by the parties, which included KIC. We also note that regulatory commissions in other states have permitted terminal net salvage depreciation. However, in order to uphold an order permitting terminal net salvage depreciation, we conclude there must be *some evidence* that the utility has a reasonable and detailed plan to actually dismantle a generating facility upon retirement. Westar presented no evidence of even tentative plans in this case, even after the Commission's staff and the intervenors vociferously objected to the lack of any plans. Instead, Spanos' testimony was based upon case studies from other areas and was completely speculative as to the realities of Westar's operations. Even the specific survey referred to by Majoros indicated that only 15 out of 86 facilities in other states were dismantled upon retirement. However, based on the Commission's order, Westar would be entitled

to include terminal net salvage depreciation in 100% of its steam generation facilities.[1]

> Determining an appropriate depreciation expense is a complex issue in any rate case and inherently involves "speculation" to the degree it requires projection of future events. See *Western Resources, Inc.*, 30 Kan. App. 2d at 368-73. However, the need to project future events is not license for the Commission to engage in unchecked speculation. The effect of the Commission's order turns on its head the general principle that changes in rates due to future or non test year events be, at least to some degree, known and measurable. See *Kansas Industrial Consumers*, 30 Kan. App. 2d at 343. The underlying assumption of the Commission's decision is that Westar will likely significantly dismantle all or most of its steam generation facilities at the end of their operating life. The Commission then multiplies the effect of this assumption by applying an inflation factor. There is no evidence in the record that comparable utilities dismantle or plan to dismantle most or all of their steam facilities. Likewise, the Commission relied on no evidence that Westar had even *tentative* plans to significantly dismantle any of its facilities. The cumulative effect of this lack of evidence renders the Commission's order '"'so wide of the mark as to be outside the realm of fair debate. [Citations omitted.]'"' *Williams Natural Gas Co. v. Kansas Corporation Comm'n,* 22 Kan. App. 2d 326, 335, 916 P.2d 52, *rev. denied* 260 Kan. 1002 (1996). Based upon a review of the entire record, we conclude the Commission's order permitting Westar to include terminal net salvage depreciation adjusted for inflation for all of its steam generation facilities was not supported by substantial competent evidence and must be reversed.[2]

Much like the Kansas case, AmerenUE has not demonstrated that it has any type of firm plans to permanently retire or dismantle any of its steam production units.

Q DO YOU HAVE ANY OTHER SUPPORT FOR EXCLUDING THE TERMINAL NET SALVAGE FROM THE PRODUCTION DEPRECIATION RATES?

A Yes. The existing infrastructure, which includes the access to the transmission system, provide significant value to these sites. This is not adequately reflected in the development of the terminal net salvage values presented in the Company's

[1] Kansas Industrial Consumers Group, Inc. v. Kansas Corporation Commission, 138 P.3d 338, 356 (Kan. App. Ct. 2006).

[2] Id., at *357.*

studies.

The existing steam production power plant sites currently have access to the transmission lines that are in place. As a result, I contend that the benefit that the existing steam production sites provide should be reflected in the development of the terminal net salvage that is included in the depreciation rates for the production assets.

Q ARE THERE ANY ADVANTAGES OF UTILIZING THE EXISTING SITE FOR THE NEW STEAM PRODUCTION UNITS OVER A NEW SITE?

A Yes. The development costs associated with using a green field site are significant. However, if a brown field site, or existing site, is utilized, ratepayers will see reductions in the cost of future plants by utilizing existing sites. This benefit should be passed on to current customers who are paying for these plants and should not be passed on blindly to future ratepayers.

Q HAS THERE BEEN ANY INDICATION THAT EXISTING SITES PROVIDE BENEFITS?

A Yes. In a 2003 Least-Cost Resource Plan, Public Service of Colorado (PSCo) provides a Coal Plant Options Analysis. In that analysis, PSCO stated the following:

> "Both a green-field and brown-field site were considered when deciding on the Colorado Coal Project site. The green-field site consists of land that has never been subject to modern construction. There is no existing infrastructure to support the project, (ie: access roads, rail (for equipment transportation during construction, and for coal deliveries), water supply, emissions permitting, electric transmission access, etc.) so the site would need to be developed. These development costs will significantly impact the project schedule and cost. A brown-field site is a site that has already been developed so this infrastructure is available for the expansion of the facility.
>
> For the subject project, the brown-field sites at either

> Comanche or Pawnee, has substantial existing infrastructure that will reduce the construction and capital costs significantly. A natural gas pipelines, raw water supplies, transmission interconnects, roads, and rail lines already exist or are near the site, which would be new construction at a green-field site. At a brown-field site, the personnel, equipment, warehouses, vehicles and infrastructure may be shared between the existing units and the new unit, reducing construction, capital and operating cost of the units involved." (Volume 1, pages 1-112 and 113)

As the quote above indicates, the development costs associated with using a green field site are significant. It is my contention that current ratepayers should receive the benefit that the existing or brown field sites will provide to future ratepayers.

Q HAS ANY COMMISSION PROVIDED ANY QUANTIFICATION THAT THE EXISTING STEAM SITES ARE BENEFICIAL?

A Yes. In a Colorado proceeding, in Decision No. C05-0049 in Docket Nos. 04A-214E, 04A-215E, and 04A-216E, the Colorado Public Utilities Commission stated the following:

> "We find that Public Service has adequately demonstrated that Comanche 3 will provide savings compared to other base load generation options. Because Comanche 3 is a 'brownfield' expansion of an existing coal plant, the common use of existing coal handling, rail, and general site facilities provide many cost savings when compared to greenfield options. In addition to these cost savings, there are potential savings in operation and maintenance cost from the combined Comanche operations. Another advantage of Comanche 3 is for the potential for it to be operational one to two years before a greenfield coal plant. This earlier in service date for Comanche 3 is projected to save ratepayers hundreds of millions of dollars." (Decision No. C5-0049, paragraph 64, page 26)

This Colorado Commission Decision clearly indicates that customers would save hundreds of millions of dollars through the use of an existing site. This benefit should not be passed on blindly to future ratepayers.

Q WHY IS IT IMPORTANT THAT CURRENT RATEPAYERS RECEIVE THE BENEFIT THAT THESE FUTURE SITES WILL PROVIDE?

A Current ratepayers have had included in their rates the cost associated with supporting and maintaining the existing steam production sites. If these sites will benefit future ratepayers by saving them millions of dollars in future costs, any cost associated with making these sites usable for the next generation of ratepayers should be borne by those ratepayers. That is, current ratepayers should not have included in their rates steam production dismantling cost that will make these sites usable in the future. Since these sites will provide significant benefits, these benefits should be treated as gross salvage. If these sites were sold for hundreds of millions of dollars above book cost, these benefits would be passed on to ratepayers.

By ignoring this benefit, intergenerational inequities are created by virtue of requiring today's ratepayers to incur costs for the benefit of future ratepayers. Ignoring the cost benefit that these sties provide for future ratepayers distorts price signals and violates cost causation principles.

Q ARE YOU ALSO PROPOSING TO ELIMINATE THE TERMINAL NET SALVAGE ASSOCIATED WITH THE HYDRAULIC PRODUCTION PLANTS?

A Yes. The reasons for eliminating the terminal net salvage for the hydraulic production plants are similar to those stated for the steam production plants. As noted earlier, the net salvage or decommissioning estimates for the hydraulic production plants are based on engineering judgments. That is, there were no specific demolition studies performed for the hydraulic units. Also, there are no specific retirement dates for these units.

In response to Data Request MIEC 10-48, AmerenUE stated the following about the development of the probable retirement dates for the hydraulic production plants.

> "The estimated retirement dates for the hydraulic production plants were provided to Gannett Fleming by Gary Weiss, Manager – Regulatory Accounting at AmerenUE during a telephone discussion with Gannett Fleming after his consultation with company management including company generation engineers. Gannett Fleming assessed the estimated retirement dates provided by AmerenUE by comparing the projected life spans of the AmerenUE hydro plants with industry life spans used for similar plants.
>
> "The estimated retirement date for the hydraulic production units is June 30, 2036. The units at Keokuk, Osage and Taum Sauk have been in operation since 1913, 1931 and 1963, respectively. The Osage plant license expires in 2006 and AmerenUE is applying for a new license which is expected to be valid through 2036. The Keokuk plant was authorized by an Act of Congress before FERC licensing was required. The Taum Sauk license expires in 2010. In December 2005, the upper reservoir at Taum Sauk failed catastrophically and the plant is currently out of service pending further investigations related to the accident. A 30 year period seems reasonable to use to recover the remaining undepreciated investment as of December 31, 2005 at Keokuk and Taum Sauk given their age." (AmerenUE response to Data Request MIEC 10-48)

Therefore, excluding net salvage from the depreciation rates is consistent with Commission policies.

Q WHAT IS YOUR POSITION REGARDING THE TERMINAL NET SALVAGE FOR THE OTHER PRODUCTION UNITS?

A The terminal salvage for the other production units should also be zero for the reasons stated above.

Q HAVE YOU DEVELOPED PRODUCTION DEPRECIATION RATES REFLECTING THE 55-YEAR SERVICE LIFE FOR RUSH ISLAND 1 AND 2 AND THE ELIMINATION OF THE TERMINAL NET SALVAGE REQUIREMENT?

A Yes. Schedule JTS-5 shows my proposed depreciation expense on a total Company basis for the production plants. Schedule JTS-5 shows the parameters that I have utilized to develop the depreciation rates with one exception. Finally, for the net salvage, I have utilized a negative 0.5% to reflect the net salvage associated with interim retirement activity for steam and hydraulic production and zero percent for other production.

Q WHAT IS THE IMPACT OF YOUR PROPOSED CHANGES ON THE STEAM PRODUCTION DEPRECIATION RATES?

A My proposed changes to the production depreciation rates reduce the steam production depreciation expense as proposed by AmerenUE by $26.546 million, on a total Company basis using plant balances at June 30, 2006. This also excludes a provision for the reserve variance. This is summarized on Schedule JTS-6.

Callaway Depreciation Rates

Q IS AMERENUE PROPOSING TO REVISE THE DEPRECIATION RATES FOR CALLAWAY?

A Yes. Essentially, AmerenUE has updated the depreciation rate to reflect the current plant balances. In addition, retirement dispersion curves were developed to shorten the remaining life to reflect the fact that not all of the investment will live until its retirement date.

Q WHAT RETIREMENT DATE IS USED FOR THE CALLAWAY NUCLEAR POWER PLANT IN THE DEPRECIATION STUDY?

A The retirement date for Callaway is October 24, 2024. The basis for this date is the current expiration date of the nuclear license to operate the plant. The license was initially issued in 1984. The depreciation rates are designed so that when the current operating license expires, the plant balances as of December 31, 2005 will be fully depreciated.

Q ARE YOU PROPOSING ANY CHANGES TO THE PROPOSED DEPRECIATION RATES FOR CALLAWAY?

A Yes. I am recommending that the depreciation rates be calculated assuming that Callaway receives a 20-year extension in its nuclear license. This will extend the retirement date to 2044.

Q HAVE OTHER NUCLEAR REACTORS RECEIVED EXTENSIONS IN THEIR OPERATING LICENSES?

A Yes. Extending nuclear licenses and life spans is common. In fact, a number of utilities that own nuclear units have requested and been granted an extension in the termination date of operating licenses from the Nuclear Regulatory Commission (NRC). In these instances, the NRC extended the license expiration date by 20 years. As a result, total service lives for many nuclear units have been extended from 40 years to 60 years.

Q YOU INDICATED THAT A NUMBER OF OPERATING LICENSES FOR NUCLEAR REACTORS HAVE BEEN EXTENDED. WHAT IS YOUR SUPPORT FOR THAT CLAIM?

A The Nuclear Energy Institute's August 2006 report titled, "Status and Outlook of Nuclear Energy in the United States" states the following on life extensions:

> "Virtually all U.S. nuclear plants are expected to renew their 40-year operating licenses for an additional 20 years. Since 2000, the Nuclear Regulatory Commission (NRC) has approved renewal of operating licenses for 44 nuclear units. To date, the owners of approximately three-quarters of the nuclear fleet have decided to pursue license renewal and more are expected to follow."

That same report goes on to state:

> "... to date, the owners of 78 nuclear units have decided to pursue license renewal, and more are expected to follow suit."

Therefore, based on industry trends, the useful life span of Callaway should also be extended by 20 years.

Q ARE ANY UTILITIES BASING THEIR DEPRECIATION RATES AND EXPENSE FOR THEIR NUCLEAR UNITS ON LIFE EXTENSION EVEN THOUGH THEY HAVE NOT BEEN FORMALLY GRANTED THAT EXTENSION BY THE NRC?

A Yes. Entergy Corporation is currently depreciating its nuclear units River Bend 1 and Waterford 3 for ratemaking purposes assuming that the operating license and useful life of those units will be extended. Entergy had not applied for nuclear license extension for either unit when the depreciation rates were approved. River Bend 1 provides service to Entergy Gulf States customers and Waterford 3 provides service to Entergy Louisiana customers. It should be noted that in each of these instances, this life extension was finally brought about by a settlement. However, parties in

those rate proceedings before the Louisiana Public Service Commission made proposals to extend the life by 20 years prior to the settlements.

Also, it is my understanding that Georgia Power reflects life extension for its Vogtle nuclear units in its approved depreciation rates, even though it has not received a life extension from the NRC.

Q WHY DO YOU THINK IT IS APPROPRIATE TO REFLECT LIFE EXTENSION AT THIS TIME IN THE DEPRECIATION RATES FOR CALLAWAY?

A Using a depreciation rate that reflects life extension eliminates inter-generational inequities that would be created by continuing to depreciate this plant with a life that is less than its useful life. That is, under AmerenUE's proposal, today's ratepayers will have included in their rates depreciation expense for Callaway that is based on a 40-year life span, but in reality the life span of that unit will be 60 years. As a result, if life extension is not reflected in the Callaway depreciation rates, current ratepayers will be providing a substantial benefit to future ratepayers by having Callaway depreciated over a life that is shorter than its useful life.

If AmerenUE continues to depreciate the Callaway unit utilizing a 40-year life span for, let us say, the next 10 years, and then receives a life extension, AmerenUE will have essentially depreciated a portion of the Callaway plant over a life that is significantly shorter than the actual useful life of the unit.

Q HAS AMERENUE GIVEN ANY INDICATION WHEN IT MAY APPLY FOR ITS LIFE EXTENSION?

A Yes. AmerenUE has indicated in response to MIEC Data Request 10-46 that in its view, the application for license and life extension would normally start 10 years

before the expiration date of the current license. AmerenUE seems to be indicating that this is the normal procedure. However, this is not the case.

Q IS IT REASONABLE TO ASSUME THAT EXTENDING THE LICENSE AND LIFE SPAN FOR CALLAWAY IS APPROPRIATE AT THIS TIME?

A Yes. The owners of the Wolf Creek Generation Station have made a filing with the NRC to extend the license for this nuclear unit. This unit was placed in service in 1985 and its current license is expected to expire in 2025. It should be noted that some of the design for the Wolf Creek plant is the same design that was used for Callaway. (AG/UTI-185) There are also several other nuclear units that were placed in service in the 1980s, like Callaway, that have applied for and have been granted a nuclear license and life extension.

Q HAS AMERENUE GIVEN ANY INDICATION OF ANY ISSUES THAT WOULD PRECLUDE IT FROM SEEKING AN ADDITIONAL 20 YEARS ON ITS OPERATING LICENSE?

A No. AmerenUE has indicated that although the re-licensing process has not started, they are not aware of any safety issues and/or environmental issues that would preclude license renewal for an additional 20 years. (Data Response AG/UTI-186) In addition, AmerenUE has indicated in Data Response AG/UTI-189 that the most recent surveillance results show "shelf life energies" for the reactor vessel that equate to a vessel life greater than 80 years. Therefore, the reactor vessel's expected life span would support life extension.

Q WHAT IS YOUR RECOMMENDATION FOR DEVELOPING DEPRECIATION RATES FOR THE CALLAWAY UNIT?

A My recommendation is that the Commission should reflect the life extension for Callaway in the book depreciation rates that it approves in this case. After 20 years of service for Callaway and the trend in the nuclear industry to seek and be granted a 20-year nuclear life extension, it is appropriate for the Commission to reflect an additional 20-year life span in Callaway's depreciation rates. As I previously stated, by not reflecting this life extension, AmerenUE will essentially be depreciating the Callaway unit on an accelerated basis. Current ratepayers will be picking up a disproportionate share of the depreciation expense that will be benefiting future ratepayers.

Finally, it should be remembered that accumulated depreciation is an offset to plant in service to develop rate base for ratemaking. That is, ratepayers only pay a return on the rate base or net plant. If the Commission continues to reflect an unreasonably short life for Callaway, in the depreciation rates, future ratepayers will benefit substantially by the accelerated depreciation that was placed on the backs of current ratepayers. This benefit to future ratepayers is provided through a rate base that is lower than it should be.

Q HAVE YOU DEVELOPED DEPRECIATION RATES FOR THE CALLAWAY UNIT ASSUMING THAT THE LIFE WILL BE EXTENDED 20 YEARS?

A Yes. The resulting depreciation rates are shown on Schedule JTS-7. My proposed depreciation rates reduce AmerenUE's proposed total Company depreciation expense by $52.162 million based on June 30, 2006 plant balances.

Q PLEASE BRIEFLY DESCRIBE HOW YOU DEVELOPED THE CALLAWAY DEPRECIATION RATES.

A Those depreciation rates were developed by adding 20 years to the remaining life span. The additional 20-year life span was adjusted for interim retirements to produce an additional remaining life that was less than 20 years. To adjust the additional 20 years of life span, I developed a ratio from AmerenUE's proposed average remaining life to its life span for each plant account. This ratio was then applied to the increase in the life span of 20 years to develop an additional average remaining life. The average remaining life was added to AmerenUE's proposed average remaining life to develop a total remaining life to calculate my proposed depreciation rates for Callaway plant accounts. This is shown on Schedule JTS-8.

Transmission, Distribution and General Plant

Q DO YOU HAVE ANY COMMENTS REGARDING AMERENUE'S PROPOSED TRANSMISSION, DISTRIBUTION AND GENERAL PLANT (TDG) DEPRECIATION RATES?

A Yes. AmerenUE's TDG book depreciation rates are excessive because they include a provision for net salvage that significantly exceeds AmerenUE's actual experience. AmerenUE's TDG proposed book depreciation rates and expense are excessive because they include a provision for future net salvage. Schedule JTS-9 shows AmerenUE's proposed TDG depreciation parameters, which include average service lives and net salvage ratios, depreciation rates and proposed depreciation expense using December 31, 2005 plant balances.

Q SHOULD THE COMMISSION USE AMERENUE'S PROPOSED TDG NET SALVAGE RATIOS TO DEVELOP TDG DEPRECIATION RATES?

A No. AmerenUE's proposed net salvage ratios or percents that are used to develop its proposed TDG depreciation rates are excessive. Using AmerenUE's net salvage ratios to calculate TDG depreciation rates results in overstating AmerenUE's TDG depreciation expense.

AmerenUE's proposed net salvage ratios include estimates of future inflation. AmerenUE is proposing to include in its depreciation rates a net salvage component that it will not incur in the near future. As a result, AmerenUE's proposed book depreciation rates for its TDG plant accounts are excessive and produce a net salvage component or removal cost that significantly exceeds AmerenUE's actual experience.

Q WHY DO YOU TAKE EXCEPTION TO AMERENUE'S PROPOSED NET SALVAGE RATIOS THAT IT HAS INCLUDED IN THE DEVELOPMENT OF ITS PROPOSED BOOK DEPRECIATION RATES?

A The requested annual net salvage component of depreciation expense is significantly higher than AmerenUE's actual annual net salvage expense experience. In fact, the level of annual net salvage expense to be included in AmerenUE's proposed depreciation expense is over 7 times greater than the annual level of net salvage expense that AmerenUE typically incurs, as measured over the last 10 years.

The consequence of AmerenUE's proposed treatment of net salvage is that it unnecessarily raises rates for today's ratepayers and produces intergenerational inequities. These inequities result from shifting cost burdens to today's ratepayers

from future ratepayers, distorting price signals and violating the principles of cost causation. This shift in cost burden occurs because the net salvage component of depreciation expense that AmerenUE has included in its proposed depreciation rates includes an estimate of future inflation. As a result, AmerenUE is asking ratepayers to pay the costs associated with estimates of future inflation in their proposed depreciation expense.

Q WHY DO YOU BELIEVE AMERENUE'S PROPOSED DEPRECIATION RATES PRODUCE EXCESSIVE NET SALVAGE EXPENSE FOR CURRENT RATEPAYERS?

A This is based on a comparison of the net salvage expense included in AmerenUE's proposed depreciation expense with the level of net salvage expense AmerenUE actually experiences. AmerenUE's proposed TDG depreciation expense contains an annual net salvage component of $43.474 million. However, AmerenUE's average actual annual net salvage expense over the last five years is $4.950 million and over the last 10 years the average annual net salvage expense has been $5.871 million. Therefore, the current TDG depreciation rates provide for an annual net salvage expense that is approximately 9 times larger than AmerenUE's actual average annual net salvage expense over the last five years and 7 times larger using the last 10 years of data.

Q WHAT HAS BEEN AMERENUE'S TDG HISTORICAL ACTUAL NET SALVAGE EXPENSE EXPERIENCE OVER THE LAST 10 YEARS?

A Table 1 shows AmerenUE's actual annual net salvage experience over the last 10 years.

TABLE 1

AmerenUE's TDG Net and Retirement Salvage History

Year	Net Salvage (000)	Retirements (000)
1996	$ (7,378)	$ 33,729
1997	(8,795)	29,725
1998	(3,144)	25,887
1999	(7,112)	37,115
2000	(7,535)	22,992
2001	(7,670)	28,482
2002	(9,780)	32,076
2003	(5,068)	28,097
2004	4,562	29,885
2005	(6,794)	34,216
Total	$(58,715)	$302,205
5-Year Average	$ (4,950)	$ 30,551
10-Year Average	$ (5,871)	$ 30,220

As Table 1 shows, over the last ten years AmerenUE's TDG net salvage experience has averaged a negative $4.950 million per year. Over the last five years, the actual net salvage experience has been a negative $5.871 million annually. A negative net salvage expense means that the expense incurred in connection with the removal has exceeded the scrap or gross salvage value.

Q PLEASE EXPLAIN HOW YOU DETERMINED THE NET SALVAGE EXPENSE THAT IS INCLUDED IN AMERENUE'S DEPRECIATION RATES.

A The amount of annual TDG depreciation expense associated with net salvage was provided by AmerenUE. For each plant account, AmerenUE calculated the annual depreciation expense to recover the investment, and then applied the proposed net salvage percentage to this amount to develop a net salvage component of the annual depreciation expense. This net salvage component represents the amount of net

salvage that is reflected in the depreciation rates. The result of the analysis is summarized on Schedule JTS-10. Schedule JTS-10 compares the net salvage expense included in AmerenUE's proposed depreciation rates with AmerenUE's actual annual experience over the last 5 and 10 years by plant account.

Q WHAT CAUSES THE DISPARITY BETWEEN NET SALVAGE EXPENSE INCLUDED IN DEPRECIATION RATES AND ACTUAL NET SALVAGE EXPERIENCE?

A Proposed net salvage percentages that are included in the development of depreciation rates reflect estimates of future inflation. The net salvage ratios that AmerenUE used to develop its proposed depreciation rates include estimates of future inflation associated with net salvage costs. These estimates are based on historic data.

To develop the net salvage component of the depreciation rates, AmerenUE analyzes the net salvage cost it experiences when retiring plant investment. AmerenUE develops net salvage percentages by dividing the net salvage cost associated with retiring an asset by the original cost of the asset. In this instance, the net salvage cost is expressed in current dollars, while the original cost of the asset is stated in the dollars for the year the asset was originally placed in service. Including estimates of future inflation in the net salvage component of the depreciation rates can produce intergenerational inequities.

Q PLEASE EXPLAIN HOW AMERENUE'S PROPOSED NET SALVAGE RATIOS INCLUDE AN ESTIMATE OF FUTURE INFLATION.

A In simple terms, the net salvage ratio is developed by dividing the net salvage expense by the associated retirement. This ratio is used to develop AmerenUE's proposed net salvage ratios that are included in the book depreciation rates.

In this case, AmerenUE is proposing an average service life of approximately 46 years for its TDG plant accounts. If an asset is retired in 2005, AmerenUE compares the cost to remove the asset in year 2005 dollars with the installed cost of the asset. If the asset was in service for an average service life of 46 years, the cost of the asset is stated in 1959 dollars. As a result, the net salvage ratio is developed from costs stated in dollars from different time periods. That is, the net salvage percent that is included in the TDG depreciation rates is developed from a removal cost in current dollars and a retired asset expressed in historic original cost dollars.

This net salvage ratio is used in developing the depreciation rates. Since the cost of the asset and the cost to remove the asset are stated in dollars from different time periods, the net salvage ratio provides an estimate of future inflation. As a result, AmerenUE's net salvage percentages require today's ratepayers to pay the estimated costs of future inflation based on historic trends.

Q PLEASE PROVIDE AN EXAMPLE OF THE IMPACT ON NET SALVAGE ASSOCIATED WITH INCLUDING FUTURE INFLATION IN THE DEVELOPMENT OF NET SALVAGE RATIOS.

A For Plant Account 364, AmerenUE is proposing a net salvage ratio of a negative 135% and an average service life of 43 years. AmerenUE is requesting $1,350 of net salvage expense for every $1,000 of investment. Under AmerenUE's proposal,

today's ratepayers would essentially see a 43-year amortization of the $1,350 in their depreciation rates. As a result, AmerenUE is requiring today's ratepayers to pick up a portion of the cost of inflation that it estimates will occur over the next 43 years. However, if we simply discount the $1,350 at a 3% inflation rate for 43 years, the present-day cost to remove that asset is approximately $379, not $1,350. Today's ratepayers should see an amortization of a cost closer to $379, not $1,350.

Q WHAT IS THE IMPACT ON THE VARIOUS VINTAGES OF RATEPAYERS OF INCLUDING AMERENUE'S PROPOSED NET SALVAGE RATIOS IN THE DEVELOPMENT OF THE DEPRECIATION RATES?

A With AmerenUE's proposal, future ratepayers benefit substantially because accrued depreciation is an offset to rate base. As accrued depreciation builds up, the rate base becomes smaller. Smaller rate base means that the customers' return "on" investment and associated income taxes become less over time. Because of this ratemaking consequence, future ratepayers benefit by including AmerenUE's proposed net salvage ratios in the determination of depreciation rates. This treatment causes intergenerational inequities.

Q PLEASE PROVIDE AN EXAMPLE SHOWING HOW FUTURE RATEPAYERS BENEFIT FROM AMERENUE'S PROPOSAL.

A For Account 364, AmerenUE is proposing an average service life of 43 years and a net salvage ratio of a negative 135%. As a result, every year AmerenUE would be accruing depreciation expense at a rate of 5.47% (2.35 / 43). After 19 years of service, the Account 365 investment is fully depreciated. Therefore, for the last 24 years, or 56% of the asset's life, the rate base is negative. After year 19, the

customers who are utilizing the assets are no longer paying a return "on" investment and associated income taxes.

Q SHOULD THE COMMISSION APPROVE AMERENUE'S PROPOSED USE OF NET SALVAGE RATIOS THAT REFLECTS ESTIMATES OF CURRENT INFLATION?

A No. Including estimates of future inflation in the development of net salvage ratios should be rejected for the following reasons:

1. Removal cost or net salvage for plant is often determined quite arbitrarily. That is, judgment is utilized to develop net salvage ratios.

2. As previously demonstrated, reflecting future inflation in net salvage results in net salvage allowances in depreciation rates that significantly exceed current actual net salvage cost experiences.

3. The procedure essentially projects past inflation rates into the future. This may not be a reasonable assumption.

4. Even adjusting the net salvage percentages for projections of future inflation still requires ratepayers to have included in their rates undiscounted costs of future net salvage.

Q ARE YOU AWARE OF ANY COMMISSIONS THAT EXCLUDE FUTURE INFLATION FROM THE DEVELOPMENT OF THE NET SALVAGE RATE USED TO DEVELOP DEPRECIATION RATES?

A Yes. The Pennsylvania Commission does not allow utilities to recover future costs that have not been incurred. Essentially, the Pennsylvania Commission allows utilities to recover in their rates net salvage costs, which is the average of the five most recent years of actual removal costs.

In addition, it is my understanding that the Georgia Commission puts the value of the cost of the retired asset and the net salvage expense on the same basis. Under the AmerenUE proposal, there is a significant timing difference between the

original cost of the asset and the net salvage expense incurred to remove that asset from service. Under the AmerenUE method, this difference is ignored. Essentially, the depreciation procedure that is utilized in Georgia for computing the net removal cost avoids the distortion that results from comparing dollars at very different values or times.

Q IS THERE SUPPORT IN ANY INDUSTRY TRADE PUBLICATION FOR EXCLUDING NET SALVAGE RATIOS THAT REFLECT ESTIMATES OF FUTURE INFLATION FROM THE DEVELOPMENT OF DEPRECIATION RATES?

A Yes. Pages 157- 158 of the Public Utility Depreciation Practices published in August 1996 by the National Association of Regulatory Utility Commissioners (NARUC) states:

> "Some commissions have abandoned the above procedure and moved to current-period accounting for gross salvage and/or cost of removal. In some jurisdictions gross salvage and cost of removal are accounted for as income and expense, respectively, when they are realized. Other jurisdictions consider only gross salvage in depreciation rates, with the cost of removal being expensed in the year incurred.
>
> "Determining a reasonably accurate estimate of the average or future net salvage is not an easy task; estimates can be the subject of considerable discussions and controversy between regulators and utility personnel. This is one of the reasons advanced in support of current-period accounting for these items. When estimating future net salvage, every effort should be made to ensure that the estimate is as accurate as possible. Normally, the process should start by analyzing past salvage and cost of removal data and by using the results of this analysis to project future gross salvage and cost of removal."

The 1996 NARUC Public Utility Depreciation Practices publication also provides rationale for excluding the impacts of future inflation in developing depreciation rates.

> "It is frequently the case that the net salvage for a class of property is negative, that is, cost of removal exceeds gross salvage. This circumstance has increasingly become dominant over the past 20 to

> 30 years; in some cases, negative net salvage even exceeds the original cost of plant. Today few utility plant categories experience positive net salvage; this means that most depreciation rates must be designed to recover more than the original cost of the plant. The predominance of this circumstance is another reason why some utility commissions have switched to current-period accounting for gross salvage and, particularly, cost of removal." (NARUC 1996 Public Utility Depreciation Practices, page 158)

Excluding estimates of future inflation from the net salvage ratios is consistent with methods used by other jurisdictions and is acceptable to NARUC. As will be shown later, under my proposal, net salvage will be included in the development of the depreciation rates, but the effect of future inflation will be excluded.

Q YOU PREVIOUSLY INDICATED THAT THE INFLATION PROJECTIONS INCLUDED IN THE NET SALVAGE RATIOS RELY ON HISTORICAL DATA. HOW DO HISTORIC INFLATION RATES COMPARE WITH FUTURE PROJECTIONS?

A Over the last 46 years, which is the average life of AmerenUE's T&D assets, the annual rate of inflation as measured by the CPI has been approximately 4.2%. Over this same period, the inflation rate as measured by the GNP-Price Deflator has been 3.7%.

The Annual Energy Outlook of 2006 provides projections for the CPI and GNP-Price Deflator for 2004 through 2030. These projections indicate that the CPI will be approximately 2.7% per year, and the GNP-Price Deflator will be 2.5% per year.

Finally, AmerenUE used an annual inflation rate of approximately 2% to escalate its steam production dismantling cost from 2005 to 2006.

Although these may not be perfect measures of the inflation associated with net salvage, they clearly provide a good indication or benchmark of future inflation as compared to the historic inflation built into AmerenUE's net salvage ratios.

Q IF FUTURE INFLATION IS LOWER THAN HISTORIC LEVELS OF INFLATION, HOW WOULD THAT IMPACT THE NET SALVAGE PERCENTAGES?

A If future inflation is lower than the levels of historic inflation, one would expect that to reduce the net salvage percentages. The assets that have been put into service during the pas 40 years have seen cost increases in excess of 4%, as measured by the CPI and the GNP-price deflator. If future inflation is only 2.5%, that would result in lower cost of removals than those estimated by simply utilizing historical data. This would result in reducing the cost of removal and the resulting negative net salvage percentages.

Q WHAT WOULD BE THE IMPACT ON THE NET SALVAGE RATIO IF THE ACTUAL INFLATION RATE TURNED OUT TO BE 2.6% AS OPPOSED TO 4.0%?

A Escalating costs over a 46-year period utilizing a 2.6% escalation rate as opposed to a 4.0% escalation rate would result in reducing the future cost estimate by approximately 45%. Therefore, even if the Commission allows AmerenUE to include escalation in the development of depreciation rates, it should at least acknowledge differences between historic and future escalation trends.

Q WHAT WOULD BE THE IMPACT ON AMERENUE'S PROPOSED T&D DEPRECIATION RATES IF THE COMMISSION REDUCED THE NET SALVAGE BY 45% TO REFLECT LOWER PROJECTED INFLATION RATES?

A Reducing AmerenUE's net salvage percentages by 45% reduces AmerenUE's proposed depreciation expense for its proposed TDG plant accounts from $143.98 million to $124.75 million. This represents a $19.23 million reduction in TDG

depreciation expense on a total Company basis using December 31, 2005 plant balances.

Q PLEASE SUMMARIZE YOUR RECOMMENDATION REGARDING NET SALVAGE EXPENSE.

A I propose that the net salvage expense that is included in AmerenUE's depreciation rates should be based on current levels of net salvage expense. I recommend that the five-year average of actual net salvage experience be used as a basis to develop net salvage ratios to calculate the appropriate depreciation rates.

My proposed TDG depreciation rates and expenses are shown on Schedule JTS-11. These depreciation rates utilize my net salvage recommendations and AmerenUE's proposed remaining lives. As previously indicated, the use of AmerenUE's proposed lives should not be interpreted as an endorsement.

Q PLEASE EXPLAIN HOW YOU DEVELOPED THE NET SALVAGE PERCENTAGES SHOWN ON SCHEDULE JTS-11.

A Those net salvage percentages were developed by taking AmerenUE's average annual net salvage experience over the last five years of $4.950 million, and dividing that by the net salvage expense that AmerenUE has included in its depreciation expense of $43.474 million. This produced an adjustment factor of approximately 11%. That is, the net salvage ratio should be reduced by approximately 89%. For purposes of calculating the depreciation rates, I used an adjustment factor of 15% to reflect inflation in removal costs between now and when AmerenUE files a new depreciation study. This results in a net salvage expense that is included in AmerenUE's TDG depreciation rates that is approximately $6.626 million and more

than the five-year annual average of $4.950 million. The resulting net salvage percentages and depreciation rates are shown on Schedule JTS-11.

Q WHY DID YOU UTILIZE THE FIVE-YEAR AVERAGE OF ACTUAL NET SALVAGE EXPERIENCE, AS OPPOSED TO THE TEN-YEAR AVERAGE OF ACTUAL NET SALVAGE EXPERIENCE?

A I utilized the five-year average of actual net salvage experience because typically, utilities update their depreciation studies about every five years. However, if the Commission elects to utilize a longer time frame to measure the actual annual net salvage expense, the ten-year figure could be utilized.

Q IF THE COMMISSION APPROVES AMERENUE'S PROPOSED METHOD FOR DETERMINING NET SALVAGE RATIOS, WHAT IS YOUR RECOMMENDATION?

A If, despite my recommendation to use the Company's actual net salvage experience for purposes of developing depreciation rates, the Commission allows the Company to include inflation in the development of net salvage costs, the Commission should ensure that those net salvage ratios reflect current estimates of future inflation. As I stated previously, reflecting current projections of future inflation, rather than historic projections, in the net salvage percentages would reduce AmerenUE's proposed net salvage ratios by 55%.

However, as I have testified previously, the Commission should reflect AmerenUE's actual net salvage experience for purposes of developing depreciation rates. To include excessive levels of future inflation in the development of net salvage is unfair to current ratepayers.

Q WHAT IS THE IMPACT OF YOUR PROPOSED CHANGES IN AMERENUE'S TDG DEPRECIATION RATES?

A My proposed changes in AmerenUE's depreciation rates reduce its TDG depreciation expense by $37.871 million on a total Company basis. A comparison of MIEC and AmerenUE's depreciation rates and expense is shown on Schedule JTS-12. This comparison uses plant balances at June 30, 2006 and does not reflect the reserve variance.

Other Depreciation Issues

Q EARLIER IN YOUR TESTIMONY, YOU DISCUSSED A RESERVE VARIANCE AMORTIZATION THAT AMERENUE HAS INCLUDED IN ITS DEPRECIATION RATES. PLEASE EXPLAIN THE RESERVE AMORTIZATION.

A The reserve variance amortization is an adjustment to the annual depreciation expense to align the actual accumulated book depreciation reserves with the calculated theoretical book depreciation reserve. The theoretical reserves are the reserves that would exist if the proposed depreciation lives and net salvage would have been in place over the entire life. Essentially, the reserve variance is simply the difference between the Company's book accumulated depreciation reserve and the theoretical reserve that is calculated from the proposed depreciation parameters.

Q WHAT IS THE ESTIMATED RESERVE VARIANCE THAT IS INCLUDED IN THE DEPRECIATION RATES?

A The net effect on the annual depreciation reserves associated with the reserve variance is $8.532 million per year. That is, AmerenUE has increased the depreciation rates developed from the depreciation parameters by $8.532 million to

reflect the difference between the actual book depreciation reserve and the theoretical reserve. It should be noted that almost all of the reserve variance is due to the nuclear investment.

Q DID YOU CALCULATE A DEPRECIATION RESERVE VARIANCE?

A No. I would recommend the Commission, once it establishes the appropriate depreciation parameters utilized to calculate the depreciation rates, require AmerenUE to calculate a reserve variance.

Q HOW DID YOU TREAT THE RESERVE VARIANCE IN MEASURING THE IMPACT OF YOUR PROPOSED DEPRECIATION RATES?

A As I indicated, I did not calculate a reserve variance. However, for purposes of measuring the impact of my depreciation rates, I have eliminated the reserve variance. If the Commission adopts my proposal, the reserve calculations will indicate that AmerenUE has overcollected its depreciation expense and the reserve variance will be a negative amount as opposed to a positive amount. This will have a net effect of lowering the depreciation rates and expenses.

Q SINCE YOUR CALLAWAY PROPOSAL CONTAINS A RECOGNITION OF LENGTHENING THE AVERAGE SERVICE LIFE SPAN OF CALLAWAY, WILL THAT IMPACT THE DECOMMISSIONING FUNDING?

A Yes. In previous cases that I have been involved in, when the life of a nuclear unit has been lengthened, the decommissioning funding is substantially reduced or eliminated. I have not performed a study to determine what the effect would be, but

recommend that the Commission direct AmerenUE to calculate the decommissioning expense if the Commission adopts my Callaway life span recommendations.

Q WHAT IS THE IMPACT OF YOUR PROPOSED BOOK DEPRECIATION RATES ON AMERENUE'S PROPOSED LEVEL OF DEPRECIATION EXPENSE?

A My proposed depreciation rates reduce AmerenUE's proposed level of depreciation expense by $119.467 million on a total Company basis. Schedule JTS-13 shows AmerenUE's test year depreciation expense using its currently approved depreciation rates, its proposed depreciation rates and MIEC's proposed depreciation rates. As I previously indicated, my proposed depreciation rates do not reflect any adjustment for depreciation reserve variance.

Schedule JTS-14 provides for a summary of my recommendations by function and shows the reduction in depreciation expense on a jurisdictional basis. As Schedule JTS-14 shows, my proposed depreciation rates, excluding a reserve variance adjustment, lower AmerenUE's proposed depreciation expense by $118.285 million.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Appendix A

Qualifications of James T. Selecky

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James T. Selecky. My business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and am a principal with the firm of Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I graduated from Oakland University in 1969 with a Bachelor of Science degree with a major in Engineering. In 1978, I received the degree of Master of Business Administration with a major in Finance from Wayne State University.

I was employed by The Detroit Edison Company (DECo) in April of 1969 in its Professional Development Program. My initial assignments were in the engineering and operations divisions where my responsibilities included evaluation of equipment for use on the distribution and transmission system; equipment performance testing under field and laboratory conditions; and troubleshooting and equipment testing at various power plants throughout the DECo system. I also worked on system design and planning for system expansion.

In May of 1975, I transferred to the Rate and Revenue Requirement area of DECo. From that time, and until my departure from DECo in June 1984, I held

various positions which included economic analyst, senior financial analyst, supervisor of the Rate Research Division, supervisor of the Cost-of-Service Division and director of the Revenue Requirement Department. In these positions, I was responsible for overseeing and performing economic and financial studies and book depreciation studies; developing fixed charge rates and parameters and procedures used in economic studies; providing a financial analysis consulting service to all areas of DECo; developing and designing rate structure for electrical and steam service; analyzing profitability of various classes of service and recommending changes therein; determining fuel and purchased power adjustments; and all aspects of determining revenue requirements for ratemaking purposes.

In June of 1984, I joined the firm of Drazen-Brubaker & Associates, Inc. (DBA). In April 1995 the firm of Brubaker & Associates, Inc. (BAI) was formed. It includes most of the former DBA principals and staff. At DBA and BAI I have testified in electric, gas and water proceedings involving almost all aspects of regulation. I have also performed economic analyses for clients related to energy cost issues.

In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona; Corpus Christi, Texas; and Plano, Texas.

Q HAVE YOU PREVIOUSLY APPEARED BEFORE A REGULATORY COMMISSION?

A Yes. I have testified on behalf of DECo in its steam heating and main electric cases. In these cases I have testified to rate base, income statement adjustments, changes in book depreciation rates, rate design, and interim and final revenue deficiencies.

In addition, I have testified before the regulatory commissions of the States of Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, North Carolina, Ohio,

Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming, and the Provinces of Alberta, Nova Scotia and Saskatchewan. I also have testified before the Federal Energy Regulatory Commission. In addition, I have filed testimony in proceedings before the regulatory commissions in the States of Florida, Montana, New York and Pennsylvania and the Province of British Columbia. My testimony has addressed revenue requirement issues, cost of service, rate design, financial integrity, accounting-related issues, merger-related issues, and performance standards. The revenue requirement testimony has addressed book depreciation rates, decommissioning expense, O&M expense levels, and rate base adjustments for items such as plant held for future use, working capital, and post test year adjustments. In addition, I have testified on deregulation issues such as stranded cost estimates and rate design.

Q ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

A Yes, I am a registered professional engineer in the State of Michigan.

\\Huey\Shares\PLDocs\MCL\8632\Testimony - BAI\103666.DOC

AMERENUE - ELECTRIC

AmerenUE Proposed Non-Nuclear Production Plant
Depreciation Rates and Parameters

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [1] (6)
		Steam Production Plant:						
		Meramec Steam Production Plant						
1	311	Structures & Improvements	$ 36,285,697	$ 20,347,255	20.0	(19)	$ 1,146,628	3.16%
2	312	Boiler Plant Equipment	403,333,321	135,450,335	18.8	(19)	18,270,999	4.53%
3	314	Turbogenerator Units	81,963,286	35,962,414	19.3	(19)	3,237,550	3.95%
4	315	Accessory Electrical Equipment	36,268,698	15,905,980	19.7	(19)	1,389,091	3.83%
5	316	Miscellaneous Power Plant Equipment	13,521,142	4,640,981	18.6	(19)	616,564	4.56%
6		Total Meramec Steam Production Plant	$ 571,372,144	$ 212,306,965			$ 24,660,832	
		Sioux Steam Production Plant						
7	311	Structures & Improvements	$ 25,194,894	$ 13,855,897	19.9	(21)	$ 833,951	3.31%
8	312	Boiler Plant Equipment	325,939,982	132,238,423	18.6	(21)	14,015,419	4.30%
9	314	Turbogenerator Units	89,835,326	30,210,407	19.2	(21)	4,078,524	4.54%
10	315	Accessory Electrical Equipment	34,600,610	11,690,004	19.7	(21)	1,518,967	4.39%
11	316	Miscellaneous Power Plant Equipment	7,713,733	3,056,936	18.5	(21)	338,633	4.39%
12		Total Sioux Steam Production Plant	$ 483,284,545	$ 191,251,667			$ 20,785,494	
		Labadie Steam Production Plant						
13	311	Structures & Improvements	$ 61,791,585	$ 34,228,484	19.9	(19)	$ 1,971,152	3.19%
14	312	Boiler Plant Equipment	556,070,480	281,700,952	18.4	(19)	20,741,429	3.73%
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	121,206,826	35,958,486	12.7	30	3,854,377	3.18%
16	314	Turbogenerator Units	183,529,904	73,901,093	19.1	(19)	7,579,785	4.13%
17	315	Accessory Electrical Equipment	72,780,646	37,042,355	19.6	(19)	2,525,488	3.47%
18	316	Miscellaneous Power Plant Equipment	16,724,383	6,756,697	18.5	(19)	709,114	4.24%
19		Total Labadie Steam Production Plant	$ 1,012,103,823	$ 469,588,067			$ 37,381,345	
		Rush Island Steam Production Plant						
20	311	Structures & Improvements	$ 52,312,785	$ 29,545,640	19.9	(18)	$ 1,616,465	3.09%
21	312	Boiler Plant Equipment	353,903,249	171,795,897	18.5	(18)	13,342,152	3.77%
22	314	Turbogenerator Units	136,041,231	56,053,858	19.0	(18)	5,482,462	4.03%
23	315	Accessory Electrical Equipment	32,922,076	15,450,157	19.7	(18)	1,191,779	3.62%
24	316	Miscellaneous Power Plant Equipment	10,112,325	3,736,856	18.6	(18)	441,909	4.37%
25		Total Rush Island Steam Production Plant	$ 585,291,666	$ 276,582,408			$ 22,074,767	
		Common						
26	311	Structures & Improvements	$ 1,958,206	$ 369,071	20.2	(5)	$ 83,658	4.27%
27	312	Boiler Plant Equipment	37,071,156	6,964,094	19.2	(5)	1,668,202	4.50%
28	315	Accessory Electrical Equipment	3,129,975	573,594	19.8	(5)	137,093	4.38%
29	316	Miscellaneous Power Plant Equipment	20,843	3,394	18.7	(5)	990	4.75%
30		Total Common	$ 42,181,179	$ 7,910,153			$ 1,889,943	4.48%
31		Total Steam Production Plant	$ 2,694,233,356	$ 1,157,639,260			$ 106,792,381	

AMERENUE - ELECTRIC

AmerenUE Proposed Non-Nuclear Production Plant
Depreciation Rates and Parameters

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [1] (6)
		Hydraulic Production Plant:						
		Osage Hydraulic Production Plant						
32	331	Structures & Improvements	$ 3,750,644	$ 2,073,800	29.3	(10)	$ 69,762	1.86%
33	332	Reservoirs, Dams, & Waterways	25,597,635	17,269,889	30.1	(20)	445,399	1.74%
34	333	Water Wheels, Turbines, & Generators	19,301,223	7,448,926	29.3	(10)	470,950	2.44%
35	334	Accessory Electrical Equipment	4,112,456	1,437,896	25.7	-	104,045	2.53%
36	335	Miscellaneous Power Plant Equipment	1,699,727	384,782	26.1	-	50,482	2.97%
37	336	Roads, Railroads, & Bridges*	77,445	47,805	1.0	-	968	1.25%
38		Total Osage Hydraulic Production Plant	$ 54,539,128	$ 28,663,098			$ 1,141,606	
		Keokuk Hydraulic Production Plant						
39	331	Structures & Improvements	$ 3,791,127	$ 1,811,913	29.5	(10)	$ 79,614	2.10%
40	332	Reservoirs, Dams, & Waterways	12,170,523	7,238,534	30.1	(20)	243,410	2.00%
41	333	Water Wheels, Turbines, & Generators	58,830,125	11,553,069	29.6	(10)	1,794,319	3.05%
42	334	Accessory Electrical Equipment	9,161,004	1,937,515	26.2	-	272,998	2.98%
43	335	Miscellaneous Power Plant Equipment	2,630,627	585,968	26.2	-	78,393	2.98%
44	336	Roads, Railroads, & Bridges	114,926	45,596	30.5	-	2,276	1.98%
45		Total Keokuk Hydraulic Production Plant	$ 86,698,332	$ 23,172,597			$ 2,471,009	
		Taum Sauk Hydraulic Production Plant						
46	331	Structures & Improvements	$ 5,468,208	$ 3,100,747	29.6	(10)	$ 98,428	1.80%
47	332	Reservoirs, Dams, & Waterways	27,594,082	15,519,625	30.3	(20)	579,476	2.10%
48	333	Water Wheels, Turbines, & Generators	37,277,699	13,332,408	29.3	(10)	939,398	2.52%
49	334	Accessory Electrical Equipment	4,106,261	1,326,931	26.1	-	105,942	2.58%
50	335	Miscellaneous Power Plant Equipment	1,620,780	297,631	26.4	-	50,406	3.11%
51	336	Roads, Railroads, & Bridges*	45,570	24,729	1.0	-	684	1.50%
52		Total Taum Sauk Hydraulic Production Plant	$ 76,112,599	$ 33,602,071			$ 1,774,333	
53		Total Hydraulic Production Plant	$ 217,350,059	$ 85,437,766			$ 5,386,948	
		Other Production Plant:						
54	341	Structures & Improvements	$ 15,310,060	$ 3,498,977	31.2	(5)	$ 437,868	2.86%
55	342	Fuel Holders, Producers, & Accessories	12,123,101	2,826,700	28.9	(5)	360,056	2.97%
56	344	Generators	583,555,235	87,823,660	31.8	(5)	17,273,235	2.96%
57	345	Accessory Electrical Equipment	26,830,796	7,015,500	29.3	(5)	775,410	2.89%
58	346	Miscellaneous Power Plant Equipment	5,376,474	804,756	32.7	(5)	152,154	2.83%
59		Total Other Production Plant	$ 643,195,666	$ 101,969,593			$ 18,998,723	
60		Total Steam, Hydraulic & Other	$ 3,554,779,080	$ 1,345,046,619			$ 131,178,051	

Note:
(1). Depreciation rates do not reflect the impact of reserve variance.
(2). Source: Schedule JFW-E1; pgs III-4 through III-6 and III-9 through III-12.

AMERENUE - ELECTRIC

Steam Production Life Spans

Line	Plant/Unit	Capacity MW (1)	Install. Year (2)	Retmt. Year (3)	Life Span (4)
1	Labadie Unit 1	602	1970	2026	56
2	Labadie Unit 2	602	1971	2026	55
3	Labadie Unit 3	621	1972	2026	54
4	Labadie Unit 4	621	1973	2026	53
5	Meramec Unit 1	124	1953	2026	73
6	Meramec Unit 2	126	1954	2026	72
7	Meramec Unit 3	274	1959	2026	67
8	Meramec Unit 4	357	1961	2026	65
9	Rush Island Unit 1	597	1976	2026	50
10	Rush Island Unit 2	596	1977	2026	49
11	Sioux Unit 1	502	1967	2026	59
12	Sioux Unit 2	505	1968	2026	58

Source: Data Request No. MIEC 10-45.

AMERENUE - ELECTRIC

Rush Island Proposed Life

Line	Acct. No.	Plant/Unit	UE Life Span (1)	UE Average Remaining Life (2)	Life Ratio [1] (3)	Additional Life [2] (4)	MIEC Proposed Life Span (5)
1	311	Structures & Improvements	21	19.9	0.95	5.20	25.1
2	312	Boiler Plant Equipment	21	18.5	0.88	4.80	23.3
3	314	Turborgenerator Units	21	19.0	0.90	5.00	24.0
4	315	Accessory Electrical Equipment	21	19.7	0.94	5.20	24.9
5	316	Miscellaneous Power Plant Equipment	21	18.6	0.89	4.90	23.5

Notes:
1. Column 2 / Column 1
2. 5.5 years x Column 3

AMERENUE - ELECTRIC

Historical Production Net Salvage

Line	Production Function	Plant Balance (000) (1)	5-yr Net Salvage Annual Average (000) (2)	Interim Net Salvage Percent (3)	10-yr Net Salvage Annual Average (000) (4)	Interim Net Salvage Percent (5)
1	STEAM	$ 2,694,233	$ (9,887)	-0.37%	$ (6,387)	-0.24%
2	HYDRAULIC	217,350	(635)	-0.29%	(635)	-0.29%
3	OTHER	643,196	(4)	0.00%	(14)	0.00%

AMERENUE - ELECTRIC

MIEC Proposed Non-Nuclear Production Depreciation Rates

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [7] (6)
		Steam Production Plant:						
		Meramec Steam Production Plant						
1	311	Structures & Improvements	$ 36,285,697	$ 20,347,255	20.0	-0.5%	$ 797,013	2.20%
2	312	Boiler Plant Equipment	403,333,321	135,450,335	18.8	-0.5%	14,250,168	3.53%
3	314	Turborgenerator Units	81,963,286	35,962,414	19.3	-0.5%	2,383,677	2.91%
4	315	Accessory Electrical Equipment	36,268,698	15,905,980	19.7	-0.5%	1,033,733	2.85%
5	316	Miscellaneous Power Plant Equipment	13,521,142	4,640,981	18.6	-0.5%	477,464	3.53%
6		Total Meramec Steam Production Plant	$ 571,372,144	$ 212,306,965			$ 18,942,055	
		Sioux Steam Production Plant						
7	311	Structures & Improvements	$ 25,194,894	$ 13,855,897	19.9	-0.5%	$ 569,862	2.26%
8	312	Boiler Plant Equipment	325,939,982	132,238,423	18.6	-0.5%	10,414,938	3.20%
9	314	Turborgenerator Units	89,835,326	30,210,407	19.2	-0.5%	3,105,698	3.46%
10	315	Accessory Electrical Equipment	34,600,610	11,890,004	19.7	-0.5%	1,152,910	3.33%
11	316	Miscellaneous Power Plant Equipment	7,713,733	3,056,936	18.5	-0.5%	251,740	3.26%
12		Total Sioux Steam Production Plant	$ 483,284,545	$ 191,251,667			$ 15,495,149	
		Labadie Steam Production Plant						
13	311	Structures & Improvements	$ 61,791,585	$ 34,228,484	19.9	-0.5%	$ 1,385,236	2.24%
14	312	Boiler Plant Equipment	556,070,480	281,700,952	18.4	-0.5%	14,912,698	2.68%
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	121,206,826	35,958,486	12.7	-0.5%	6,712,945	5.54%
16	314	Turborgenerator Units	183,529,904	73,901,093	19.1	-0.5%	5,740,209	3.13%
17	315	Accessory Electrical Equipment	72,780,646	37,042,355	19.6	-0.5%	1,823,568	2.51%
18	316	Miscellaneous Power Plant Equipment	16,724,383	6,756,697	18.5	-0.5%	536,839	3.22%
19		Total Labadie Steam Production Plant	$ 1,012,103,823	$ 469,588,067			$ 31,113,695	
		Rush Island Steam Production Plant						
20	311	Structures & Improvements	$ 52,312,785	$ 29,545,640	25.1	-0.5%	$ 907,162	1.73%
21	312	Boiler Plant Equipment	353,903,249	171,795,897	23.3	-0.5%	7,816,526	2.21%
22	314	Turborgenerator Units	136,041,231	56,053,858	24.0	-0.5%	3,333,091	2.45%
23	315	Accessory Electrical Equipment	32,922,076	15,450,157	24.9	-0.5%	701,750	2.13%
24	316	Miscellaneous Power Plant Equipment	10,112,325	3,736,856	23.5	-0.5%	271,318	2.68%
25		Total Rush Island Steam Production Plant	$ 585,291,866	$ 276,582,408			$ 13,029,846	
		Common						
26	311	Structures & Improvements	$ 1,959,206	$ 369,071	20.2	-0.5%	$ 78,724	4.02%
27	312	Boiler Plant Equipment	37,071,156	6,964,094	19.2	-0.5%	1,568,173	4.23%
28	315	Accessory Electrical Equipment	3,129,975	573,594	19.8	-0.5%	129,118	4.13%
29	316	Miscellaneous Power Plant Equipment	20,843	3,394	18.7	-0.5%	933	4.48%
30		Total Common	$ 42,181,179	$ 7,910,153			$ 1,776,948	
31		**Total Steam Production Plant**	$ 2,694,233,356	$ 1,157,639,260			$ 80,357,692	

AMERENUE - ELECTRIC

MIEC Proposed Non-Nuclear Production Depreciation Rates

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [1] (6)
		Hydraulic Production Plant:						
		Osage Hydraulic Production Plant						
32	331	Structures & Improvements	$ 3,750,644	$ 2,073,800	29.3	-0.5%	$ 57,237	1.53%
33	332	Reservoirs, Dams, & Waterways	25,597,635	17,269,889	30.1	-0.5%	276,712	1.08%
34	333	Water Wheels, Turbines, & Generators	19,301,223	7,448,926	29.3	-0.5%	404,548	2.10%
35	334	Accessory Electrical Equipment	4,112,456	1,437,896	25.7	-0.5%	104,076	2.53%
36	335	Miscellaneous Power Plant Equipment	1,699,727	384,782	26.1	-0.5%	50,384	2.96%
37	336	Roads, Railroads, & Bridges*	77,445	47,805	1.0	-0.5%	970	1.25%
38		Total Osage Hydraulic Production Plant	$ 54,539,128	$ 28,663,098			$ 893,927	
		Keokuk Hydraulic Production Plant						
39	331	Structures & Improvements	$ 3,791,127	$ 1,811,913	29.5	-0.5%	$ 67,098	1.77%
40	332	Reservoirs, Dams, & Waterways	12,170,523	7,238,534	30.1	-0.5%	163,874	1.35%
41	333	Water Wheels, Turbines, & Generators	58,830,125	11,553,069	29.6	-0.5%	1,597,297	2.72%
42	334	Accessory Electrical Equipment	9,161,004	1,937,515	26.2	-0.5%	275,723	3.01%
43	335	Miscellaneous Power Plant Equipment	2,630,627	585,968	26.2	-0.5%	78,045	2.97%
44	336	Roads, Railroads, & Bridges	114,926	45,598	30.5	-0.5%	2,273	1.98%
45		Total Keokuk Hydraulic Production Plant	$ 86,698,332	$ 23,172,597			$ 2,184,311	
		Taum Sauk Hydraulic Production Plant						
46	331	Structures & Improvements	$ 5,466,208	$ 3,100,747	29.6	-0.5%	$ 79,991	1.46%
47	332	Reservoirs, Dams, & Waterways	27,594,082	15,519,625	30.3	-0.5%	398,542	1.44%
48	333	Water Wheels, Turbines, & Generators	37,277,699	13,332,408	29.3	-0.5%	817,309	2.19%
49	334	Accessory Electrical Equipment	4,106,261	1,326,931	26.1	-0.5%	106,496	2.59%
50	335	Miscellaneous Power Plant Equipment	1,620,780	297,631	26.4	-0.5%	50,122	3.09%
51	336	Roads, Railroads, & Bridges*	45,570	24,729	1.0	-0.5%	683	1.50%
52		Total Taum Sauk Hydraulic Production Plant	$ 76,112,599	$ 33,602,071			$ 1,453,143	
53		**Total Hydraulic Production Plant**	$ 217,350,059	$ 85,437,766			$ 4,531,382	
		Other Production Plant:						
54	341	Structures & Improvements	$ 15,310,060	$ 3,498,977	31.2	0.0%	$ 378,560	2.47%
55	342	Fuel Holders, Producers, & Accessories	12,123,101	2,826,700	26.9	0.0%	321,675	2.65%
56	344	Generators	583,555,235	87,823,660	31.8	0.0%	15,589,043	2.67%
57	345	Accessory Electrical Equipment	26,830,756	7,015,500	29.3	0.0%	676,290	2.52%
58	346	Miscellaneous Power Plant Equipment	5,376,474	804,756	32.7	0.0%	139,808	2.60%
59		**Total Other Production Plant**	$ 643,195,666	$ 101,969,593			$ 17,105,376	
60		**Total Production Plant**	$ 3,554,779,080	$ 1,345,046,619			$ 101,994,451	

Note:
(1). Depreciation rates do not reflect the impact of reserve variance.

AMERENUE - ELECTRIC

Comparison of UE and MIEC Proposed
Non-Nuclear Production Depreciation Rates and Expense
Based on 6/30/2006 Plant Balance

Line	Acct. No.	Account	AmerenUE Proposed Depreciation Rates Amount (1)	AmerenUE Proposed Depreciation Rates Rate [1] (2)	MIEC Proposed Depreciation Rates Amount (3)	MIEC Proposed Depreciation Rates Rate (4)	Difference (5)
		Steam Production Plant:					
		Meramec Steam Production Plant					
1	311	Structures & Improvements	$ 915,072	2.48%	$ 810,463	2.20%	$ (104,609)
2	312	Boiler Plant Equipment	19,602,312	4.91%	14,105,279	3.53%	(5,497,033)
3	314	Turborgenerator Units	2,592,839	3.16%	2,386,254	2.91%	(206,586)
4	315	Accessory Electrical Equipment	1,146,562	3.16%	1,034,157	2.85%	(112,404)
5	316	Miscellaneous Power Plant Equipment	649,774	4.74%	484,074	3.53%	(165,700)
6		Total Meramec Steam Production Plant	$ 24,906,559		$ 18,820,227		$ (6,086,332)
		Sioux Steam Production Plant					
7	311	Structures & Improvements	$ 827,155	3.27%	$ 572,132	2.26%	$ (255,023)
8	312	Boiler Plant Equipment	15,740,763	4.79%	10,500,484	3.20%	(5,240,278)
9	314	Turborgenerator Units	4,251,986	4.65%	3,161,193	3.46%	(1,090,793)
10	315	Accessory Electrical Equipment	1,524,269	4.40%	1,154,306	3.33%	(369,964)
11	316	Miscellaneous Power Plant Equipment	389,357	4.69%	259,852	3.26%	(129,505)
12		Total Sioux Steam Production Plant	$ 22,733,529		$ 15,647,967		$ (7,085,563)
		Labadie Steam Production Plant					
13	311	Structures & Improvements	$ 1,984,805	3.21%	$ 1,386,141	2.24%	$ (598,665)
14	312	Boiler Plant Equipment	19,833,614	3.54%	15,025,565	2.68%	(4,808,049)
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	3,598,599	3.05%	6,534,608	5.54%	2,936,010
16	314	Turborgenerator Units	8,026,623	4.31%	5,824,739	3.13%	(2,201,884)
17	315	Accessory Electrical Equipment	2,473,059	3.38%	1,833,266	2.51%	(639,803)
18	316	Miscellaneous Power Plant Equipment	698,331	4.05%	555,540	3.22%	(142,791)
19		Total Labadie Steam Production Plant	$ 36,815,041		$ 31,159,859		$ (5,455,182)
		Rush Island Steam Production Plant					
20	311	Structures & Improvements	$ 1,514,299	2.89%	$ 908,637	1.73%	$ (605,661)
21	312	Boiler Plant Equipment	12,027,340	3.39%	7,836,084	2.21%	(4,191,256)
22	314	Turborgenerator Units	5,616,420	4.13%	3,331,855	2.45%	(2,284,565)
23	315	Accessory Electrical Equipment	1,139,234	3.46%	701,830	2.13%	(437,404)
24	316	Miscellaneous Power Plant Equipment	414,001	4.09%	271,585	2.68%	(142,416)
25		Total Rush Island Steam Production Plant	$ 20,711,293		$ 13,049,991		$ (7,661,302)
		Common					
26	311	Structures & Improvements	$ 91,103	4.65%	$ 78,724	4.02%	$ (12,379)
27	312	Boiler Plant Equipment	1,794,244	4.84%	1,568,173	4.23%	(226,071)
28	315	Accessory Electrical Equipment	148,674	4.75%	129,118	4.13%	(19,556)
29	316	Miscellaneous Power Plant Equipment	1,040	4.99%	933	4.48%	(107)
30		Total Common	$ 2,035,061		$ 1,776,948		$ (258,113)
31		**Total Steam Production Plant**	$ 107,001,483		$ 80,454,992		$ (26,546,491)

AMERENUE - ELECTRIC

Comparison of UE and MIEC Proposed
Non-Nuclear Production Depreciation Rates and Expense
Based on 6/30/2006 Plant Balance

Line	Acct. No.	Account	AmerenUE Proposed Depreciation Rates Amount (1)	Rate [1] (2)	MIEC Proposed Depreciation Rates Amount (3)	Rate (4)	Difference (5)
		Hydraulic Production Plant:					
		Osage Hydraulic Production Plant					
32	331	Structures & Improvements	$ 98,063	2.54%	$ 58,917	1.53%	$ (39,146)
33	332	Reservoirs, Dams, & Waterways	564,766	2.22%	275,007	1.08%	(289,759)
34	333	Water Wheels, Turbines, & Generators	486,391	2.52%	404,548	2.10%	(81,843)
35	334	Accessory Electrical Equipment	106,513	2.59%	104,076	2.53%	(2,436)
36	335	Miscellaneous Power Plant Equipment	53,397	3.01%	52,585	2.96%	(811)
37	336	Roads, Railroads, & Bridges*	-	0.00%	970	1.25%	970
38		Total Osage Hydraulic Production Plant	$ 1,309,129		$ 896,103		$ (413,025)
		Keokuk Hydraulic Production Plant					
39	331	Structures & Improvements	$ 103,345	2.51%	$ 72,872	1.77%	$ (30,473)
40	332	Reservoirs, Dams, & Waterways	299,286	2.42%	166,522	1.35%	(132,764)
41	333	Water Wheels, Turbines, & Generators	2,006,704	3.39%	1,607,199	2.72%	(399,505)
42	334	Accessory Electrical Equipment	317,181	3.46%	275,906	3.01%	(41,275)
43	335	Miscellaneous Power Plant Equipment	75,526	2.87%	78,073	2.97%	2,547
44	336	Roads, Railroads, & Bridges	1,988	1.73%	2,273	1.98%	285
45		Total Keokuk Hydraulic Production Plant	$ 2,804,030		$ 2,202,844		$ (601,185)
		Taum Sauk Hydraulic Production Plant					
46	331	Structures & Improvements	$ 148,590	2.70%	$ 80,505	1.46%	$ (68,085)
47	332	Reservoirs, Dams, & Waterways	769,667	2.79%	398,435	1.44%	(371,232)
48	333	Water Wheels, Turbines, & Generators	1,143,124	3.06%	819,047	2.19%	(324,076)
49	334	Accessory Electrical Equipment	116,013	2.77%	108,620	2.59%	(7,392)
50	335	Miscellaneous Power Plant Equipment	42,560	2.61%	50,428	3.09%	7,868
51	336	Roads, Railroads, & Bridges*	-	0.00%	683	1.50%	683
52		Total Taum Sauk Hydraulic Production Plant	$ 2,219,954		$ 1,457,718		$ (762,235)
53		**Total Hydraulic Production Plant**	$ 6,333,112		$ 4,556,666		$ (1,776,446)
		Other Production Plant:					
54	341	Structures & Improvements	$ 383,015	2.49%	$ 380,342	2.47%	$ (2,673)
55	342	Fuel Holders, Producers, & Accessories	358,130	2.92%	325,433	2.65%	(32,697)
56	344	Generators	16,633,083	2.85%	15,590,692	2.67%	(1,042,391)
57	345	Accessory Electrical Equipment	752,887	2.81%	675,341	2.52%	(77,546)
58	346	Miscellaneous Power Plant Equipment	155,229	2.74%	147,318	2.60%	(7,911)
59		**Total Other Production Plant**	$ 18,282,345		$ 17,119,126		$ (1,163,218)
60		**Total Production Plant (Excluding Nuclear)**	$ 131,616,941		$ 102,130,785		$ (29,486,156)

Note:
(1). AmerenUE rates reflect the impact of amortization of reserve variance.

AMERENUE - ELECTRIC

AmerenUE and MIEC Proposed Nuclear Depreciation Rates

Line	Acct. No.	Account	Plant Balance 6/30/2006 (1)	Net Salvage (%) (2)	Ameren Proposed Remaining Life (Yrs) (3)	Ameren Proposed Depreciation Expense [1] (4)	Ameren Proposed Depreciation Rate [2] (5)	MIEC Proposed Remaining Life (Yrs) (6)	MIEC Proposed Depreciation Expense [1] (7)	MIEC Proposed Depreciation Rate (8)	Difference (9)
		Nuclear Production Plant:									
		Callaway Nuclear Production Plant									
1	321	*Structures & Improvements*	$ 893,268,025	-	18.2	$ 24,922,178	2.79%	37.4	$ 12,256,939	1.37%	$ (12,665,239)
2	322	Reactor Plant Equipment	957,550,064	-	17.4	38,493,513	4.02%	35.7	$ 15,871,047	1.66%	(22,622,465)
3	323	Turborgenerator Units	494,453,935	-	18.3	16,959,770	3.43%	37.6	$ 7,649,694	1.55%	(9,310,076)
4	324	Accessory Electrical Equipment	210,754,953	-	18.3	5,606,082	2.66%	37.6	$ 2,804,373	1.33%	(2,801,709)
5	325	Miscellaneous Power Plant Equipment	165,413,219	-	17.2	7,741,339	4.68%	35.3	$ 2,978,345	1.80%	(4,762,994)
6		**Total Nuclear Production Plant**	$ 2,721,440,196			$ 93,722,881			$ 41,560,398		$ (52,162,482)

Note:
(1). Depreciation expense calculated from 6/30/2006 plant balances.
(2). AmerenUE's proposed rates reflect impact of depreciation reserve variance.

AMERENUE - ELECTRIC

Callaway Proposed Life

Line	Acct. No.	Account	UE Life Span (1)	UE Average Remaining Life (2)	Life Ratio [1] (3)	Additional Life [2] (4)	MIEC Proposed Life Span (5)
1	321	Structures & Improvements	19	18.2	0.96	19.2	37.4
2	322	Reactor Plant Equipment	19	17.4	0.92	18.3	35.7
3	323	Turborgenerator Units	19	18.3	0.96	19.3	37.6
4	324	Accessory Electrical Equipment	19	18.3	0.96	19.3	37.6
5	325	Miscellaneous Power Plant Equipment	19	17.2	0.91	18.1	35.3

Notes:
1. Column 2 / Column 1
2. 5.5 years x Column 3

AMERENUE - ELECTRIC

UE Proposed Transmission, Distribution & General
Depreciation Rates and Parameters

Line	Acct. No.	Account	Average Service Life (1)	Net Salvage Percent (2)	Plant Balance 12/31/2005 (3)	Depreciation Expense Without Salvage (4)	Net Salvage (5)	Total Depreciation Expense (6)	Total Depreciation Rate [1] (7)
		Transmission Plant:							
1	352	Structures & Improvements	60.0	-5%	$ 6,219,705	$ 103,869	$ 5,193	$ 109,063	1.75%
2	353	Station Equipment	55.0	0%	178,211,332	3,243,446	-	3,243,446	1.82%
3	354	Towers & Fixtures	65.0	-10%	68,198,477	1,050,257	105,026	1,155,282	1.69%
4	355	Poles & Fixtures	52.0	-90%	103,511,061	1,987,389	1,788,650	3,776,039	3.65%
5	356	OH Conductor & Devices	55.0	-25%	112,346,062	2,041,020	510,255	2,551,275	2.27%
6	359	Road & Trails	50.0	0%	71,789	858	-	858	1.20%
7		**Total Transmission Plant**			$ 468,558,427	$ 8,426,839	$ 2,409,124	$ 10,835,963	2.31%
		Distribution Plant:							
8	361	Structures & Improvements	60.0	-5%	$ 15,759,383	$ 263,182	$ 13,159	$ 276,341	1.75%
9	362	Station Equipment	55.0	0%	513,217,383	9,340,556	-	9,340,556	1.82%
10	364	Poles & Fixtures	43.0	-135%	653,216,782	15,218,126	20,544,469	35,762,595	5.47%
11	365	OH Conductors & Devices	47.0	-50%	712,573,522	15,177,816	7,588,908	22,766,724	3.19%
12	366	UG Conduit	65.0	-50%	164,964,341	2,540,451	1,270,225	3,810,676	2.31%
13	367	UG Conductor & Devices	53.0	-25%	447,520,715	8,458,142	2,114,535	10,572,677	2.36%
14	368	Line Transformers	45.0	0%	346,481,166	7,691,882	-	7,691,882	2.22%
15	369.1	OH Services	37.0	-200%	123,917,172	3,340,489	6,680,978	10,021,467	8.09%
16	369.2	UG Services	45.0	-80%	118,053,966	2,618,125	2,094,500	4,712,625	3.99%
17	370	Meters	28.0	0%	102,314,800	3,652,176	-	3,652,176	3.57%
18	371	Installation on Customers' Premises	20.0	0%	164,854	6,161	-	6,161	3.74%
19	373	Street Lighting & Signal Systems	33.0	-45%	100,172,902	3,035,239	1,365,858	4,401,096	4.39%
20		**Total Distribution Plant**			$ 3,298,356,987	$ 71,342,344	$ 41,672,633	$ 113,014,977	3.43%
		General Plant:							
21	390	Structures & Improvements	45.0	-5%	$ 164,206,365	$ 3,645,011	$ 182,251	$ 3,827,261	2.33%
22	391	Office Furniture & Equipment	15.0	0%	39,127,356	1,864,894	-	1,864,894	4.77%
23	391.1	Mainframe Computers	5.0	0%	422,014	-	-	-	0.00%
24	391.2	Personal Computers	5.0	0%	1,310,098	254,452	-	254,452	19.42%
25	392	Transportation Equipment	11.0	9%	84,159,804	7,610,478	(684,943)	6,925,535	8.23%
26	393	Stores Equipment	20.0	0%	2,065,007	76,670	-	76,670	3.71%
27	394	Tools, Shop & Garage Equipment	20.0	0%	10,524,040	457,192	-	457,192	4.34%
28	395	Laboratory Equipment	20.0	0%	6,819,984	305,591	-	305,591	4.48%
29	396	Power Operated Equipment	15.0	15%	10,465,818	398,070	(104,711)	293,360	2.80%
30	397	Communications Equipment	15.0	0%	127,014,326	6,094,641	-	6,094,641	4.80%
31	398	Miscellaneous	20.0	0%	637,305	30,860	-	30,860	4.84%
32		**Total General Plant**			$ 446,752,116	$ 20,737,860	$ (607,403)	$ 20,130,457	4.51%
33		**Total Transmission, Distibution & General**			$ 4,213,667,530	$ 100,507,043	$ 43,474,354	$ 143,981,396	3.42%

Note:
(1). Depreciation rates do not reflect the impact of reserve variance.
(2). Annual Depreciation Without Salvage and Net Salvage were inputs from Schedule JFW-E1, pgs C-76 - C-142.
(3). Source: Schedule JFW-E1, pgs III-6 & 7.

AMERENUE - ELECTRIC

Summary of Annual TDG Accruals With and Without Salvage and Annual Average TDG Net Salvage (1996-2005)

Line	Acct. No.	Account	Proposed Annual Expense With Salvage [1] (1)	Proposed Annual Expense Without Salvage [1] (2)	Difference Without Salvage (3)	5 Year Average Net Salvage (4)	5 Year Difference (5)	10 Year Average Net Salvage (6)	10 Year Difference (7)
		Transmission Plant:							
1	352	Structures & Improvements	$ 109,063	$ 103,869	$ (5,193)	$ -	$ 5,193	$ (1)	$ 5,193
2	353	Station Equipment	3,243,446	3,243,446	-	287,147	287,147	143,716	143,716
3	354	Towers & Fixtures	1,155,282	1,050,257	(105,026)	(13,129)	91,896	(3,958)	101,068
4	355	Poles & Fixtures	3,776,039	1,987,389	(1,788,650)	342,617	2,131,267	29,734	1,818,384
5	356	OH Conductor & Devices	2,551,275	2,041,020	(510,255)	(13,295)	496,960	(36,960)	473,295
6	359	Road & Trails	858	858	-	-	-	-	-
7		**Total Transmission Plant**	$ 10,835,963	$ 8,426,839	$ (2,409,124)	$ 603,340	$ 3,012,464	$ 132,531	$ 2,541,655
		Distribution Plant:							
8	361	Structures & Improvements	$ 276,341	$ 263,182	$ (13,159)	$ -	$ 13,159	$ 1,523	$ 14,682
9	362	Station Equipment	9,340,556	9,340,556	-	(30,621)	(30,621)	(66,494)	(66,494)
10	364	Poles & Fixtures	35,762,595	15,218,126	(20,544,469)	(2,878,307)	17,666,162	(2,960,447)	17,584,022
11	365	OH Conductors & Devices	22,766,724	15,177,816	(7,588,908)	(2,273,366)	5,315,542	(2,406,494)	5,182,414
12	366	UG Conduit	3,810,676	2,540,451	(1,270,225)	1,400,721	2,670,947	641,670	1,911,895
13	367	UG Conductor & Devices	10,572,677	8,458,142	(2,114,535)	(595,322)	1,519,213	(678,505)	1,436,030
14	368	Line Transformers	7,691,882	7,691,882	-	(18,149)	(18,149)	14,379	14,379
15	369.1	OH Services	10,021,467	3,340,489	(6,680,978)	(1,015,839)	5,665,139	(944,325)	5,736,653
16	369.2	UG Services	4,712,525	2,618,125	(2,094,500)	(210,409)	1,884,091	(224,035)	1,870,465
17	370	Meters	3,652,176	3,652,176	-	62,507	62,507	564,475	564,475
18	371	Installation on Customers' Premises	6,161	6,161	-	-	-	154	154
19	373	Street Lighting & Signal Systems	4,401,096	3,035,239	(1,365,858)	(358,585)	1,007,273	(334,588)	1,031,269
20		**Total Distribution Plant**	$ 113,014,977	$ 71,342,344	$ (41,672,633)	$ (5,917,371)	$ 35,755,262	$ (6,392,688)	$ 35,279,945
		General Plant:							
21	390	Structures & Improvements	$ 3,827,261	$ 3,645,011	$ (182,251)	$ (87,393)	$ 94,858	$ (84,263)	$ 97,988
22	391	Office Furniture & Equipment	1,864,894	1,864,894	-	239	239	4,399	4,399
23	391.1	Mainframe Computers	-	-	-	629	629	330	330
24	391.2	Personal Computers	254,452	254,452	-	10,940	10,940	11,283	11,283
25	392	Transportation Equipment	6,925,535	7,610,478	684,943	359,031	(325,912)	319,802	(365,141)
26	393	Stores Equipment	76,670	76,670	-	2,298	2,298	1,409	1,409
27	394	Tools, Shop & Garage Equipment	457,192	457,192	-	1,914	1,914	3,936	3,936
28	395	Laboratory Equipment	305,591	305,591	-	-	-	(180)	(180)
29	396	Power Operated Equipment	293,360	398,070	104,711	76,021	(28,689)	131,574	26,864
30	397	Communications Equipment	6,094,641	6,094,641	-	-	-	257	257
31	398	Miscellaneous	30,860	30,860	-	240	240	120	120
32		**Total General Plant**	$ 20,130,457	$ 20,737,860	$ 607,403	$ 363,920	$ (243,483)	$ 388,666	$ (218,737)
33		**Total Depreciable Electric Plant**	$ 143,981,396	$ 100,507,043	$ (43,474,354)	$ (4,950,111)	$ 38,524,243	$ (5,871,491)	$ 37,602,863

Note:
(1). Depreciation expense does not reflect the impact of reserve variance.

AMERENUE - ELECTRIC

MIEC Proposed Transmission, Distribution & General
Depreciation Rates and Parameters

Line	Acct. No.	Account	Average Service Life (1)	Net Salvage Percent (2)	Plant Balance 12/31/2005 (3)	Depreciation Expense Without Salvage (4)	Net Salvage (5)	Total Depreciation Expense (6)	Total Depreciation Rate (7)
		Transmission Plant:							
1	352	Structures & Improvements	60.0	-1%	$ 6,219,705	$ 103,662	$ 1,037	$ 104,698	1.68%
2	353	Station Equipment	55.0	0%	178,211,332	3,240,206	-	3,240,206	1.82%
3	354	Towers & Fixtures	65.0	-2%	68,198,477	1,049,207	20,984	1,070,191	1.57%
4	355	Poles & Fixtures	52.0	-14%	103,511,061	1,990,597	278,684	2,269,281	2.19%
5	356	OH Conductor & Devices	55.0	-4%	112,346,062	2,042,656	81,706	2,124,362	1.89%
6	359	Road & Trails*	50.0	0%	71,789	858	-	858	1.20%
7		**Total Transmission Plant**			**$ 468,558,427**	**$ 8,427,187**	**$ 382,411**	**$ 8,809,597**	**1.88%**
		Distribution Plant:							
8	361	Structures & Improvements	60.0	-1%	$ 15,759,383	$ 262,656	$ 2,627	$ 265,283	1.68%
9	362	Station Equipment	55.0	0%	513,217,383	9,331,225	-	9,331,225	1.82%
10	364	Poles & Fixtures	43.0	-20%	653,216,782	15,191,088	3,038,218	18,229,306	2.79%
11	365	OH Conductors & Devices	47.0	-8%	712,573,522	15,161,139	1,212,891	16,374,030	2.30%
12	366	UG Conduit	65.0	-8%	164,964,341	2,537,913	203,033	2,740,946	1.66%
13	367	UG Conductor & Devices	53.0	-4%	447,520,715	8,443,787	337,751	8,781,539	1.96%
14	368	Line Transformers	45.0	0%	346,481,166	7,699,581	-	7,699,581	2.22%
15	369.1	OH Services*	37.0	-30%	123,917,172	3,340,489	1,002,147	4,342,636	3.50%
16	369.2	UG Services*	45.0	-12%	118,053,966	2,618,125	314,175	2,932,300	2.48%
17	370	Meters	28.0	0%	102,314,800	3,654,100	-	3,654,100	3.57%
18	371	Installation on Customers' Premises*	20.0	0%	164,854	6,161	-	6,161	3.74%
19	373	Street Lighting & Signal Systems	33.0	-7%	100,172,902	3,035,542	212,488	3,248,030	3.24%
20		**Total Distribution Plant**			**$ 3,298,356,987**	**$ 71,281,808**	**$ 6,323,329**	**$ 77,605,137**	**2.35%**
		General Plant:							
21	390	Structures & Improvements	45.0	-1%	$ 164,206,365	$ 3,649,030	$ 36,490	$ 3,685,521	2.24%
22	391	Office Furniture & Equipment*	15.0	0%	39,127,356	1,864,894	-	1,864,894	4.77%
23	391.1	Mainframe Computers	5.0	0%	422,014	-	-	-	0.00%
24	391.2	Personal Computers*	5.0	0%	1,310,098	254,452	-	254,452	19.42%
25	392	Transportation Equipment*	11.0	1%	84,159,804	7,610,478	(102,741)	7,507,737	8.92%
26	393	Stores Equipment*	20.0	0%	2,065,007	76,670	-	76,670	3.71%
27	394	Tools, Shop & Garage Equipment*	20.0	0%	10,524,040	457,192	-	457,192	4.34%
28	395	Laboratory Equipment*	20.0	0%	6,819,984	305,591	-	305,591	4.48%
29	396	Power Operated Equipment	15.0	2%	10,465,818	697,721	(13,954)	683,767	6.53%
30	397	Communications Equipment*	15.0	0%	127,014,326	6,094,641	-	6,094,641	4.80%
31	398	Miscellaneous*	20.0	0%	637,305	30,860	-	30,860	4.84%
32		**Total General Plant**			**$ 446,752,116**	**$ 21,041,531**	**$ (80,206)**	**$ 20,961,325**	**4.69%**
33		**Total Depreciable Electric Plant**			**$ 4,213,667,530**	**$ 100,750,525**	**$ 6,625,534**	**$ 107,376,060**	**2.55%**

* Annual Depreciation and Net Salvage were inputs.

AMERENUE - ELECTRIC

Comparison of AmerenUE and MIEC Proposed TDG Depreciation Rates and Expense

Line	Acct. No.	Account	Plant Balance 6/30/2006	Ameren Proposed Depreciation Expense [1]	Ameren Proposed Rate [2]	MIEC Proposed Depreciation Expense [1]	MIEC Proposed Rate	Reduction in Depreciation Expense
		Transmission Plant:						
1	352	Structures & Improvements	$ 6,219,706	$ 111,333	1.79%	$ 104,491	1.68%	$ 6,842
2	353	Station Equipment	181,457,965	3,048,494	1.68%	3,302,535	1.82%	(254,041)
3	354	Towers & Fixtures	70,903,621	1,028,105	1.45%	1,106,100	1.56%	(77,994)
4	355	Poles & Fixtures	113,204,654	4,505,545	3.98%	2,467,861	2.18%	2,037,684
5	356	OH Conductor & Devices	118,782,727	3,337,795	2.81%	2,244,994	1.89%	1,092,801
6	359	Road & Trails	71,788	(9,526)	-13.27%	861	1.20%	(10,388)
7		**Total Transmission Plant**	$ 490,640,661	$ 12,021,746	2.45%	$ 9,226,842	1.88%	$ 2,794,903
		Distribution Plant:						
8	361	Structures & Improvements	$ 15,759,384	$ 275,789	1.75%	$ 264,758	1.68%	$ 11,032
9	362	Station Equipment	531,174,647	9,667,379	1.82%	9,667,379	1.82%	-
10	364	Poles & Fixtures	657,866,888	35,919,532	5.46%	18,420,273	2.80%	17,499,259
11	365	OH Conductors & Devices	725,041,472	23,128,823	3.19%	16,603,450	2.29%	6,525,373
12	366	UG Conduit	172,578,066	3,986,554	2.31%	2,847,538	1.65%	1,139,015
13	367	UG Conductor & Devices	459,391,695	10,841,644	2.36%	9,004,077	1.96%	1,837,567
14	368	Line Transformers	353,005,804	7,836,729	2.22%	7,836,729	2.22%	-
15	369.1	OH Services	126,844,185	10,223,641	8.06%	4,439,546	3.50%	5,784,095
16	369.2	UG Services	121,695,103	4,843,465	3.98%	3,018,039	2.48%	1,825,427
17	370	Meters	103,853,474	3,700,744	3.56%	3,711,139	3.57%	(10,395)
18	371	Installation on Customers' Premises	164,856	5,984	3.63%	6,166	3.74%	(181)
19	373	Street Lighting & Signal Systems	102,032,812	4,479,245	4.39%	3,295,663	3.23%	1,183,582
20		**Total Distribution Plant**	$ 3,369,508,508	$ 114,909,529	3.41%	$ 79,114,756	2.35%	$ 35,794,773
		General Plant:						
21	390	Structures & Improvements	$ 171,487,901	$ 3,995,668	2.33%	$ 3,841,329	2.24%	$ 154,339
22	391	Office Furniture & Equipment	44,289,607	2,094,698	4.73%	2,112,614	4.77%	(17,716)
23	391.1	Mainframe Computers	422,014	-	0.00%	-	0.00%	-
24	391.2	Personal Computers	1,796,928	346,448	19.28%	348,963	19.42%	(2,516)
25	392	Transportation Equipment	83,429,052	6,849,525	8.21%	7,441,871	8.92%	(592,346)
26	393	Stores Equipment	2,104,841	77,037	3.66%	78,090	3.71%	(1,052)
27	394	Tools, Shop & Garage Equipment	10,972,646	471,832	4.30%	476,222	4.34%	(4,389)
28	395	Laboratory Equipment	6,650,033	295,261	4.44%	297,921	4.48%	(2,660)
29	396	Power Operated Equipment	9,843,387	556,151	5.65%	641,789	6.52%	(85,637)
30	397	Communications Equipment	126,018,518	5,978,465	4.67%	6,144,889	4.80%	(166,424)
31	398	Miscellaneous	641,398	30,915	4.82%	31,044	4.84%	(128)
32		**Total General Plant**	$ 459,656,525	$ 20,696,202	4.50%	$ 21,414,732	4.66%	$ (718,530)
33		**Total Depreciable Electric Plant**	$ 4,319,805,692	$ 147,627,476	3.42%	$ 109,756,330	2.54%	$ 37,871,146

Note:
(1). Depreciation expense calculated from 6/30/2006 plant balances.
(2). AmerenUE's proposed rates reflect impact of depreciation reserve variance

AMERENUE - ELECTRIC

Comparison of Present, AmerenUE Proposed and MIEC Proposed
Depreciation Rates and Expense

Line	Acct. No.	Account	Pro Forma Balance 6/30/2006 (1)	Current Depreciation Expense (2)	Current Depreciation Rate (3)	AmerenUE Proposed Depreciation Expense (4)	AmerenUE Proposed Depreciation Rate [1] (5)	MIEC Proposed Depreciation Expense (6)	MIEC Proposed Depreciation Rate (7)
		Steam Production Plant:							
		Meramec Steam Production Plant							
1	311	Structures & Improvements	$ 35,898,056	$ 1,066,354	2.89%	$ 915,072	2.48%	$ 810,483	2.20%
2	312	Boiler Plant Equipment	399,232,426	12,735,514	3.19%	19,602,312	4.91%	14,105,279	3.53%
3	314	Turbogenerator Units	82,051,880	2,297,453	2.80%	2,592,839	3.16%	2,386,254	2.91%
4	315	Accessory Electrical Equipment	36,283,593	1,005,056	2.77%	1,146,562	3.16%	1,034,157	2.85%
5	316	Miscellaneous Power Plant Equipment	13,708,320	444,150	3.24%	649,774	4.74%	484,074	3.53%
6		Total Meramec Steam Production Plant	$ 568,174,277	$ 17,548,526		$ 24,906,559		$ 18,820,227	
		Sioux Steam Production Plant							
7	311	Structures & Improvements	$ 25,295,269	$ 731,033	2.89%	$ 827,155	3.27%	$ 572,132	2.26%
8	312	Boiler Plant Equipment	328,617,174	10,462,888	3.19%	15,740,763	4.79%	10,500,484	3.20%
9	314	Turbogenerator Units	91,440,550	2,560,335	2.80%	4,251,986	4.65%	3,181,193	3.48%
10	315	Accessory Electrical Equipment	34,642,484	959,597	2.77%	1,524,269	4.40%	1,154,306	3.33%
11	316	Miscellaneous Power Plant Equipment	7,962,301	257,979	3.24%	389,357	4.89%	259,852	3.26%
12		Total Sioux Steam Production Plant	$ 487,957,778	$ 14,991,832		$ 22,733,529		$ 15,847,967	
		Labadie Steam Production Plant							
13	311	Structures & Improvements	$ 61,831,946	$ 1,788,943	2.89%	$ 1,984,805	3.21%	$ 1,386,141	2.24%
14	312	Boiler Plant Equipment	580,271,569	17,872,653	3.19%	19,833,814	3.54%	15,025,565	2.68%
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	117,986,838	5,368,401	4.55%	3,598,599	3.05%	6,534,808	5.54%
16	314	Turbogenerator Units	186,232,561	5,214,512	2.80%	8,026,623	4.31%	5,824,739	3.13%
17	315	Accessory Electrical Equipment	73,187,727	2,026,746	2.77%	2,473,069	3.38%	1,833,266	2.51%
18	316	Miscellaneous Power Plant Equipment	17,242,739	558,655	3.24%	698,331	4.05%	555,340	3.22%
19		Total Labadie Steam Production Plant	$ 1,016,733,380	$ 32,827,930		$ 36,615,041		$ 31,159,859	
		Rush Island Steam Production Plant							
20	311	Structures & Improvements	$ 52,397,875	$ 1,514,299	2.89%	$ 1,514,299	2.89%	$ 908,637	1.73%
21	312	Boiler Plant Equipment	354,788,783	11,317,762	3.19%	12,027,340	3.39%	7,838,084	2.21%
22	314	Turbogenerator Units	135,990,789	3,807,742	2.80%	5,616,420	4.13%	3,331,855	2.45%
23	315	Accessory Electrical Equipment	32,925,827	912,045	2.77%	1,139,234	3.46%	701,830	2.13%
24	316	Miscellaneous Power Plant Equipment	10,122,281	327,882	3.24%	414,001	4.09%	271,585	2.68%
25		Total Rush Island Steam Production Plant	$ 586,225,556	$ 17,879,810		$ 20,711,293		$ 13,049,991	
		Common							
26	311	Structures & Improvements	$ 1,959,206	$ 56,821	2.89%	$ 91,103	4.65%	$ 78,724	4.02%
27	312	Boiler Plant Equipment	37,071,156	1,182,570	3.19%	1,794,244	4.84%	1,568,173	4.23%
28	315	Accessory Electrical Equipment	3,129,975	86,700	2.77%	148,674	4.75%	129,119	4.13%
29	316	Miscellaneous Power Plant Equipment	20,843	675	3.24%	1,040	4.99%	833	4.49%
30		Total Common	$ 42,181,180	$ 1,326,567		$ 2,035,061		$ 1,776,949	
31		Total Steam Production Plant	$ 2,701,272,171	$ 84,574,665		$ 107,001,483		$ 80,454,992	

AMERENUE - ELECTRIC

Comparison of Present, AmerenUE Proposed and MIEC Proposed
Depreciation Rates and Expense

Line	Acct. No.	Account	Pro Forma Balance 6/30/2008 (1)	Current Depreciation Expense (2)	Current Depreciation Rate (3)	AmerenUE Proposed Depreciation Expense (4)	AmerenUE Proposed Depreciation Rate [1] (5)	MIEC Proposed Depreciation Expense (6)	MIEC Proposed Depreciation Rate (7)
		Nuclear Production Plant:							
		Callaway Nuclear Production Plant							
32	321	Structures & Improvements	$ 893,268,025	$ 23,224,969	2.60%	$ 24,922,178	2.79%	$ 12,256,939	1.37%
33	322	Reactor Plant Equipment	957,550,064	24,896,302	2.60%	38,493,513	4.02%	15,871,047	1.65%
34	323	Turbogenerator Units	494,453,935	12,855,802	2.60%	16,959,770	3.43%	7,649,684	1.55%
35	324	Accessory Electrical Equipment	210,754,953	5,479,629	2.60%	5,606,082	2.66%	2,804,373	1.33%
36	325	Miscellaneous Power Plant Equipment	165,413,219	4,300,744	2.60%	7,741,339	4.68%	2,978,345	1.80%
37		**Total Nuclear Production Plant**	$ 2,721,440,196	$ 70,757,445		$ 93,722,881		$ 41,560,388	
		Hydraulic Production Plant:							
		Osage Hydraulic Production Plant							
38	331	Structures & Improvements	$ 3,850,731	$ 42,468	1.10%	$ 98,063	2.54%	$ 58,917	1.53%
39	332	Reservoirs, Dams, & Waterways	25,439,911	302,735	1.19%	564,768	2.22%	275,007	1.08%
40	333	Water Wheels, Turbines, & Generators	19,301,223	200,733	1.04%	486,391	2.52%	404,548	2.10%
41	334	Accessory Electrical Equipment	4,112,456	46,471	1.13%	106,513	2.59%	104,076	2.53%
42	335	Miscellaneous Power Plant Equipment	1,773,982	22,707	1.28%	53,397	3.01%	52,585	2.96%
43	336	Roads, Railroads, & Bridges*	77,445	3,524	4.55%	-	0.00%	970	1.25%
44		**Total Osage Hydraulic Production Plant**	$ 54,565,748	$ 618,637		$ 1,309,129		$ 896,103	
		Keokuk Hydraulic Production Plant							
45	331	Structures & Improvements	$ 4,117,339	$ 45,291	1.10%	$ 103,345	2.51%	$ 72,872	1.77%
46	332	Reservoirs, Dams, & Waterways	12,367,195	147,170	1.19%	299,286	2.42%	166,522	1.35%
47	333	Water Wheels, Turbines, & Generators	59,184,802	615,626	1.04%	2,006,704	3.39%	1,607,199	2.72%
48	334	Accessory Electrical Equipment	9,167,069	103,588	1.13%	317,181	3.46%	275,806	3.01%
49	335	Miscellaneous Power Plant Equipment	2,631,559	33,684	1.28%	76,526	2.87%	78,073	2.97%
50	336	Roads, Railroads, & Bridges	114,926	5,220	4.55%	1,988	1.73%	2,273	1.98%
51		**Total Keokuk Hydraulic Production Plant**	$ 87,592,890	$ 950,587		$ 2,804,030		$ 2,202,844	
		Taum Sauk Hydraulic Production Plant							
52	331	Structures & Improvements	$ 5,503,349	$ 60,537	1.10%	$ 148,590	2.70%	$ 80,505	1.46%
53	332	Reservoirs, Dams, & Waterways	27,586,615	328,281	1.19%	769,867	2.79%	398,435	1.44%
54	333	Water Wheels, Turbines, & Generators	37,356,990	388,513	1.04%	1,143,124	3.06%	819,047	2.19%
55	334	Accessory Electrical Equipment	4,188,184	47,326	1.13%	116,013	2.77%	108,620	2.59%
56	335	Miscellaneous Power Plant Equipment	1,630,558	20,872	1.28%	42,560	2.61%	50,428	3.09%
57	336	Roads, Railroads, & Bridges*	45,570	2,073	4.55%	-	0.00%	683	1.50%
58		**Total Taum Sauk Hydraulic Production Plant**	$ 76,311,366	$ 847,603		$ 2,219,854		$ 1,457,718	
59		**Total Hydraulic Production Plant**	$ 218,470,004	$ 2,416,827		$ 6,333,112		$ 4,556,666	
		Other Production Plant:							
60	341	Structures & Improvements	$ 15,382,120	$ 615,285	4.00%	$ 383,015	2.49%	$ 380,342	2.47%
61	342	Fuel Holders, Producers, & Accessories	12,264,732	490,589	4.00%	358,130	2.92%	325,433	2.65%
62	344	Generators	583,616,964	23,344,679	4.00%	16,633,083	2.85%	15,590,892	2.67%
63	345	Accessory Electrical Equipment	25,793,140	1,071,726	4.00%	752,887	2.81%	675,341	2.62%
64	346	Miscellaneous Power Plant Equipment	5,665,300	226,512	4.00%	155,229	2.74%	147,318	2.60%
65		**Total Other Production Plant**	$ 643,722,256	$ 25,748,890		$ 18,282,345		$ 17,119,126	
66		**Total Production**	$ 6,284,904,627	$ 183,497,827		$ 225,339,821		$ 143,691,183	

AMERENUE - ELECTRIC

Comparison of Present, AmerenUE Proposed and MIEC Proposed
Depreciation Rates and Expense

Line	Acct. No.	Account	Pro Forma Balance 6/30/2006 (1)	Current Depreciation Expense (2)	Current Depreciation Rate (3)	AmerenUE Proposed Depreciation Expense (4)	AmerenUE Proposed Depreciation Rate [1] (5)	MIEC Proposed Depreciation Expense (6)	MIEC Proposed Depreciation Rate (7)
		Missouri Transmission Plant:							
67	352	Structures & Improvements	$ 6,219,706	$ 82,722	1.33%	$ 111,333	1.79%	$ 104,491	1.68%
68	353	Station Equipment	181,457,965	3,629,159	2.00%	3,048,494	1.68%	3,302,535	1.82%
69	354	Towers & Fixtures	70,903,821	1,318,811	1.86%	1,028,105	1.45%	1,113,190	1.57%
70	355	Poles & Fixtures	113,204,654	3,158,410	2.79%	4,505,545	3.98%	2,479,182	2.19%
71	356	OH Conductor & Devices	118,782,727	1,722,350	1.45%	3,337,795	2.81%	2,244,994	1.89%
72	359	Road & Trails*	71,788	1,436	2.00%	(9,526)	-13.27%	861	1.20%
73		**Total Transmission Plant**	$ 490,840,661	$ 9,912,888		$ 12,021,746		$ 9,245,253	
		Missouri Distribution Plant:							
74	361	Structures & Improvements	$ 15,759,384	$ 233,239	1.48%	$ 275,789	1.75%	$ 264,758	1.68%
75	362	Station Equipment	531,174,647	12,695,074	2.39%	9,667,379	1.82%	9,667,379	1.82%
76	364	Poles & Fixtures	657,866,888	43,945,508	6.68%	35,919,532	5.46%	18,354,486	2.79%
77	365	OH Conductors & Devices	725,041,472	23,128,823	3.19%	23,128,823	3.19%	16,675,954	2.30%
78	366	UG Conduit	172,578,086	2,985,601	1.73%	3,986,554	2.31%	2,884,798	1.66%
79	367	UG Conductor & Devices	459,391,695	7,947,476	1.73%	10,841,644	2.36%	9,004,077	1.96%
80	368	Line Transformers	353,005,804	7,342,521	2.08%	7,836,729	2.22%	7,836,729	2.22%
81	369.1	OH Services*	126,844,185	10,454,645	8.25%	10,223,641	8.06%	4,439,546	3.50%
82	369.2	UG Services*	121,895,103	3,184,073	2.60%	4,843,485	3.98%	3,018,039	2.48%
83	370	Meters	103,953,474	2,858,721	2.75%	3,700,744	3.56%	3,711,139	3.57%
84	371	Installation on Customers' Premises*	164,856	3,627	2.20%	5,984	3.63%	6,166	3.74%
85	373	Street Lighting & Signal Systems	102,032,912	6,030,145	5.91%	4,479,245	4.39%	3,305,866	3.24%
86		**Total Distribution Plant**	$ 3,389,508,506	$ 120,799,452		$ 114,909,529		$ 79,148,935	
		Missouri General Plant:							
87	390	Structures & Improvements	$ 171,487,901	$ 3,927,073	2.29%	$ 3,995,668	2.33%	$ 3,841,329	2.24%
88	391	Office Furniture & Equipment*	44,269,607	1,457,128	3.29%	2,094,898	4.73%	2,112,614	4.77%
89	391.1	Mainframe Computers	422,014	13,884	3.29%	-	0.00%	-	0.00%
90	391.2	Personal Computers*	1,796,928	59,119	3.29%	346,446	19.28%	348,963	19.42%
91	392	Transportation Equipment*	83,429,052	6,674,324	8.00%	6,849,525	8.21%	7,441,871	8.92%
92	393	Stores Equipment*	2,104,841	57,883	2.75%	77,037	3.66%	78,090	3.71%
93	394	Tools, Shop & Garage Equipment*	10,972,848	199,706	1.82%	471,832	4.30%	476,222	4.34%
94	395	Laboratory Equipment*	6,650,033	125,021	1.88%	295,261	4.44%	297,921	4.48%
95	396	Power Operated Equipment	9,843,387	421,297	4.28%	556,151	5.65%	641,789	6.52%
96	397	Communications Equipment*	128,018,518	4,480,648	3.50%	5,978,485	4.67%	6,144,889	4.80%
97	398	Miscellaneous*	641,398	30,466	4.75%	30,915	4.82%	31,044	4.84%
98		**Total General Plant**	$ 459,856,525	$ 17,448,549		$ 20,696,202		$ 21,414,732	
99		**Total TDG Electric Plant**	$ 4,319,805,692	$ 148,160,889		$ 147,627,476		$ 109,808,920	
100		**Total Electric Plant In Service**	$ 10,604,710,319	$ 331,656,716		$ 372,967,298		$ 253,500,103	

Note:
(1). AmerenUE rates reflect the impact of depreciation reserve variance.

AMERENUE - ELECTRIC

Comparison of AmerenUE Proposed and MIEC Proposed Depreciation Expense

Line	Description	AmerenUE Proposed Depreciation Expense [1] [2]	MIEC Proposed Depreciation Expense [1]	Difference	MO Jurisdictional Percentage	MO Jurisdictional Expense
1	Steam Production	$ 107,001,483	$ 80,454,992	$ (26,546,491)		
2	Hydraulic Production	6,333,112	4,556,666	(1,776,446)		
3	Other Production	18,282,345	17,119,126	(1,163,218)		
4	**Total Non Nuclear Production**	**$ 131,616,941**	**$ 102,130,785**	**$ (29,486,156)**	**98.33%**	**$ (28,993,737)**
5	Nuclear Production	$ 93,722,881	$ 41,560,398	$ (52,162,482)	98.78%	$ (51,526,100)
6	**Total Production**	**$ 225,339,821**	**$ 143,691,183**	**$ (81,648,638)**		**$ (80,519,837)**
7	**Transmission**	$ 12,021,746	$ 9,245,253	$ (2,776,493)	100.00%	$ (2,776,493)
8	**Distribution**	114,909,529	79,148,935	(35,760,594)	99.83%	(35,698,454)
9	**General**	20,696,202	21,414,732	718,530	98.83%	710,123
10	**Total TDG**	**$ 147,627,478**	**$ 109,808,920**	**$ (37,818,557)**		**$ (37,764,824)**
11	**Total**	**$ 372,967,298**	**$ 253,500,103**	**$ (119,467,195)**		**$ (118,284,661)**

Note:
(1). Depreciation expense was calculated from 6/30/2006 plant balances.
(2). AmerenUE's proposed rates reflect impact of depreciation reserve variance.