Exhibit No.:
Issues: *Affiliated Transactions, Assets/Liabilities*
Witness: *Janis E. Fischer*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *EO-2004-0108*
Date Testimony Prepared: *January 30, 2004*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

JANIS E. FISCHER

UNION ELECTRIC COMPANY
d/b/a AMERENUE

CASE NO. EO-2004-0108

Jefferson City, Missouri
January 2004

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In The Matter of the Application of Union Electric Company, Doing Business as AmerenUE, for an Order Authorizing the Sale, Transfer and Assignment of Certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company, Doing Business as AmerenCIPS, and, in Connection Therewith, Certain Other Related Transactions.	)	Case No. EO-2004-0108

AFFIDAVIT OF JANIS E. FISCHER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Janis E. Fischer, being of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 21 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Janis E. Fischer

Janis E. Fischer

Subscribed and sworn to before me this 29th day of January 2004.

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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REBUTTAL TESTIMONY

OF

JANIS E. FISCHER

UNION ELECTRIC COMPANY

d/b/a AMERENUE

CASE NO. EO-2004-0108

Q. Please state your name and business address.

A. Janis E. Fischer, Governor Office Building, P. O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

Background of Witness

Q. Please describe your educational background.

A. I graduated from Peru State College, Peru, Nebraska in December 1979, and received a Bachelor of Science degree in Education (Basic Business) and Business Administration. In May 1985, I completed course work and earned a Bachelor of Science degree in Accounting. I passed the Uniform Certified Public Accountant examination in May 1994 and received my license to practice in March 1997.

Q. Please describe your work background.

A. Prior to my employment at the Commission, I worked from February 1988 through November 1994 as the office and accounting supervisor for the Falls City, Nebraska Utilities Department (Falls City Utilities Department).

I also was employed as a staff accountant with the accounting firm of Cuneo, Lawson, Shay and Staley, PC, in Kansas City, Missouri, from November 1994 through October 1996. Prior to that, I worked from August 1985 to September 1987 as the accountant for the Sac and Fox Tribe of Missouri and in the business office of the Falls City Community Hospital from September 1987 to February 1988.

Q. What has been the nature of your duties while employed by the Commission?

A. Since I began employment with the Commission in 1996, I have directed and assisted with various audits and examinations of the books and records of public utilities operating within the state of Missouri under the jurisdiction of the Commission. I assumed my present position of Regulatory Auditor IV in December 2001.

Q. Have you previously filed testimony before this Commission?

A. Yes. Please refer to Schedule 1, attached to this rebuttal testimony, for a list of the major audits and issues on which I have assisted and filed testimony.

Q. With reference to Case No EO-2004-0108, have you examined and studied the books and records of Union Electric Company, d/b/a AmerenUE (Union Electric or Company) relevant to the filing in this case?

A. Yes, with the assistance of other members of the Commission Staff (Staff).

Q. What knowledge, skill, experience, training or education do you have in regulatory matters?

A. My knowledge is based upon being assigned a variety of issues in a number of Commission cases over the past seven years. Specifically, I filed testimony in AmerenUE Case Nos. GR-97-393, EC-2002-01 and GR-2003-0517.

I have reviewed the Staff Auditing Department position papers, training manuals and technical manuals dealing with accounting issues in this case. In addition, I

have reviewed Commission Report And Orders, testimony and transcripts of recent Commission cases, including the AmerenUE Case, Case No. EC-2002-1. I have also attended in-house and Commission sponsored training throughout the seven years of my employment with the Commission.

In addition to knowledge gained while employed at the Commission, my work at a municipal utility company for over six years has given me additional expertise related to the daily operations of an electric and natural gas utility. A small municipal utility operation provides employees the opportunity to gain knowledge in many aspects of utility operations. While with the Falls City Utilities Department, I completed water and electric rate reviews, developed procedures for PCB monitoring and disposal, implemented a program to verify the accuracy of remote water meters, supervised office staff and handled customer complaints. I assisted with the acquisition of Falls City's natural gas distribution system from Kansas Power and Light Company, predecessor company of Western Resources, Inc. After the acquisition, I compiled asset records for the natural gas distribution system, nominated gas supplies for the municipal power plant, negotiated prices for gas purchased from marketers, monitored gas transportation customer loads and billed transportation customers.

I was appointed by the Falls City Board of Public Works (Board) in 1990 to the Nebraska Public Gas Agency (NPGA) Board and later was elected Secretary (1993) and then Vice Chairperson (1994) of the NPGA Board. NPGA is comprised of members from Nebraska, Kansas, Iowa and Wisconsin municipal natural gas systems which collectively purchase natural gas and acquire natural gas wells to supply gas to NPGA member municipal gas systems and power plants at reduced costs. As a member of the NPGA Board, I reviewed annual budgets and natural gas purchases for member communities. I participated in management salary negotiations and the development of incentive compensation programs

for management and other employee groups. In addition I participated in NPGA's negotiations to purchase gas wells, reviewed terms and conditions for the issuance of revenue bonds and attended meetings with NPGA's lobbyist and participated in future planning sessions.

While employed as a staff accountant with Cuneo, Lawson, Shay and Staley, I assisted in various audits, compilations and reviews of corporations and prepared individual and corporate state and federal tax returns. I researched tax issues for international client business operations and interacted with various clients. I completed pension plan audits, health care plan compliance audits for several unions in the Kansas City area, a stock brokerage firm audit and a nursing home audit.

In addition, my prior work experience in the area of accounting included assisting in preparing monthly financial statements, reconciling cash receipts to customer payments, completing accounts payable functions and maintaining investment records for a non-profit hospital. While employed as the accountant for the Sac and Fox Tribe of Missouri, my responsibilities included maintenance of all accounting records of federal and state governmental grants and contracts. I compiled monthly financial statements, completed payroll functions and corresponded with the Bureau of Indian Affairs and the United States Department of the Interior on a quarterly basis regarding the status of grants and contracts administered by the Sac and Fox Tribe.

Q. Please briefly describe Ameren's corporate structure.

A. Ameren Corporation (Ameren) is the holding company under PUHCA and is the parent company of Union Electric Company, which does business in the state of Missouri and Illinois as AmerenUE. Ameren has additional subsidiaries including Central Illinois Public Service Company (CIPS) doing business as AmerenCIPS and Central Illinois Light

Company, a subsidiary of CILCORP Inc. doing business as AmerenCILCO. Ameren Services Company (AMS) provides shared support services to the parent company, Ameren and its affiliates both regulated and unregulated.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. I will address concerns the Staff has related to the Application of AmerenUE for a Commission order authorizing the sale, transfer and assignment of AmerenUE utility assets that are located in Illinois (Metro East transfer) to AmerenCIPS, it's Ameren Illinois regulated affiliate. Specifically I will address the Staff's position regarding whether or not the Commission should issue an order:

- Authorizing AmerenUE to perform in accordance with the terms and conditions in the form of the Asset Transfer Agreement attached as Schedule 1 to the direct testimony of AmerenUE witness Mr. Craig D. Nelson;
- Authorizing AmerenUE to sell, transfer and assign to AmerenCIPS the assets and liabilities as more particularly described in the form of the Asset Transfer Agreement, which assets and liabilities, generally constitute AmerenUE's Metro East Service Area, Illinois retail electric and natural gas utility operations;
- Approving as reasonable and prudent the consideration received by AmerenUE from AmerenCIPS for the transferred assets and liabilities;
- Authorizing AmerenUE to enter into, execute and perform in accordance with the terms of all other documents reasonably necessary and incidental to the performance of the transactions which are the subject of the form of the Asset Transfer Agreement and AmerenUE Application;
- Granting AmerenUE to the extent necessary a waiver from the requirement of the electric and gas affiliate rules that a utility transfer goods and services to an affiliate at the higher of cost or market;
- Granting such other relief as deemed necessary to accomplish the purposes of the Asset Transfer Agreement and the AmerenUE Application and to consummate the sale, transfer and assignment of the assets and related transactions.

Q. Please summarize the conclusions the Staff has reached.

A. The testimony that follows supports the following conclusions of the Staff:

- The Application does not provide sufficient detail to allow the Staff to determine that the transfer is not detrimental to AmerenUE Missouri ratepayers. The transaction would result in significant risks being assigned to AmerenUE's Missouri ratepayers without the benefit of adequate analysis or study.

- The Missouri affiliate transactions rules apply to this proposed transaction. The rules do apply to the Metro East transfer. The Staff has not received sufficient information or analysis from AmerenUE to support a waiver of the affiliate transactions rules.

- The Commission's affiliate transactions rules should apply to the Joint Dispatch Agreement (JDA) respecting AmerenUE and AmerenCIPS at the time it is renegotiated or amended by the parties to the contract.

- The Commission should not approve the Metro East transfer until the JDA is amended to eliminate the detriments to AmerenUE and Missouri consumers that will result from the Metro East transfer.

- AmerenUE should receive consideration from AmerenCIPS for additional liabilities not identified in the Application. The Application does not provide sufficient details to permit a comprehensive analysis of Ameren liabilities allocated between AmerenUE Missouri and AmerenUE Illinois.

- The impact of the Metro East transfer on the allocation of common corporate costs to AmerenUE is unknown. AmerenUE did not perform any analysis to quantify the change in these costs resulting from the proposed transfer transaction.

APPLICATION OF MISSOURI AFFILIATE TRANSACTIONS RULE TO METRO EAST TRANSER

Q. Is the transfer price of AmerenUE's facilities/assets reasonable and in conformance with the Commission's affiliate transactions rules for electrical corporations?

A. Based upon the information provided in the AmerenUE Application and data request responses received from AmerenUE as of the date of this filing, AmerenUE has not shown that the transfer price of the AmerenUE facilities/assets that are to be transferred to AmerenCIPS is reasonable. If the electric (and gas) affiliate transactions rules, 4CSR 240-20.015, are applied to the Metro East transfer, as they should be, the transaction is not in compliance with the rule. AmerenUE has stated that it has not performed any analysis

of the market value of the Metro East assets to allow it to determine the greater of the fully distributed cost (FDC) or fair market value (FMV). The affiliate transactions rules require that the transaction price or value be determined based upon the outcome of this analysis.

If the Commission approves AmerenUE's request for waiver of the rule, then the Metro East transfer transaction still does not provide sufficient detail to allow the Staff to determine if the transfer price is reasonable. The transaction accounting entries provided by Mr. Craig D. Nelson in Schedule 2, pages 3 and 8 to his direct testimony do not address all asset and liability value amounts necessary for a determination of a reasonable price.

The method used by AmerenUE to calculate the price proposed for the Metro East transfer is not consistent with the Commission's affiliate transactions rules. The fact that AMS employees performed all of the analysis and negotiations on behalf of AmerenUE and AmerenCIPS show that the Metro East transfer is not an arms-length-transaction. The best interests of AmerenUE cannot be presumed to be carried out by employees of AMS, who also are acting as agents for the other party of the agreement, AmerenCIPS.

Q. Does the proposed Metro East transfer provide a financial advantage to AmerenCIPS, the AmerenUE affiliate providing retail service in Illinois?

A. Yes.

Q. Please explain how the Metro East transfer provides a financial advantage to AmerenCIPS, AmerenUE's retail service affiliate in Illinois.

A. According to the affiliate transactions rule 4 CSR 240-20.015 (the gas rule at 4 CSR 240-40.015 is identical) the fact that AmerenUE is transferring assets to an affiliate, AmerenCIPS, below the greater of the FMV or FDC is the financial advantage. While AmerenCIPS is regulated by the Illinois Commerce Commission, it is not regulated in Missouri.

Q. Did AmerenUE's Board of Directors separate from the Board of Directors of Ameren, the parent of AmerenUE and AmerenCIPS, approve the proposed Metro East transaction?

A. The Staff is still analyzing the extent, if any, that AmerenUE was allowed to operate as a separate corporate entity to promote its best interests for all of its stakeholders. The Staff has submitted Staff Data Request No. 35, (see attached Schedule 2) asking for this information and has not received a response prior to completion of its testimony.

Q. Why is an independent AmerenUE approval process important?

A. There is little incentive for Ameren, the parent to promote AmerenUE's best interests separately from the interests of the holding company. The Staff understands that AMS employees performed a limited review of liabilities and even less review, if any, on the cost of service impacts of the proposed Metro East transfer on AmerenUE's Missouri electric and gas ratepayers. A due diligence review of a nonaffiliated purchase or sale of this magnitude would require more documentation than provided in the AmerenUE Application and more documentation than what the Staff has been able to obtain from AmerenUE through discovery.

Q. AmerenUE has asked for an order from the Commission finding that the price paid for the Metro East operation is reasonable. Does the Staff agree that the price is reasonable?

A. There is no evidence that AmerenUE is receiving reasonable and prudent consideration from AmerenCIPS for the business that AmerenUE is transferring to AmerenCIPS. This proposed transfer is not an arms-length transaction. The principal entity that is performing most of the work to effectuate this transfer is AMS, and AMS represents both AmerenUE and AmerenCIPS. The Staff was unable to find any evidence that

AmerenUE entered into this transaction only after it had determined that the transfer was the best financial deal possible for its Missouri customers. The Staff believes the principal factor that caused this transaction to occur was a decision at the holding company level, based upon the advice of AMS, that Ameren's overall corporate holdings would be better served if AmerenUE were no longer a public utility operating in the state of Illinois.

Q. Does this proposed transaction conform with AmerenUE's corporate governance requirements for a transaction of this size and nature?

A. AmerenUE states that the review of the proposed transaction by Ameren's Board of Directors and AmerenUE's Board of Directors is consistent with the governance requirements for these corporate entities. The Staff submitted Staff Data Request Nos. 48 and 49 (see attached Schedule 3 and 4) asking for additional information related to this question. AmerenUE has objected to Staff Data Request No. 48 and has not provided a response to Staff Data Request No. 49 which supports this representation as of the completion of testimony.

APPLICATION OF MISSOURI AFFILIATE TRANSACTIONS RULE TO JDA

Q. Does the affiliate transactions rule waiver requested by AmerenUE in this Application apply to the JDA?

A. The Staff asked this question of AmerenUE in a December 1, 2003, request for clarification of the AmerenUE Application and direct testimony. AmerenUE responded: "The waiver request would not apply to the JDA. As discussed in Mr. Nelson's testimony, the JDA has already received approval from the Missouri Commission. As a result, UE believes that a waiver of the affiliate rules should not be necessary for the JDA."

Q. Why does the Staff believe that the Missouri affiliate transactions rule applies to the JDA?

A. The affiliate transactions rule (the gas rule and the electric rule), among other things, is applicable to transactions between Missouri regulated utilities and non-Missouri regulated and nonregulated affiliates. Since parties to the JDA include AmerenUE, a regulated Missouri utility, AmerenCIPS, an Illinois regulated affiliate and Ameren Energy Generating Company (AEG), a nonregulated Illinois affiliate, the affiliate transactions rule applies. The affiliate transactions rule allows for a waiver pursuant to 4 CSR 240-20.015 (10)(A)(2): "A regulated electric corporation may engage in an affiliate transactions not in compliance with the standards set out in subsection (2)(A) of this rule, when to its best knowledge and belief, compliance with the standards would not be in the best interests of its regulated customers and it complies with the procedures required by subparagraphs (10)(A)2.A. and (10)(A)2.B. of this rule..." The standards in subsection (2)(A) are:

> A regulated electrical corporation shall not provide a financial advantage to an affiliated entity. For the purposes of this rule, a regulated electrical corporation shall be deemed to provide a financial advantage to an affiliated entity if-
>
> 1. It compensates an affiliated entity for goods or services above the lesser of-
>
> A. The fair market price; or
>
> B. The fully distributed cost to the regulated electrical corporation to provide the goods or services for itself; or
>
> 2. It transfers information, assets, goods or services of any kind to an affiliated entity below the greater of-
>
> A. The fair market price; or
>
> B. The fully distributed cost to the regulated electrical corporation.

The affiliate transactions rule is directly applicable to the JDA and must be addressed in any present or future negotiations or amendments to the JDA.

Q. Will AmerenUE assert that waiver of the Commission's affiliate transactions rules to the proposed transfer also applies to the JDA?

A. AmerenUE has not proposed this but appears to consider the JDA exempt from the affiliate transactions rule because the Commission authorized the Union Electric Company/CIPSCO Inc. merger in Case No. EM-96-149 prior to the effective date of the Missouri electric affiliate transactions rule.

Q. Has the Staff met with AmerenUE to discuss the Staff's concerns relating to the JDA?

A. Yes. The Staff has had discussions with AmerenUE relating to the impact that the Metro East transfer would have on the allocation of expenses and revenues as provided for in the JDA. The Staff believes that amendments to the JDA are necessary prior to any approval of the proposed Metro East transfer. Staff witness Dr. Michael S. Proctor, of the Energy Department explains more about the JDA in his rebuttal testimony and about how, if the JDA is not amended, the transfer will be a detriment to Missouri ratepayers.

In addition, the Staff believes that the JDA is subject to the Missouri affiliate transactions rule. The fact that the current JDA was entered into as part of the merger of Union Electric Company and CIPSCO, Inc., which was authorized in Case No. EM-96-149, does not exclude it from the affiliate transactions rule review in this proceeding. Any present or future negotiations or amendments to the JDA would require compliance with the Commission's electric affiliate transactions rule.

ADDITIONAL LIABILITIES APPLICABLE TO THE METRO EAST TRANSFER

Q. As a result of the Metro East transfer, will a reasonable amount of general corporate liabilities (e.g., environmental, manufactured gas plant, AmerenUE/AmerenCIPS costs liability, money pool liabilities, short-term debt, etc.) be transferred to AmerenCIPS associated with the reduction in the size of AmerenUE's corporate operations?

A. No portion of common AmerenUE general corporate liabilities that apply to both operations in Missouri and Illinois are proposed to be transferred to AmerenCIPS as a condition of the Metro East transfer, nor is it being proposed that AmerenUE receive compensation from AmerenCIPS in recognition of it assuming full responsibility for these common liabilities. AmerenUE has failed to quantify this area or address this issue before agreeing to this transaction. Because of the lack of information, the Staff cannot recommend approval of the transfer because the shifting of these liabilities primarily to Missouri is detrimental to the public interest. AmerenUE customers will be retaining all of the common general corporate liabilities with no corresponding compensation. The transfer should not be approved until AmerenUE has provided verified information that AmerenUE will transfer a reasonable portion of its common corporate liabilities associated with its prior operations in Illinois or receive fair compensation for the amount of general corporate liabilities that it will assume as a result of the transfer.

Q. What are general corporate liabilities?

A. General corporate liabilities are Ameren liabilities that are not directly related to the company's specific operations (e.g. electric, gas, non-regulated) in a particular state. These liabilities are related to the operation of Ameren as a whole or its property ownership function.

Q. Did AmerenUE assign liabilities allocated between AmerenUE Missouri and AmerenUE Illinois to AmerenCIPS in the Metro East transaction?

A. No, it did not. AmerenUE's witness, Mr. Craig D. Nelson, in his direct testimony at Schedule 2, pages 3 and 8 provided a list of eight liability accounts to be included in the accounting entry if the transfer of the Metro East properties to AmerenCIPS occurs. Mr. Nelson also includes an amount, estimated as of December 31, 2003, for the portion of each of these eight liability accounts to be transferred. There were no workpapers or any other detail to support these numbers or to identify how the amounts were determined, so the Staff was unable to assess their accuracy. The workpapers provided in response to Staff Data Request No. 2 did not include support for Mr. Nelson's Schedule 2, pages 3 and 8.

The Staff submitted Staff Data Requests Nos. 27, 28 and 29 (see attached Schedules 5, 6 and 7) in an attempt to quantify all AmerenUE liabilities, including general corporate liabilities allocated to AmerenUE Missouri and Illinois ratepayers. AmerenUE objected to these Staff Data Requests. A complete analysis of all the liabilities is required before the Staff can be reasonably confident that AmerenUE has captured and given consideration to all liabilities in its proposed transaction.

Q. Did the Staff attempt to obtain this information from AmerenUE?

A. Yes. In discussions on January 26, 2004, with AmerenUE, the Staff attempted to resolve discovery issues related to Staff Data Request No. 29. At that time the Staff learned that Schedule 2, pages 3 and 8 were not compiled by Mr. Nelson, but by others. AmerenUE indicated that it would make available to the Staff the workpapers to support the numbers in Mr. Nelson's Schedule 2, pages 3 and 8. The workpapers were provided on January 27, 2004. The Staff has not yet had an opportunity to review these workpapers to

determine if the allocation of these liabilities appears reasonable. The Staff is currently reviewing these additional workpapers.

In the January 26, 2004, discussions, AmerenUE did review the approach that it took in making its determination of liabilities to include in the Metro East transfer transaction. A complete analysis of all the liabilities, including environmental liabilities, is required before the Staff can be reasonably confident that AmerenUE has captured and given consideration to all liabilities in its proposed transaction. If the Commission were to decide to approve the Application for transfer, the Staff recommends that additional environmental liabilities be assigned to AmerenCIPS, but without completion of the analysis whether there are additional liabilities resulting from the Metro East transfer transaction that should be transferred to AmerenCIPS, the transaction is detrimental to the public interest.

Q. What is the detriment to the public interest from not allocating common general corporate liabilities to AmerenCIPS in the Metro East transfer?

A. As of the date of this filing, the Staff has not been able to quantify the impact to AmerenUE's Missouri ratepayers of AmerenUE failing to transfer a portion of common general corporate liabilities to AmerenCIPS as part of the proposed Metro East transfer transaction. The Staff has not performed this quantification because AmerenUE has not provided the information requested that is necessary to do so. The Staff is unable to recommend approval of the proposed transfer because AmerenUE has failed to provide sufficient information for the Staff to complete an analysis that would allow a determination of whether the transfer would be detrimental to the public interest.

Q. What is AMS?

A. Ameren Services Company or AMS is a service company within the overall Ameren corporate structure. AMS performs many of the general corporate overhead functions for the other Ameren affiliates.

Q. How does AMS allocate its costs of operation to the Ameren affiliates?

A. AMS employee labor and overhead costs are directly and indirectly allocated to Ameren affiliates based upon the service or job function requested. AMS assigns a service request number to designate each service or job function requested and charges costs to each affiliate receiving the service based upon one of many allocation factors. Staff Data Request No. 31 asked AmerenUE to identify service requests that would have all or a portion of the related charges transferred to AmerenCIPS upon the closing of the Metro East transfer. The response provided a listing of over 290 service requests that are entirely charged to AmerenUE.

Q. What will be the impact of reallocating common corporate costs from AmerenUE Illinois customers to AmerenUE Missouri customers and AmerenCIPS?

A. AmerenUE did not perform an analysis on AmerenUE's cost of service after the transaction to quantify the impact of reallocating these charges between AmerenUE and AmerenCIPS. Depending upon which allocation factor is applied to each service request, it is possible that costs may be reallocated entirely to AmerenUE Missouri ratepayers. The Staff's review of service requests in the recent AmerenUE gas rate case, Case No. GR-2003-0517, provided some quantification of these charges. The charges to AmerenUE in 2003 for five of the service requests that the Staff could identify from the listing provided in response to Staff Data Request No. 31 alone exceeded $8 million. The majority of the service requests do not allocate charges in this magnitude but the Staff would require that an analysis of these common corporate costs allocated to AmerenUE and

AmerenCIPS be quantified prior to being able to determine if the Metro East transfer is detrimental to the public interest. This is an analysis that should have been performed by AmerenUE before it agreed to the Asset Transfer Agreement.

Q. How did AmerenUE address the issue of the cost impact of this transaction in its direct testimony filing?

A. AmerenUE witness Richard A. Voytas on page 3, lines 6-10 of his direct testimony states:

> Production related fixed operations and maintenance ("O&M") expenses as well as administrative and general ("A&G") expenses that currently are allocated to AmerenUE's Illinois customers will be allocated to AmerenUE's Missouri customers after the transfer. However, the transfer is still expected to be the least cost alternative to meet AmerenUE's capacity and energy needs.

No workpaper support has been provided by AmerenUE to allow the Staff to determine that these AmerenUE Illinois allocations, which are proposed to be assigned to Missouri retail customers as a result of the proposal are appropriate. AmerenUE indicated through discussions with the Staff that the analysis performed of common corporate costs was confined to generation activities. Transmission and distribution activities resulting in common corporate costs were not included in AmerenUE's analysis. AmerenUE does not know the impact to Missouri ratepayers of the Metro East transfer respecting common corporate allocated costs.

Q. Are there other common general corporate liabilities that AmerenUE is not transferring to AmerenCIPS?

A. Yes. The transfer agreement does not specify the changes necessary to prevent AmerenUE from paying costs from AMS that are related to AmerenCIPS.

Q. Will the contract between AmerenUE and AMS or AMS' cost assignment/allocation methodologies require modification as a result of Commission approval of the requested transactions?

A. Yes. In response to the above question, Mr. Gary Weiss of AMS replied: "We do not anticipate that the Metro East transfer would require any modifications to the General Services Agreement ("GSA"). Instead, the existing allocation factors, service descriptions and language of the GSA should suffice." The General Services Agreement (GSA) between AmerenUE and AMS allows for the reallocation of costs between affiliates based upon a variety of allocation factors AmerenUE is charged by AMS for two types of projects. The first type of project is a work activity that involves AmerenUE and one or more other Ameren affiliate. Costs for these types of projects are charged based on the application of an allocation factor to the project's costs. The second type of project is for activities totally related to AmerenUE.

The Staff does not know if the reallocation of joint and common costs or the total assignment of AmerenUE projects to AmerenUE will prove to be a detriment to AmerenUE Missouri ratepayers because AMS employees on behalf of AmerenUE performed no analysis of this aspect of the Metro East transfer.

The Staff recommends that if the Commission were to decide to approve the transaction, approval should be conditioned on (1) AMS computing new allocation factors to be effective on the date that the transfer is closed and (2) determining the charges applicable to AmerenUE and AmerenCIPS based upon these new allocation factors to be effective on the date that the transfer is closed. The Staff recommends that the proposed transfer should not be approved until there is a finding that AmerenCIPS has provided fair compensation to AmerenUE related to the effect of any reallocation of projects specific to AmerenUE or made

commensurate arrangements. The documentation related to an AMS project is referred to as a service request.

Q. Has AmerenUE or AMS performed any analysis of the effect of the Metro East transfer on the common corporate allocations and ultimate costs assigned to AmerenUE or AmerenCIPS?

A. No. AmerenUE's response to Staff Data Request Nos. 36, 37 and 38 indicate that little if any analysis was performed to determine the impact of the Metro East transfer on the cost of service to AmerenUE's Missouri ratepayers or AmerenCIPS's ratepayers.

AMERENUE'S CASE RELATING TO UNION ELECTRIC COMPANY/CIPSCO, INC. MERGER COSTS

Q. As a result of the Metro East transfer, will a reasonable amount of transition and transaction costs from the Union Electric Company/CIPSCO, Inc. merger be transferred to AmerenCIPS?

A. AmerenUE has deferred a portion of transition and transaction costs related to the merger with AmerenCIPS. These costs would apply to AmerenUE's operations in both Illinois and Missouri. It would be a detriment for Missouri consumers to be required to absorb, as a result of the proposed transfer, the portion of these costs related to AmerenUE's operations in Illinois.

Based on the limited information that the Staff has received from AmerenUE, the Staff has not been able to determine if a detriment exists related to the allocation of Union Electric company/CIPSCO, Inc. merger transition and transaction costs. This question was raised during discussions with AmerenUE. AmerenUE's response indicated that the Illinois Commerce Commission did not allow recovery of the transition and transaction costs related to the Union Electric Company/CIPSCO, Inc. merger. This was offered as a rational for the

failure to assign these costs to AmerenCIPS. The Staff has not been able to determine whether the deferred asset accrued on the books of AmerenUE reflect only the allocated Missouri portion of these costs. If this is not the case, then a portion of these costs needed to be transferred to AmerenCIPS.

AmerenUE's response to Staff Data Request No. 34 asks about the allocation of merger costs related to the Union Electric Company/CIPSCO, Inc. merger, referenced the Staff witness Michael G. Gruner's testimony in the Union Electric Company Case No. EO-96-14. The Staff would need to perform further analysis of transactions posted to relevant accounts, which information was not provided in AmerenUE's workpapers, in order to determine if the deferred asset is recorded accurately. If the deferred asset includes costs applicable to Illinois without transferring these deferrals to AmerenCIPS in the Metro East transaction, failure to do so would be detrimental to the public interest.

Q. Will the proposed Metro East transfer increase the cost of service for AmerenUE's Missouri jurisdictional retail customers?

A. AmerenUE entered into this transaction without a full evaluation of the impacts of the transfer on its cost of service of its remaining operations. AmerenUE did not study the full economic and operational impacts of the transaction on AmerenUE's Missouri retail electric and gas customers. AmerenUE has not provided sufficient information for the Staff to fully evaluate the overall economics of this transaction on AmerenUE's electric and gas operations in Missouri. AmerenUE only studied the economics of the transaction on the generation function for AmerenUE's electric operations in Missouri. The Staff does not find that the limited study performed by AmerenUE provides assurance that the transaction is not detrimental to AmerenUE's Missouri electric customers. Nor did AmerenUE study the economics of the transaction on the transmission and general functions of AmerenUE's

electric operations in Missouri. Staff witness Mr. Michael S. Proctor shows in his testimony that the results of AmerenUE's economic study on the generation function is not substantial enough for the Staff to determine whether or not the transfer is or is not detrimental to the public interest. Additionally, AmerenUE did not evaluate the economics of the transaction on AmerenUE's gas operations in Missouri. For more details on the effects of the transfer on AmerenUE's Missouri gas retail operations, see the rebuttal testimony of Staff witness David M. Sommerer, of the commission's Procurement Analysis Department.

Q. Are there other areas that AmerenUE did not provide sufficient or any detail for the Staff to determine the transfer is not detrimental to the public interest?

A. Yes. AmerenUE's Application and direct testimony regarding the proposed Metro East transfer did not address the AmerenUE SO2 allowances. This would be another area that would need to be examined to develop the full cost impact of the Metro East transfer before a determination can be made that the Metro East transfer is not detrimental to the public interest.

SUMMARY OF STAFF'S POSITION

Q. In summary, what is the Staff's position as to whether the Commission should approve AmerenUE's Metro East transfer application?

A. The Staff recommends that the Metro East transfer not be approved as proposed by AmerenUE. The Staff does not recommend approval of any of the Application related to unspecified or unidentified items. The Staff's position on specific aspects of AmerenUE's request is as follows:

- The Asset Transfer Agreement lacks the specificity required to prevent detriment to the public interest and should not be approved.

- The Commission should not authorize AmerenUE to sell, transfer and assign to AmerenCIPS the assets and liabilities as described in the Asset Transfer Agreement, which assets and liabilities generally constitute AmerenUE's Metro East Service Area, i.e., AmerenUE's Illinois retail electric and natural gas utility operations.

- The Commission should not approve as reasonable and prudent the consideration received by AmerenUE from AmerenCIPS for the transferred assets and liabilities.

- The Commission should not authorize AmerenUE to enter into, execute and perform in accordance with the terms of all other documents not specifically identified, but purportedly reasonably necessary and incidental to the performance of the transactions which are the subject of the Asset Transfer Agreement, which lacks the specificity required to prevent detriment to the public interest and itself should not be approved.

- The Commission should not grant AmerenUE a waiver from the requirement of the electric and gas affiliate transactions rules that a utility should transfer goods and services to an affiliate at the higher of cost or market.

- The Commission should not grant any other relief deemed necessary to accomplish the purposes of the Asset Transfer Agreement and the Application and to consummate the sale, transfer and assignment of the AmerenUE assets and related transactions.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

CASE PROCEEDING PARTICIPATION

JANIS E. FISCHER

PARTICIPATION		TESTIMONY
COMPANY	**CASE NO.**	**ISSUES**
Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2004-0034 & HR-2004-0024	Rebuttal - Sharing of Merger Savings
Osage Water Company	ST-2003-0562 & WT-2003-0563	Rebuttal – EU Operation & Maintenance Agreement, Use of Projected Expenses to Determine Cost of Service for Ratemaking, Utility Plant-Rate Base, Depreciation Expense and Depreciation Reserve
Osage Water Company	ST-2003-0562 & WT-2003-0563	Direct - Test Year, Accounting Schedules, Revenues and Cost of Removal and Salvage
Union Electric Company d/b/a AmerenUE	GR-2003-0517	Direct - Rate Case Expense, Legal Expense, Corporate Franchise Tax, Cost of Removal and Salvage, Pensions and OPEBs
Laclede Gas Company	GR-2002-356	Direct - Pensions and OPEBs, Rate Base Asset, Incentive Compensation
Missouri Gas Energy, Division of Southern Union Company	GR-2002-292	Direct - Pensions and OPEBs, Other Employee Benefits, SERP, COLI Amortization
Missouri-American Water Company	WO-2002-273	Rebuttal - Security Costs, Accounting Authority Order Staff Criteria
Citizens Electric Company	ER-2002-217	Direct - Test Year, Accounting Schedules, Revenues, Purchased Power and Transmission, Other Revenues, Uncollectibles Expense
Union Electric Company d/b/a AmerenUE	EC-2002-1	Surrebuttal - Incentive Compensation
Missouri Public Service, Division of UtiliCorp United, Inc.	ER-2001-672 EC-2002-265	Direct - Pensions and OPEBs, Merger Transition/Transaction Costs, Merger Savings-SJLP, Revenues, Uncollectibles
Missouri Public Service, Division of UtiliCorp United, Inc.	ER-2001-672 EC-2002-265	Rebuttal - Merger Transition/Transaction Costs, Merger Savings-SJLP, Revenues, Uncollectibles
The Empire District Electric Company	ER-2001-299	Direct - Payroll, Pensions and OPEBs, Payroll Related Benefits, Payroll Taxes, Outside Services, Merger Costs, Miscellaneous Expenses True-up Rebuttal – Chemicals, Property Taxes
The Empire District Electric Company	ER-2001-299	Rebuttal - Payroll Expense, Bonuses and Incentive Pay
The Empire District Electric Company	ER-2001-299	Surrebuttal - Payroll Expense, Bonuses and Incentive Pay

PARTICIPATION		TESTIMONY
COMPANY	**CASE NO.**	**ISSUES**
The Empire District Electric Company	ER-2001-299	Supplemental Surrebuttal - Incentive Awards
The Empire District Electric Company	ER-2001-299	True-up Direct - Payroll, Payroll Taxes, Payroll Related Benefits
KLM Telephone Company	TT-2001-120	Direct - Revenue Requirement
UtiliCorp United, Inc./ Empire District Electric Company	EM-2000-369	Rebuttal - Merger Savings, Acquisition Adjustment, Tracking of Merger Savings
UtiliCorp United, Inc./ St. Joseph Light & Power Company	EM-2000-292	Rebuttal - Merger Savings, Acquisition Adjustment, Tracking of Merger Savings
Osage Water Company	WA-98-236 WC-98-211	Rebuttal - Financial Viability, Organizational Costs
Western Resources/ Kansas City Power & Light Company	EM-97-515	Rebuttal - Merger Savings, Tracking of Merger Savings, Transaction Costs, Costs to Achieve
Union Electric Company d/b/a AmerenUE	GR-97-393	Direct - Cash Working Capital, Materials/Supplies, Prepayments, Federal/State Income Tax Offset, Purchased Gas Offset, Interest Expense Offset
The Empire District Electric Company	ER-97-81	Direct - Dues and Donations, Advertising, Rate Case Expenses, PSC Assessment, Non-Health Insurance, Miscellaneous Expenses

Missouri Public Service Commission

Data Request

Data Request No.	0035
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/10/2004
Issue	General Info & Misc. - Affiliated Transactions
Requested From	Mary Hoyt
Requested By	Janis Fischer
Brief Description	Asset Transfer Agreement BOD Approval Documentation
Description	Please provide a copy of the Ameren, AmerenUE, and CIPS's Board of Director's approval of the transaction proposed in this case. Please include the names of the Board members that approved this transaction.
Due Date	01/30/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

Schedule 2

Missouri Public Service Commission

Data Request

Data Request No.	0048
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/18/2004
Issue	General Info & Misc. - Affiliated Transactions
Requested From	Mary Hoyt
Requested By	Janis Fischer
Brief Description	Fairness opinions assets purchased or sold during last 10 years
Description	For all assets purchased or sold by AmerenUE, AmerenCIPS or Ameren over the last 10 years, please provide the following: 1. All fairness opinions of the purchase price paid for the assets or the amount received from the sale of the assets; 2. All estimates, appraisals or other documentation, which address the appropriateness of the amount paid for the assets or amount received from the sale of the assets.
Due Date	02/07/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

Schedule 3

Missouri Public Service Commission

Data Request

Data Request No.	0049
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/18/2004
Issue	General Info & Misc. - Affiliated Transactions
Requested From	Mary Hoyt
Requested By	Janis Fischer
Brief Description	Fairness opinion to approve transfer of business to CIPS
Description	Please provide a copy of all fairness opinions or other similiar documents used by the AmerenUE Board of Directors to approve the transfer of a portion of its business to CIPS.
Due Date	02/07/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

Schedule 4

Missouri Public Service Commission

Data Request

Data Request No.	0027
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/08/2004
Issue	General Info & Misc. - Company Information
Requested From	Mary Hoyt
Requested By	Dave Sommerer
Brief Description	NA
Description	Please provide the current detailed list of the assets and liabilities that AmerenUE will transfer to CIPS in the event that Commission approves the Company's request in this case. Please provide this list by FERC account, and if available FERC subaccount. Please show detailed depreciation reserve by account. The account breakdown should include a description of the account, and the book amount transferred. The list should also include property record or retirement detail to the extent that such information is available.
Due Date	01/28/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

Schedule 5

Missouri Public Service Commission

Data Request

Data Request No.	0028
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/08/2004
Issue	General Info & Misc. - Company Information
Requested From	Mary Hoyt
Requested By	Dave Sommerer
Brief Description	NA
Description	Please identify any differences between the detailed list of assets and liabilities provided under the prior data request, and the proposed journal entries provided with the application. Please quantify the impact on the proposed journal entities of any difference identified.
Due Date	01/28/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

Schedule 6

Missouri Public Service Commission

Data Request

Data Request No.	0029
Company Name	AmerenUE-Investor(Electric)
Case/Tracking No.	EO-2004-0108
Date Requested	01/08/2004
Issue	General Info & Misc. - Company Information
Requested From	Mary Hoyt
Requested By	Dave Sommerer
Brief Description	NA
Description	Please provide a list and description of all AmerenUE liabilities at September 30, 2003. For each liability listed, please specify whether the item pertains to Missouri operations only, Illinois operations only, or Missouri/Illinois operations. Please identify the liabilities and amount that AmerenUE intends transfer to CIPS in the event that the Commission in this case grants its request.
Due Date	01/28/2004

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2004-0108 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the AmerenUE-Investor (Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to AmerenUE-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Security	Public
Rationale	NA

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Schedule 7