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Case No.: EM-96-149

REBUTTAL TESTIMONY

OF

RYAN KIND

Submitted on Behalf of
the Office of the Public Counsel

UNION ELECTRIC COMPANY

Case No. EM-96-149

****Denotes Highly Confidential Information****

May, 1996

Exhibit No. 38
Date 9-5-96 Case No. EM-96-149
Reporter XS

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

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


Case No. EM-96-149

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

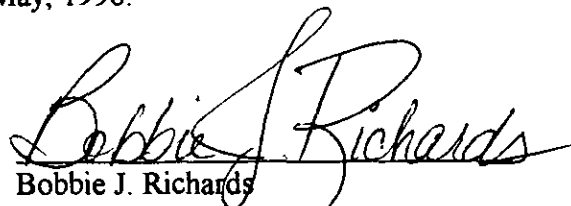
Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am the Chief Public Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony consisting of pages 1 through 64 and Schedules RK-1 through RK-5.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Ryan Kind

Subscribed and sworn to me this 7th day of May, 1996.



Bobbie J. Richards
Notary Public

My commission expires November 3, 1996.

BOBBIE J RICHARDS
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. NOV 3, 1996

TABLE OF CONTENTS

I.	SUMMARY OF PUBLIC COUNSEL'S RECOMMENDATIONS	2
II.	DESCRIPTION OF THE PROPOSED MERGER	6
III.	UNION ELECTRIC'S DECISION TO PROCEED WITH THE MERGER	8
A.	Decision By UE's Management to Pursue Merger With CIPSCO	8
B.	Decision By UE's Board of Directors to Proceed With the Merger	20
C.	Decision By UE's Shareholders to Proceed With the Merger	30
IV.	EFFECTS OF THE PROPOSED UE/CIPSCO MERGER	36
A.	Estimation of Savings for the Proposed UE/CIPSCO Merger	38
B.	Revenue Enhancement Benefits From the Proposed UE/CIPSCO Merger	43
C.	Strategic Competitive Benefits Likely to Benefit the Company's Shareholders and Management	45
V.	UE'S MERGER APPLICATION RATEMAKING PROPOSAL	58

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REBUTTAL TESTIMONY

OF

RYAN KIND

UNION ELECTRIC COMPANY

CASE NO. EM-96-149

6 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

7 A. Ryan Kind, Chief Public Utility Economist, Office of the Public Counsel, P.O. Box 7800,
8 Jefferson City, Missouri 65102

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

10 A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of
11 Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as
12 a Teaching Assistant with the Department of Economics, and taught classes in
13 Introductory Economics, and Money and Banking, in which I served as a Lab Instructor
14 for Discussion Sections.

15 My previous work experience includes three and one-half years of employment with the
16 Missouri Division of Transportation as a Financial Analyst. My responsibilities at the
17 Division of Transportation included preparing transportation rate proposals and testimony
18 for rate cases involving various segments of the trucking industry. I have been employed
19 as an economist at the Office of the Public Counsel for approximately five years.

20 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

Rebuttal Testimony of
Ryan Kind

1 A. Yes, prior to this case I submitted written testimony in numerous gas rate cases, several
2 electric rate design cases and rate cases, as well as other miscellaneous gas, electric, and
3 telephone cases.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I will provide an overview of the Office of the Public Counsel's (Public Counsel's or
6 OPC's) positions regarding the Union Electric Company's (UE's) merger application. All
7 of Public Counsels recommendations are contained in my testimony, however, some
8 recommendations are explained in further detail and supported in the testimony and legal
9 memorandum that are filed coincident with this rebuttal testimony.

10 In addition to providing an overview of OPC's positions in this case, my testimony
11 contains analysis of several aspects on UE's application. These areas include: (1) a
12 description of the proposed merger, (2) an analysis of the rationale for UE's decision to
13 proceed with the merger, (3) a discussion of the effects of the proposed UE/CIPSCO
14 merger, and (4) an analysis of UE's merger application ratemaking proposal.

15 **I. Summary of Public Counsel's Recommendations**

16 **Q. PLEASE SUMMARIZE PUBLIC COUNSEL'S RECOMMENDATIONS IN THIS CASE.**

17 A. Public Counsel believes that the merger, as proposed by UE, is detrimental to the public
18 interest. The merger, as proposed, is detrimental for each of the following reasons:

- 19 • The ratemaking proposal, which is a central part of UE's merger
20 application, would have the effect of shifting all of the risk associated with
21 the merger to ratepayers.

Rebuttal Testimony of
Ryan Kind

- 1 • The loss of Missouri Public Service Commission jurisdiction, and the
2 attendant loss of the protection afforded ratepayers by the Commission's
3 oversight, is a real and significant detriment to the public.

4 **Q. UNDER WHAT CONDITIONS COULD THE COMMISSION APPROVE THIS MERGER SO**
5 **THAT IT WOULD NOT BE DETRIMENTAL TO THE PUBLIC INTEREST?**

6 **A. Both aspects of the merger which are causing a detriment to the public interest would have**
7 **to be remedied. The approval of the merger should be conditioned on UE's acceptance of**
8 **the following terms:**

- 9 • Its ratemaking proposal should be rejected outright by the Commission, as
10 OPC witness Russell W. Trippensee states in his rebuttal testimony:
11 "Public Counsel is not opposed to the recovery of reasonable transaction
12 costs and transition costs associated with the merger. OPC would
13 recommend that these costs be deferred and recovered over a ten-year
14 period."
15 • UE should voluntarily make a *binding and enforceable commitment on*
16 *behalf of Ameren and all subsidiaries to be bound by state commission*
17 *action and to not argue federal preemption by either the FERC or the*
18 *SEC. Alternatively, Applicants could agree to restructure the merger*
19 *proposal to eliminate this problem. UE should commit to make the books*
20 *and employees of the holding company and all its subsidiaries reasonably*
21 *available.*

22 **Q. PLEASE SUMMARIZE THE CONCLUSIONS THAT YOU HAVE REACHED BASED ON THE**
23 **FACTS PRESENTED IN YOUR TESTIMONY AND YOUR ANALYSIS OF THOSE FACTS.**

Rebuttal Testimony of
Ryan Kind

1 A. I have concluded that it is very ironic that UE has chosen to pursue a merger transaction
2 that is likely to reduce its risk of future operations (due to geographic diversity, gas
3 LDC/electric diversity, dilution of UE's nuclear investment risk, and the effect of
4 assembling strategic transmission and generation assets that will enable UE to better
5 compete in the future) through a merger proposal that shifts all of the risk to ratepayers.
6 I've made this conclusion for the following reasons: First, **

7 _____
8 _____
9 _____
10 _____
11 _____
12 _____
13 _____

14 **

15 Second, as noted throughout this testimony, UE expects to see many long-term strategic
16 benefits from this merger. These long term benefits can be expected to enhance earnings
17 and lower risk over the long-term and UE's investors will certainly consider them.

18 **Q. PLEASE PROVIDE A SUMMARY OF THE CONCLUSIONS THAT RUSS TRIPPENSEE**
19 **ARRIVED AT IN HIS TESTIMONY.**

20 A. The Company's proposal to require the ratepayer to pay \$232 million in additional
21 revenues over the next ten years is detrimental to the public interest. The basis for this
22 payment is unsubstantiated, and any quantification is based on stock sales which may or
23 may not occur and which, in any event, are not related to the Company's financial
24 operations. The Company's proposal to require the ratepayer to pay \$158 million over the
25 next ten years, allegedly to share the net merger savings with the stockholder, is nothing

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Rebuttal Testimony of
Ryan Kind

1 more than an unsolicited deep grab into the ratepayers' pockets. The two proposals also
2 represent two major adjustments to the Alternative Regulation Plan (ARP) currently in
3 place for UE which violate the intent of the ARP and bring into question the good faith
4 with which that agreement was made. Finally, Public Counsel is not opposed to the
5 recovery of reasonable transaction costs and transition costs associated with the merger.
6 OPC would recommend that these costs be deferred and recover over a ten-year period.
7 While it could be argued that these transaction and transition costs are more akin to
8 organizational costs which would normally be recovered over the average life of the utility
9 property, OPC believes that a ten-year period represents a reasonable recovery period in
10 light of the alleged merger synergies which may occur.

11 **Q. PLEASE PROVIDE A SUMMARY OF THE CONCLUSIONS THAT MARK BURDETTE**
12 **ARRIVED AT IN HIS TESTIMONY.**

13 **A.** The regulatory treatment proposed by UE of merger transaction/transition costs and the
14 alleged merger premium assures the company recovery of its claimed actual investment
15 and the alleged merger premium regardless of whether any savings are actually achieved.
16 After these amounts are deducted from the estimated savings and depending on where the
17 company is in the current sharing grid, the company would then have first claim on any
18 remaining merger related savings before ratepayers have an opportunity to benefit.

19 Ratepayers' ability to actually achieve a 50/50 sharing of net merger savings claimed by
20 UE is highly questionable under the company's proposal.

21 **Q. WHAT IS THE BASIS FOR OPC'S CONCLUSIONS ABOUT THE DETRIMENTAL EFFECTS**
22 **RESULTING FROM THE COMMISSION'S LOSS OF JURISDICTION TO THE FERC AND**
23 **THE SEC?**

Rebuttal Testimony of
Ryan Kind

1 A. We have arrived at these conclusions based on the legal memorandum that was filed by
2 OPC attorney Lewis Mills at the same time our rebuttal testimony was filed.

3 **II. Description of the Proposed Merger**

4 **Q. PLEASE DESCRIBE THE TRANSACTION WHICH PRECIPITATED UE'S MERGER**
5 **APPLICATION.**

6 A. On August 11, UE and CIPSCO Incorporated (CIPSCO) signed the Agreement and Plan
7 of the Merger (merger agreement) which spells out the terms and conditions of the
8 proposed merger. If approval of UE's proposal is obtained from all of the regulatory
9 agencies that will be reviewing this proposed merger, UE and CIPSCO will become
10 wholly-owned subsidiaries of Ameren Corporation (Ameren). In addition, CIPSCO
11 Investment Company, which is currently a wholly-owned subsidiary of CIPSCO, will
12 become a wholly-owned subsidiary of Ameren.

13 The merger agreement calls for UE shareholders to exchange each of their shares of stock
14 for one share of Ameren stock and for CIPSCO shareholders to exchange each of their
15 shares of stock for 1.03 shares of Ameren stock. UE believes that this transaction will be
16 considered a "pooling of interests" for tax purposes so that the exchange will be considered
17 tax free for tax purposes.

18 **Q. WHY ARE CIPSCO SHAREHOLDERS RECEIVING 1.03 SHARES OF AMEREN STOCK**
19 **FOR EACH SHARE OF THEIR CIPSCO STOCK WHEN UE SHAREHOLDERS ARE JUST**
20 **RECEIVING ONE SHARE OF AMEREN STOCK FOR EACH SHARE OF THEIR UE STOCK?**

21 A. Because UE's management, Board of Directors, and shareholders have decided that the
22 long-term strategic advantages and enhanced earnings potential expected to result from the

Rebuttal Testimony of
Ryan Kind

1 merger are sufficient to justify giving CIPSCO shareholders Ameren stock which is
2 expected to have a higher market value than their CIPSCO stock. In a question and
3 answer portion of UE's January Interconnect (a video program for UE employees) UE's
4 treasurer Jerre Birdsong stated that "That exchange ratio is just a mathematical
5 formulation of the 23% merger premium, and that merger premium is necessary in order to
6 induce the current CIPSCO stockholders to vote for the merger and give up total control of
7 their company and be less than majority owner of the new Ameren Corporation."

8 **Q. ARE THERE ANY OTHER AGREEMENTS WHICH UE AND CIPSCO HAVE EITHER**
9 **EXECUTED OR PROPOSED TO BE EXECUTED AS PART OF THIS TRANSACTION?**

10 **A.** Yes, these other agreements include: the System Support Agreement, the Joint Dispatch
11 Agreement, and the General Services Agreement. The System Support Agreement
12 provides for the sale of approximately 600 mW from UE to CIPSCO to serve UE's Illinois
13 customers, which will become CIPSCO customers if the merger is approved. UE and
14 CIPSCO have proposed a modification to this agreement and the final state of this
15 agreement is currently uncertain. UE and CIPSCO have not yet agreed upon the General
16 Services Agreement but they have decided to create a subsidiary of Ameren named Ameren
17 Services which will provide support services for both of the operating companies (UE and
18 CIPSCO).

19 **III. Union Electric's Decision to Proceed With the Merger**

20 **Q. WHAT MERGER APPROVALS HAVE ALREADY OCCURRED AT THE CORPORATE LEVEL?**

21 **A.** The managements, Board of Directors, and shareholders of both UE and CIPSCO have
22 decided to approve the merger agreement. UE's Board of Directors unanimously approved

Rebuttal Testimony of
Ryan Kind

1 the merger agreement on August 11, 1995 and UE's shareholders voted to approve the
2 merger agreement on December 20, 1995.

3 **III.A. Decision By UE's Management to Pursue Merger With CIPSCO**

4 **Q. WHY DID UE'S MANAGEMENT DECIDE TO PURSUE A MERGER WITH CIPSCO?**

5 A. I believe UE's management made this decision because of the near-term (3-5 years)
6 earnings benefits and the long-term strategic benefits that are expected to result from the
7 merger. UE witness Mr. Gary Rainwater addresses this question at line 17 on page 8 of
8 his Direct Testimony, where he states that "our rationale is simple. Our purpose is to
9 reduce the combined operating costs of UE and CIPS." On the next page of his testimony,
10 Mr. Rainwater explains that the three reasons for lowering costs are: (1) "a basic
11 obligation to our customers to operate as efficiently as possible", (2) "an obligation to
12 provide a fair return to our shareholders", and (3) because "[c]ost reduction is our most
13 effective way to prepare for competition, since lower costs mean lower rates."

14 **Q. DO YOU BELIEVE UE IS HIGHLY CONCERNED WITH HOW WELL IT MAY BE ABLE TO**
15 **COMPETE IN A MORE COMPETITIVE ENERGY INDUSTRY?**

16 A. Yes, in response to an OPC DR regarding UE's appraisal of the likelihood of retail
17 competition in Missouri, UE stated that it "has adopted a must assume approach to the
18 direct retail competition issue." A video that UE produced for its employees entitled
19 *Competing for the Future* is another indication of UE's concern about its ability to
20 compete in a more competitive energy industry. The introductory portion of this video has
21 a large picture of a phony *St. Louis Post Dispatch* headline from the future that reads
22 "Shocking...Missouri Opens Electric Market to Competition."

Rebuttal Testimony of
Ryan Kind

1 Q. HAVE YOU SEEN ANY DOCUMENTS OTHER THAN MR. RAINWATER'S TESTIMONY THAT
2 ARE INFORMATIVE WITH RESPECT TO THE REASONS WHY UE'S MANAGEMENT
3 DECIDED TO PROCEED WITH THE MERGER?

4 A. Yes, six days prior to the filing of this testimony, OPC received a document from UE
5 entitled, *Goldman Sachs Presentation to Union Electric Company, June 15, 1995*.

6 Q. DID YOU JUST RECENTLY OBTAIN THIS DOCUMENT BECAUSE YOU ONLY RECENTLY
7 SENT A DR TO UE CONCERNING THIS SUBJECT?

8 A. No, OPC believes that a number of DRs that have been sent by both the Missouri PSC
9 Staff (Staff) and OPC over the last six months requested documents of this type. These
10 DRs included Staff DR Nos. 5 (sent to UE on November 22, 1995) and 30, as well as
11 OPC DR Nos. 527, 531, 535, and 547.

12 Q. DID THE LATE ARRIVAL OF THIS DOCUMENT INTERFERE WITH OPC'S EFFORTS TO
13 EVALUATE UE'S MERGER PROPOSAL?

14 A. Yes, this document's late arrival (1) prevented OPC from doing follow up discovery on
15 this document prior to this testimony, (2) prevented us from raising questions pertaining to
16 this document in the interviews conducted with UE witnesses in this case, and (3) left OPC
17 with inadequate time to evaluate the contents of this document. The late arrival of this
18 document was particularly significant in light of UE's claims that there were no documents
19 (except for documents such as press releases and the joint proxy that were used to
20 communicate with the general public, the investment community, or shareholders) created
21 by UE personnel where the management's rationale for deciding to merge with CIPSCO is
22 formulated, evaluated, and articulated. OPC reserves the right to file supplemental

Rebuttal Testimony of
Ryan Kind

1 rebuttal testimony based on UE's responses to follow-up data requests regarding this
2 document.

3 Q. PLEASE GIVE AN OVERVIEW OF THE CONTENTS OF THE DOCUMENT ENTITLED,
4 GOLDMAN SACHS PRESENTATION TO UNION ELECTRIC COMPANY, JUNE 15, 1995.

5 A. This document includes: ** _____
6 _____
7 _____
8 _____
9 _____
10 _____
11 _____
12 _____ **

13 Q. PLEASE DESCRIBE THE UE/CIPSCO MERGER BENEFITS CITED IN GOLDMAN SACHS
14 PRESENTATION TO UNION ELECTRIC COMPANY, JUNE 15, 1995.

15 A. First of all, I need to note that this document uses the name ** _____
16 _____
17 _____
18 _____

19 _____ ** The key long-term strategic benefits to Union Electric are described on this
20 page where it states that:

21 ** _____
22 _____
23 _____

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Rebuttal Testimony of
Ryan Kind

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Q. WHAT OTHER TOPICS ARE ADDRESSED IN THE DOCUMENT'S EXECUTIVE SUMMARY PAGE?

A. This page also addresses ** _____

_____** The summary also states that:

** _____

_____**

Q. PLEASE DESCRIBE THE PRO FORMA FINANCIAL ANALYSIS CONTAINED IN THE JUNE 15 GOLDMAN SACHS DOCUMENT.

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Rebuttal Testimony of
Ryan Kind

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A. This analysis which appears on pages 12, 13, and 14 of this document appears in Schedule
RK-1. On page 12, Goldman Sachs stated that "*** _____

_____*** On the following page of this document, Goldman Sachs indicated
that "*** _____
_____***"

Q. WHAT DID THE PORTION OF THE JUNE 15, 1996 DOCUMENT CONTAINING ** _____

_____**

A. ** _____** was on page 25 of the document and included the
following text:

** _____

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Rebuttal Testimony of
Ryan Kind

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Q. DOES THE *** _____

_____ **

A. Yes, it does.

Q. WHAT DID THE PORTION OF THE JUNE 15, 1996 GOLDMAN SACHS DOCUMENT
PERTAINING TO ** _____ ** CONSIST OF?

A. The page (page 21) pertaining to this subject contained a ** _____

_____ **

Q. ** _____

_____ **

Q. DO YOU KNOW IF UE UTILIZED ANY ** _____ ** IN ITS PURSUIT OF
CIPSCO?

A. ** _____ ** I believe that the stock options associated with the merger agreement which
allowed UE to purchase a significant portion of CIPSCO stock at favorable prices if

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Rebuttal Testimony of
Ryan Kind

1 CIPSCO chose to back out of the agreement were included in the merger agreement to
2 discourage CIPSCO from backing out of the agreement.

3 Q. WILL YOU BE COMMENTING ON THE DISCUSSION OF ** _____
4 _____ ** THAT WAS
5 CONTAINED IN THE GOLDMAN SACHS PRESENTATION TO UNION ELECTRIC
6 COMPANY, JUNE 15, 1995 ?

7 A. No, I will not since OPC witness Mr. Trippensee addresses this in his testimony as part of
8 his analysis of the "premium" issue.

9 Q. ARE YOU AWARE OF ANY ANALYSIS PERFORMED BY OR FOR UE INDICATING THAT
10 THIS PROPOSED MERGER MIGHT HAVE SOME OVERALL NEGATIVE IMPACT ON UE'S
11 SHAREHOLDERS?

12 A. No, I have not seen any analysis that would indicate this. Based on UE's response to OPC
13 DR No. 527, I do not believe that the Company's management or Board of Directors has
14 seen any such analysis that was performed by either UE or its consultants. OPC DR No.
15 527 requested UE to:

16 Please provide a copy of all documents created by UE or its agents, or
17 CIPSCO or its agents, that contain descriptions or analyses of any adverse
18 impact on UE shareholders that may be attributable to the merger. This
19 DR should be interpreted to include, but not be limited to, descriptions or
20 analyses of adverse impacts associated with:

- 21 a) the risk that Missouri or Illinois regulatory commissions may not
22 allow merger premium recovery as proposed by UE and CIPSCO;
23 or
24 b) Illinois and/or Missouri regulatory commission decisions that do
25 not allow merger premium recovery as proposed by UE and
26 CIPSCO.

27 If no such documents exist, please provide a statement to that effect.

Rebuttal Testimony of
Ryan Kind

1 UE's response to this DR stated that "[n]o such documents exist."

2 **Q. HAVE YOU REVIEWED ANY OTHER DOCUMENTS THAT WERE PREPARED BY UE'S**
3 **MANAGEMENT AND EXPRESSED OPINIONS REGARDING THE DESIRABILITY OF THE**
4 **PROPOSED MERGER?**

5 **A.** Yes, in response to OPC DR No. 622 we received the 10th draft of a 16 page document
6 that UE prepared in order to be ready to answer questions from the investment community,
7 UE investors, the media, customers, and UE employees. Although the document is
8 stamped Highly Confidential, it was voluntarily declassified by UE. This entire document
9 is included in Schedule RWT-2 of Mr. Trippensee's direct testimony. In response to OPC
10 DR No. 660, UE indicated that this document was prepared by the UE Corporate
11 Communications Department and reviewed by Charles Mueller, William Jaudes, Gary
12 Rainwater, and Donald Brandt.

13 **Q. HAVE YOU COMPARED THE RESPONSES IN THE "FINANCIAL QUESTIONS AND**
14 **ANSWERS" PORTION OF THIS DOCUMENT TO RESPONSES MADE BY MR. MUELLER**
15 **AND MR. BRANDT IN THE AUGUST 14 CONFERENCE CALL WITH INVESTMENT**
16 **ANALYSTS?**

17 **A.** Yes, I have. The responses made by Mr. Mueller and Mr. Brandt in the August 14
18 conference call seem to all be consistent with the answers appearing in the question and
19 answer document.

20 **Q. NEXT, I'D LIKE YOU TO SHOW HOW THE QUESTION AND ANSWER DOCUMENT**
21 **ADDRESSES THE QUESTION OF DILUTION. FIRST, COULD YOU PLEASE EXPLAIN WHAT**
22 **DILUTION AND ACCRETION MEAN, AS THESE TERMS ARE GENERALLY USED IN THIS**
23 **CASE?**

Rebuttal Testimony of
Ryan Kind

1 A. The term accretion is generally used to describe an increase in earnings per share (EPS) to
2 a level above that which would have existed if the merger had not occurred. The term
3 dilution would be used to describe a decrease in EPS to a level below that which would
4 have existed if the merger had not occurred.

5 Q. NOW, PLEASE EXPLAIN HOW THE QUESTION AND ANSWER DOCUMENT ADDRESSES
6 THE QUESTION OF DILUTION.

7 A. There are several different questions and answers on this subject. The first appears on
8 page 1 in the portion of the document that contains answers to possible questions from the
9 financial community. The following question and answer appears in this part of the
10 document:

11 Q: Is the transaction dilutive?

12 A: We expect no dilution in the first two years after the transaction
13 closes. After we achieve the synergies we expect, we will see earnings
14 accretion begin to flow to stockholders and cost savings flow to
15 customers.

16 In another portion of the question-and-answer document that includes answers that should
17 be given in response to inquiries by UE's investors (RWT-2, page 8), the following
18 question and answer appears:

19 Q: Is this transaction dilutive? (In this sense, dilutive means weakening
20 the worth of a share of stock -- a very general definition.)

21 A: We expect no dilution. And, after the two companies begin to
22 implement savings programs, stockholders would begin to see benefits
23 from improved earnings -- depending on economic conditions and other
24 factors.

25 In yet another portion of the question-and-answer document that includes answers that
26 should be given in response to inquiries by the media or UE's customers (RWT-2, page
27 11), the following question and answer appears:

Rebuttal Testimony of
Ryan Kind

1 Q: Is this transaction dilutive?

2 A: We expect no dilution in the first two years after the transaction
3 closes. After we achieve the synergies we expect, we will see earnings
4 begin to flow to stockholders and cost savings flow to customers.

5 Q. DOES THE QUESTION AND ANSWER DOCUMENT ADDRESS THE QUESTION OF
6 WHETHER UE OR ITS SHAREHOLDERS ARE PAYING ANYTHING FOR THE 23%
7 PREMIUM?

8 A. Yes. The first portion of the document that contains answers to potential questions from
9 the financial community contains the following question and answer exchange at page 2:

10 Q: UE is paying a 23 percent premium that won't be recoverable in rates.
11 How will you get that back?

12 A: *Since this is a business combination, strictly speaking, UE is not*
13 *"paying" anything.* The exchange ratio is 1.03 shares of the new holding
14 company for CIPSCO holders; 1 share in the new holding company for
15 Union Electric stockholders. Our regulators will look at that issue in
16 today's business climate -- one of increasing utility competition, and one
17 in which UE is already committed to share savings with customers. We
18 expect this merger to create efficiencies that will result in a sharing of net
19 savings between our customers and our stockholders. (emphasis in
20 original).

21 In a later portion of the question-and-answer document that appears to include answers
22 that should be given in response to inquiries by UE's investors (RWT-2, page 9), the
23 following question and answer appears:

24 Q: How much is this costing me as a stockholder?

25 A: The long-run goal of the transaction is to create a stronger company,
26 which means a better investment.

27 Q. THE ABOVE QUOTE REFERS TO CREATION OF A "BETTER INVESTMENT." DOES THIS
28 REFER TO ANY INVESTMENT MADE IN THE MERGED COMPANY'S RATE BASE?

Rebuttal Testimony of
Ryan Kind

1 A. No. It is simply a reference to the enhanced market value of the shareholders' investment
2 that UE expects to result from the proposed merger.

3 Q. HAVE YOU RECEIVED ANY INFORMATION FROM UE THAT SHEDS LIGHT ON THE
4 DECISION BY UE'S MANAGEMENT TO PURSUE THE CIPSCO MERGER AT THIS
5 PARTICULAR TIME?

6 A. Yes, I have. As I mentioned earlier in my discussion of the contents of the Goldman Sachs
7 Presentation to Union Electric Company, June 15, 1995, Goldman Sachs noted that

8 ***
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10 **
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11 The interview that the Staff and OPC held with Gary Rainwater on March 27, 1996 shed
12 some additional light on this subject. The following exchange between Mr. Rainwater and
13 Mr. Oligschlaeger began on page 3 of the transcript from that interview:

14 MR. RAINWATER: We had looked at CIPS over a period of several
15 years, and we had made some very general calculations of what merger
16 savings might be. CIPS had also. I am not sure if this was a result of
17 looking specifically at Union Electric or a result of working with another
18 company. I had also done some preliminary assessment of merger
19 savings.

20 MR. OLIGSCHLAEGER: What would be the timing of those
21 preliminary estimates? Are we talking prior to the June 19th conversation
22 between Mr. Miller [sic] and Mr. Greenwald [sic]?

23 MR. RAINWATER: The numbers that we had put together were
24 probably done two or three years before that. And the numbers that CIPS
25 had put together were done, I would guess, within the previous six
26 months.

27 MR. OLIGSCHLAEGER: Would you have also done any estimates of
28 savings of other merger candidates besides CIPS as part of that effort?

Rebuttal Testimony of
Ryan Kind

1 MR. RAINWATER: We had looked at other companies as potential
2 merger candidates. We had not gone to the extent of calculating merger
3 savings with any other.

4 MR. OLIGSCHLAEGER: Is it fair to say even at that time CIPS was
5 regarded in some way as a more favorable candidate for eventual
6 acquisition?

7 MR. RAINWATER: Well, I can't say absolutely sure what Chuck
8 Mueller's conclusion was, but my own conclusion was that CIPS was the
9 best potential candidate.

10 Later in the same interview, Mr. Rainwater and I had the following exchange regarding
11 this same subject:

12 MR. KIND: Against [sic] this is back to something that we were talking
13 about this morning that you mentioned in your testimony. You mentioned
14 that what you list as sort of being the number one motivation for the
15 merger is the duty that UE has to operate as efficiently as possible. And
16 also this morning you mentioned that UE had done some analysis two to
17 three years prior to this merger decision occurring.

18 And I think as I recall that that analysis that you described was
19 indicated to UE that there were some significant savings to be had with
20 merging with CIPS?

21 MR. RAINWATER: That is right.

22 MR. KIND: What I am wondering is given that UE believes that they
23 have this duty to operate as efficiently as possible and given that you had
24 done some analysis two or three years ago and that at least two years ago
25 that indicated that there were some likelihood of some savings, why did
26 UE wait for CIPS to approach them to decide? Why didn't UE just
27 respond to the analysis that they have done and say, hey, we have got an
28 obligation to serve our customers as efficiently as possible, let's not wait
29 for them to ask, and let's ask them right away?

30 MR. RAINWATER: I can't answer that question because it was not my
31 decision. That's a decision, in fact, most if not all mergers are made
32 based on discussions between CEOs of companies. And my
33 recommendation to the CEO was essentially that CIPS looks like the best
34 candidate to me of any of the companies around us. And that there are
35 cost reductions that could be achieved.

Rebuttal Testimony of
Ryan Kind

1 Q. DO YOU HAVE ANY ADDITIONAL REMARKS REGARDING THE REASONS WHY UE'S
2 MANAGEMENT CHOSE TO PROCEED WITH THE MERGER AT THIS PARTICULAR TIME?

3 A. Yes. In the media/customer portion of the question and answer document cited above
4 (RWT-2, page 10) contained the following question and answer relating to this subject:

5 Q. What prompted the merger at this time?

6 A. The utility industry is undergoing fundamental change with
7 increased competition and movement toward deregulation. The
8 merger will create an organization that is well-positioned to
9 embrace the new, more competitive environment.

10 **III.B. Decision By UE's Board of Directors to Proceed With the Merger**

11 Q. WHY DID UE'S BOARD OF DIRECTORS VOTE TO APPROVE THE MERGER?

12 A. According to the UE/CIPSCO joint proxy, UE's Board of Directors approved the merger
13 for the following "significant strategic and financial benefits":

- 14 • "COST EFFICIENCIES TO HELP MAINTAIN COMPETITIVE RATES
- 15 • INTEGRATION OF CORPORATE AND ADMINISTRATIVE FUNCTIONS
- 16 • REDUCED OPERATING COSTS
- 17 • PURCHASING ECONOMIES
- 18 • INCREASED MARKETING OPPORTUNITIES
- 19 • MORE DIVERSE SERVICE TERRITORY
- 20 • EXPANDED MANAGEMENT RESOURCES
- 21 • COMMUNITY INVOLVEMENT"

Rebuttal Testimony of
Ryan Kind

1 In addition to the above benefits, the joint proxy states that the Union Electric Board
2 considered, among other things: (1) "the current industry, economic, market, and
3 regulatory conditions which encourage consolidation to reduce risk and create new avenues
4 for earnings growth," (2) "the impact of regulation under various state and federal laws,"
5 and (3) "the opinion of Goldman Sachs..., that in light of the CIPSCO ratio, the Union
6 Electric ratio is fair to the holders of Union Electric Common Stock."

7 **Q. WHAT ANALYSIS DID UE'S FINANCIAL ADVISOR, GOLDMAN SACHS, PERFORM TO**
8 **SUPPORT ITS FAIRNESS OPINION?**

9 A. The financial analysis performed by Goldman Sachs included: financial comparison,
10 historical exchange ratio analysis, selected companies analysis, contribution analysis,
11 *discounted cash flow analysis, discounted dividend analysis, selected transactions analysis,*
12 and pro forma combination analysis.

13 **Q. PLEASE DESCRIBE THE PRO FORMA COMBINATION ANALYSIS PERFORMED FOR UE**
14 **BY GOLDMAN SACHS.**

15 A. According to the joint proxy (page 39), "Goldman Sachs analyzed the pro forma impact of
16 the Mergers on the earnings per share of common stock of each of Union Electric and
17 CIPSCO stockholders for 1997, 1998, and 1999." The joint proxy further states that "the
18 analysis was based on earnings estimates for these years for Union Electric and CIPSCO
19 prepared by their respective managements and includes ten percent per year of the total
20 synergies expected to result from the Mergers as estimated by the managements of Union
21 Electric and CIPSCO with the assistance of a third party consultant to Union Electric and
22 CIPSCO."

Rebuttal Testimony of
Ryan Kind

1 Q. ARE YOU AWARE OF ANY ADDITIONAL INFORMATION THAT FURTHER CLARIFIES HOW
2 THIS ANALYSIS WAS PERFORMED?

3 A. Yes. UE's response to Staff Data Request (DR) No. 123 indicates that the Goldman
4 Sachs analysis described in the joint proxy and presented to the UE Board of Directors at
5 its August 8, 1995 and August 11, 1995 meetings "***
6 _____
_____ ***"

7 Q. DID THIS UE DR RESPONSE APPEAR TO INDICATE THAT THE PRO FORMA ANALYSIS
8 ASSUMED THAT ** _____
9 _____ **

10 A. ** _____
11 _____
12 _____ **

13 Q. DO YOU BELIEVE THAT THE JOINT PROXY'S STATEMENT THAT "THE ANALYSIS...
14 INCLUDES TEN PERCENT PER YEAR OF THE TOTAL SYNERGIES EXPECTED TO RESULT
15 FROM THE MERGERS" IS CORRECT?

16 A. This statement is probably technically correct, but the proxy did not mention that ** _____
17 _____
18 _____ **

19 Q. PLEASE DESCRIBE THE RESULTS OF THE PRO FORMA COMBINATION ANALYSIS
20 PERFORMED FOR UE BY GOLDMAN SACHS.

21 A. The joint proxy contains a general description of the results of the proforma analysis that
22 Goldman Sachs performed to estimate changes in UE shareholder's EPS that would result

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Rebuttal Testimony of
Ryan Kind

1 from the merger at the agreed upon 1.03 CIPSCO exchange ratio. The proxy states that
2 "based on these forecasts and estimates and assuming the Merger will be accounted for as
3 a pooling of interests, the Ratios would be slightly accretive to Union Electric stockholders
4 (ranging from approximately 1% to 2.2%, depending upon the year)." ** _____
5 _____
6 _____
7 _____

8 _____ **

9 **Q. WOULD THE GOLDMAN SACHS ANALYSIS HAVE SHOWN A MORE POSITIVE IMPACT ON**
10 **EPS IF IT ASSUMED THAT SHAREHOLDERS WOULD RETAIN MORE THAN ** _____**
11 **** OF THE SYNERGIES IN EACH YEAR?**

12 **A.** Yes, if the Goldman Sachs analysis was modified to assume that shareholders would retain
13 ** _____ ** the EPS estimates for UE shareholders would
14 have been higher than the results indicated by the Goldman Sachs analysis.

15 **Q. WOULD THE GOLDMAN SACHS ANALYSIS HAVE SHOWN HIGHER ESTIMATES FOR EPS**
16 **IN 1997, 1998, AND 1999 IF THE SYNERGY RETENTION ASSUMPTION IN THE**
17 **ANALYSIS HAD BEEN MODIFIED TO REFLECT UE'S RATEMAKING PROPOSAL IN THIS**
18 **CASE?**

19 **A.** Yes, UE's ratemaking proposal would allow UE's shareholders to retain significantly more
20 than ** _____ ** of merger synergies. If the analysis were modified to reflect shareholder
21 retention of greater than ** _____ ** of synergies, then the EPS accretion estimates for UE
22 Common Stockholders would be greater than those shown in the joint proxy.

Rebuttal Testimony of
Ryan Kind

1 Q. WOULD THE GOLDMAN SACHS ANALYSIS HAVE SHOWN LOWER ESTIMATES FOR EPS
2 IN 1997, 1998, AND 1999 IF THE SYNERGY RETENTION ASSUMPTION IN THE
3 ANALYSIS HAVE BEEN MODIFIED SO THAT UE SHAREHOLDERS RETAINED LESS THAN
4 ** _____ ** OF MERGER SYNERGIES?

5 A. Yes, however, if the analysis had assumed that UE retained slightly less than ** _____ ** of
6 merger savings, UE's earnings still would not have been adversely affected. Of course,
7 UE could be presumed to benefit from the merger even if it did not have a favorable impact
8 on near-term earnings, due to the many long-term strategic benefits (described later in this
9 testimony) that UE expects to receive from this merger.

10 Q. ARE THERE ANY STATEMENTS IN THE JOINT PROXY REGARDING THE PORTION OF
11 MERGER-RELATED COST REDUCTIONS (SYNERGIES) THAT ARE EXPECTED TO BE
12 RETAINED BY SHAREHOLDERS?

13 A. I have only been able to find one such statement. The first partial paragraph on page 30 of
14 the joint proxy states that "achieved savings in costs are expected to inure to the benefit of
15 both shareholders and customers. The treatment of the benefits and cost savings will
16 depend on the results of regulatory proceedings in the jurisdictions in which Union Electric
17 and CIPSCO operate their business."

18 Q. DOES THE ABOVE CITED STATEMENT FROM THE JOINT PROXY INDICATE THAT
19 SHAREHOLDERS WERE GIVEN ANY INFORMATION BY UE'S MANAGEMENT OR BOARD
20 OF DIRECTORS THAT WOULD INDICATE THEY SHOULD EXPECT THE FAVORABLE (TO
21 SHAREHOLDERS) RATEMAKING TREATMENT THAT UE HAS PROPOSED IN THIS
22 MERGER APPLICATION CASE?

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Rebuttal Testimony of
Ryan Kind

1 A. No. As OPC witness Mr. Mark Burdette indicates in his rebuttal testimony (Schedule
2 MB3, page 1), UE's ratemaking proposal would likely result in ratepayers only getting
3 anywhere from ** _____ ** of merger synergy savings net of transaction costs in
4 the first four years assuming actual savings are equal to the \$590 million estimate
5 contained in UE's testimony. The statement in the proxy regarding shareholders retention
6 of achieved savings merely indicated that shareholders could expect to retain some portion
7 of the achieved savings. Furthermore, the joint proxy referred to a possible sharing of
8 achieved savings, while UE's ratemaking proposal in this case seeks ratemaking treatment
9 for a large portion of estimated savings. The savings estimates that are the basis of UE's
10 ratemaking proposal are based on the preliminary projections of savings that UE expected
11 to achieve in the future. The Joint Proxy merely indicated that UE's shareholders could
12 expect to receive a portion of merger-related savings once they are actually achieved.

13 Q. HAVE YOU REVIEWED ANY DOCUMENTS OTHER THAN THE JOINT PROXY THAT
14 CONTAINED INFORMATION THAT THE UE BOARD OF DIRECTORS MAY HAVE RELIED
15 ON TO DECIDE TO APPROVE THE MERGER AGREEMENT?

16 A. Yes. I have reviewed the information provided by UE in response to Staff DR No. 5, part
17 of which requested UE to "please provide a copy of all documentation used by UE to
18 analyze and ultimately decide to merger with CIPSCO." This response included copies of
19 documents that UE described as "presentations prepared by Goldman Sachs presented to
20 the UE Board of Directors at the Board's meeting on August 8, 1995 and August 11,
21 1995."

22 Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE AUGUST 8 AND AUGUST 11
23 GOLDMAN SACHS PRESENTATIONS TO THE UE BOARD OF DIRECTORS.

Rebuttal Testimony of
Ryan Kind

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A. The subjects covered in these presentations included ** _____

**

Schedule RK-2 contains the first 7 pages of this 9-page document.

Q. PLEASE DESCRIBE THE ** _____
_____ ** THAT WAS PART OF BOTH
THE AUGUST 8 AND AUGUST 11 GOLDMAN SACHS PRESENTATIONS TO THE UE
BOARD OF DIRECTORS.

A. A copy of this part of the August 11 presentation, which discussed both ** _____

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Rebuttal Testimony of
Ryan Kind

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Q. THIS PART OF THE PRESENTATION STATES THAT ** _____

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A. Pages 4 and 5 of the August 11, 1995 presentation to the UE Board of Directors contain

20

** _____ ** Schedule

Rebuttal Testimony of
Ryan Kind

1 RK-2 contains copies of both of these pages. As noted on these pages, the Goldman Sachs
2 analysis was based on the assumptions that ** _____

3 _____
4 _____ ** As noted earlier in this
5 testimony where I discussed the Goldman Sachs financial analysis that was described in
6 the joint proxy, this pro forma combination earnings analysis "was based on earnings
7 estimates for these years for Union Electric and CIPSCO prepared by their respective
8 managements" (joint proxy page 39).

9 The Goldman Sachs Analysis summarized on pages 4 and 5 of the August 11 Goldman
10 Sachs presentation to the UE Board of Directors showed that a minimum of ** _____ **
11 pickup (accretion) in EPS for both UE and CIPSCO shareholders was expected to result
12 from the merger. UE shareholders were expected to achieve increases in EPS of ** _____
13 _____ ** in 1997, 1998, and 1999 respectively relative to what UE shareholders
14 could expect absent the merger.

15 **Q. PAGE 5 OF THE AUGUST 11 GOLDMAN SACHS PRESENTATION TO THE UE BOARD**
16 **OF DIRECTORS CONTAINS A COMMENT IN THE MARGIN STATING THAT ** _____**

17 _____
18 _____
19 _____ **** WHY DO YOU BELIEVE GOLDMAN SACHS INCLUDED THIS**
20 **COMMENT AS PART OF THEIR PRESENTATION?**

21 **A. Goldman Sachs appeared to be emphasizing that ** _____**

22 _____
23 _____
24 _____
25 _____

Rebuttal Testimony of
Ryan Kind

1 ** This merger has been consistently praised as an action that will help lower
2 UE's risk and make it a formidable competitor in a deregulated electric industry.

3 **Q. HAVE YOU SEEN ANYTHING THAT INDICATES THE BOARD OF DIRECTORS EXPECTED**
4 **FOR SHAREHOLDERS TO BE ABLE TO DIRECTLY COLLECT 100% OF THE "MERGER**
5 **PREMIUM" FROM RATEPAYERS?**

6 A. No. In fact, in his March 27, 1996 interview Mr. Rainwater stated that "I don't think the
7 board even addressed the issue of recovering the premium per se."

8 **III.C. Decision By UE's Shareholders to Proceed With the Merger**

9 **Q. WHY DID UE'S SHAREHOLDERS VOTE TO APPROVE THE MERGER?**

10 A. It is impossible to give a precise answer to this question. Nobody knows the answer for
11 sure. I would surmise that UE shareholders based their decision in large part on the
12 information regarding the merger that UE made available to its shareholders and on
13 information that shareholders were able to obtain from the investment analyst community.
14 I believe it is important to note that much of the information that investors obtained from
15 the financial community was provided to the financial community by Union Electric.

16 **Q. WHAT INFORMATION DID UE DISTRIBUTE DIRECTLY TO ITS STOCKHOLDERS PRIOR TO**
17 **THE DECEMBER 20, 1995 STOCKHOLDER VOTE ON THE MERGER PROPOSAL?**

18 A. UE sent a copy of the joint proxy, which I have already described in part above, to each of
19 its shareholders. UE also sent a document entitled "Most frequently asked questions..."
20 and a letter from Charles W. Mueller (UE President and CEO) to its stockholders.

Rebuttal Testimony of
Ryan Kind

1 Q. WHAT REMARKS IN PRESIDENT MUELLER'S LETTER TO SHAREHOLDERS ADDRESSED
2 MERGER BENEFITS EXPECTED FROM THE MERGER?

3 A. In his letter, Mr. Mueller stated that:

4 Your Board of Directors believes that the Mergers will create a combined
5 enterprise well positioned for the increasingly competitive environment
6 facing the energy industry, benefiting not only shareholders but also
7 customers, employees and the communities served by our respective utility
8 companies. Meaningful strategic advantages that Holdings will possess
9 include significant cost savings from, among other things, decreased
10 electric production and gas supply costs and reduced corporate and
11 administrative expense. Holdings will also enjoy increased financial
12 strength as well as greater opportunities for earnings and dividend growth
13 through cost efficiencies, larger and more diverse sales markets and the
14 pooling of Union Electric's and CIPSCO's equity, management, human
15 resources and technical expertise.

16 He also stated that:

17 In entering into a common stock merger with CIPSCO, the Union Electric
18 shareholders will be assuming the risks, as well as the benefits, associated
19 with the ongoing business operations of CIPSCO. In the judgment of the
20 Union Electric Board of Directors, the potential benefits of the Mergers
21 far outweigh those risks.

22 Q. IS UE'S RECOMMENDATION TO THIS COMMISSION THAT RATEPAYERS GUARANTEE
23 RECOVERY OF 100% OF MERGER PREMIUM, 100% OF TRANSACTION AND
24 TRANSITION COSTS, AND 50% OF ESTIMATED SAVINGS CONSISTENT WITH MR.
25 MUELLER'S POSITION THAT SHAREHOLDERS WILL BE BEARING SOME RISK IN THE
26 MERGER?

27 A. No. UE is proposing that ratepayers pay all the actual costs of the merger (transaction
28 costs) and all actual transition costs plus guarantee stockholders receive 50% of estimated
29 savings regardless of whether they occur, plus a \$232 million bonus that UE refers to as a
30 merger premium. OPC fails to find any risk for stockholders, only an outrageous level of
31 guaranteed profits.

Rebuttal Testimony of
Ryan Kind

1 Q. PLEASE REVIEW THE PORTION OF THE "MOST FREQUENTLY ASKED QUESTIONS..."
2 DOCUMENT THAT DISCUSSED MERGER BENEFITS.

3 A. In a section of this document entitled "[h]ow will the merger benefit stockholders", UE
4 states that:

5 **Stockholders will own a leaner, stronger company better-suited to**
6 **take advantage of the increasingly competitive industry environment.**
7 **We estimate Ameren will realize \$570 million in savings over 10 years**
8 **from combining certain operations. The combined company will inter-**
9 **connect with 28 other utility systems providing opportunities for**
10 **additional energy sales. Ameren will also benefit from combining Union**
11 **Electric's and CIPSCO's management experience and technical expertise.**
12 **These advantages provide more opportunities for earnings growth,**
13 **which provides more opportunities for dividend growth. (emphasis added)**

14 Q. WHAT INFORMATION DID UE DISTRIBUTE TO THE INVESTMENT ANALYST COMMUNITY
15 PRIOR TO THE DECEMBER 20, 1995 STOCKHOLDER VOTE ON THE MERGER
16 PROPOSAL?

17 A. UE meets regularly with members of the investment community to keep them apprised of
18 developments in their operations and plans that could impact the level and risk of future
19 earnings. Several such meetings and conference calls have occurred since the merger was
20 announced.

21 I have reviewed a tape recording of a conference call that UE held with investment analysts
22 on August 14, 1995, the day that the merger was announced. In this call, Mr. Don Brandt
23 and Mr. Chuck Mueller of UE, along with Cliff Greenwalt, the CEO of CIPSCO engaged
24 in an extensive question and answer session with investment analysts. Throughout the call
25 UE and CIPSCO repeatedly cited the many near-term earnings and long-term earnings and
26 strategic benefits that they expected to result from the merger.

27 At the beginning of the call UE's CEO summarized the merger by stating that:

Rebuttal Testimony of
Ryan Kind

1 The combination is a natural fit. Both companies are financially strong
2 and our generating needs compliment each other. The synergy created by
3 the merger mean we can build a growing business on a lower cost base.
4 All these reasons plus the creation of a formidable Midwest marketing
5 operation says our new company will be a major competitor in the energy
6 industry.

7 At the beginning of the call CIPSCO's CEO summarized the merger by stating that:

8 . . . the merger between UE and CIPSCO, we think, will create a business
9 that can compete successfully with the changing industry. This process
10 will blend two of the nation's lowest cost utilities with similar customer
11 oriented philosophies. And, we think this merger creates a company that
12 will be a major Midwestern utility competitor in an industry where size
13 can bring efficiencies.

14 Later in the call, in response to a question concerning the expected timing of savings and
15 the likely sharing of merger savings between ratepayers and shareholders, Mr. Brandt
16 stated that:

17 First of all, as Chuck mentioned a few minutes ago relative to our
18 situation in Missouri, we already have a sharing plan in place that
19 provides for sharing of savings between customers and stockholders.
20 With respect to the merger savings, we expect them to begin to occur
21 relatively rapidly after the consummation of the transaction. The \$570
22 million in total is spread relatively ratable over the 10-year period. The
23 first two years after the closing of the transaction will be incurring some
24 relatively modest costs to implement the changes. We don't expect any
25 dilution in those first two years. Following that, we expect to see some
26 meaningful accretion in earnings as a result of the transaction.
27 (emphasis added).

28 **Q. DID THE INVESTMENT COMMUNITY PICK UP ON MR. BRANDT'S REMARKS AND RELAY**
29 **THEM TO UE SHAREHOLDERS?**

30 Yes. Below, I have cited just one example of the many investment opinions that I read
31 which picked up information from the August 14, 1995 conference call and relayed this
32 information to investors. According to a September 1, 1995 issue of *Goldman Sachs,*
33 *Electric Utilities, U.S. Research,* "...on August 14, Union Electric and CIPSCO held a

Rebuttal Testimony of
Ryan Kind

1 joint conference call for analysts and investors to discuss the merger.” One of the
2 highlights of the call that was summarized on page 7 of the above cited periodical was
3 stated as follows:

4 The companies indicated that the savings would be spread relatively
5 evenly over the 10 years, although the \$20 million of merger costs would
6 reduce the savings in the first two years. At this point, it is unclear what
7 portion of the savings Union Electric would be allowed to retain
8 (especially in 1996 and 1997) following the utility’s recent electric rate
9 agreement, approved by the Missouri Public Service Commission
10 (MPSC) and implemented on August 1. Under the rate agreement, Union
11 Electric is allowed to retain 100% of earnings up to a 12.61% regulatory
12 (as opposed to book) return on equity (ROE). Earnings between 12.61%
13 and 14.0% are split 50%/50% between shareholders and customers. Any
14 earnings above the 14.0% ROE are credited entirely to ratepayers. We
15 anticipate that the merger savings would allow Union Electric to earn an
16 ROE safely in the 12.61%-14.0% range, although we would not expect
17 the utility to exceed the 14.0% ROE ceiling in 1996 and 1997. Union
18 Electric indicated that it is unlikely that this rate agreement would be
19 reopened following news of the proposed merger and even indicated
20 that its incentive-based ratemaking provisions could likely be
21 extended beyond its current three-year experimental timeframe.
22 Management indicated that the merger would be at least earnings-
23 neutral in the first two years and accretive in the third year (the
24 impact is slightly dilutive if one ignores estimated savings: see Table 3).
25 (Emphasis added)

26 **Q. DOES IT APPEAR THAT UE AND CIPSCO INFORMED THE INVESTMENT COMMUNITY**
27 **THAT IT EXPECTED THE MERGER WOULD NOT BE DILUTIVE?**

28 **A.** Yes, it certainly does.

29 **Q. WAS UE’S STATEMENT TO THE INVESTMENT COMMUNITY THAT THE MERGER WAS**
30 **NOT EXPECTED TO BE DILUTIVE CONSISTENT WITH THE ANALYSIS PERFORMED FOR**
31 **UE BY GOLDMAN SACHS.**

32 **A.** Yes, this statement was consistent with the findings of UE’s consultant, Goldman Sachs,
33 which showed that UE shareholders were expected to achieve increases in EPS of

Rebuttal Testimony of
Ryan Kind

1 ** _____ ** in 1997, 1998, and 1999 respectively relative to what UE
2 shareholders could expect absent the merger.

3 **Q. HAS THE INVESTMENT COMMUNITY GENERALLY REACTED POSITIVELY TO THE**
4 **PROPOSED UE/CIPSCO MERGER?**

5 A. Yes, it has. The following passage by Barbara A. Eisman of Standard & Poors Utility
6 rating service is representative of the analysts' opinions of this merger proposal:

7 Ameren Inc., the proposed registered holding company of CIPS and Union
8 Electric Co., will be a mighty force in an increasingly competitive electric
9 utility operating environment. The pending merger combines two
10 relatively low-cost producers, strengthens transmission capabilities, and
11 diversifies the overall customer base. The combined entity should be able
12 to expand considerably its wholesale market share.

13 **Q. HOW MANY INVESTMENT ANALYST OPINIONS HAVE YOU REVIEWED PRIOR TO**
14 **PREPARING THIS TESTIMONY?**

15 A. I have reviewed all of the opinions that are possessed by UE and CIPSCO. I believe this
16 consisted of at least 30 or 40 opinions.

17 **Q. HAVE THE INVESTMENT ANALYST OPINIONS THAT YOU REVIEWED ADDRESSED BOTH**
18 **THE NEAR-TERM EARNING PROSPECTS OF THIS MERGER AND THE LONG-TERM**
19 **STRATEGIC AND EARNINGS BENEFITS OF THIS MERGER?**

20 A. Yes. Most of these opinions placed as much or more emphasis on the long-term strategic
21 and earnings benefits of this merger as they did on the near-term earnings aspects of this
22 merger. The following quote, which was a part of an opinion by Ernest S. Liu and
23 Elizabeth A. Parrella that was distributed by Goldman, Sachs August 15, 1995 illustrates
24 this point:

Rebuttal Testimony of
Ryan Kind

1 The combination provides strategic benefits for UEP and its shareholders
2 as well. These include:

3 (1) CIPS' bond ratings of Aa1 from Moody's and AA+ from Standard &
4 Poor's (among the highest in the industry), which should improve UEP's
5 cost of capital following the merger.

6 (2) CIP's strong balance sheet, with a common equity ratio close to 54%.

7 (3) Absence of nuclear (high cost) generating assets.

8 (4) CIP's excess cash flow, which could provide stock repurchase
9 opportunities in the future.

10 (5) Revenue diversity from CIPS' local gas distribution business.

11 **Q. PLEASE SUMMARIZE YOUR FINDINGS FROM REVIEWING UE'S RESPONSES TO DRs**
12 **THAT ASKED FOR COPIES OF INFORMATION THAT UE PROVIDED TO SHAREHOLDERS**
13 **PRIOR TO THE DECEMBER 20, 1995 SHAREHOLDER MEETING WHERE THE MERGER**
14 **PROPOSAL WAS VOTED ON.**

15 **A.** These materials noted the many near-term and long-term advantages that are expected to
16 result from the merger. I did not discover any materials in relevant DR responses
17 indicating these expected benefits were dependent on shareholders retaining any specific
18 portion of merger-related savings.

19 **IV. Effects of the Proposed UE/CIPSCO Merger**

20 **Q. WHAT ARE THE MAJOR CATEGORIES OF EFFECTS ON UE'S OPERATIONS THAT ARE**
21 **LIKELY TO OCCUR AS A RESULT OF THE PROPOSED MERGER?**

22 **A.** This merger is likely to result in (1) cost reductions, (2) revenue enhancements, and (3)
23 strategic competitive advantages that will probably benefit the Company's shareholders
24 and management.

Rebuttal Testimony of
Ryan Kind

1 Q. CAN THE EXACT MAGNITUDE OF THESE EFFECTS BE DETERMINED AT THIS POINT IN
2 TIME?

3 A. No.

4 Q. WHY NOT?

5 A. First, I will discuss the difficulties associated with estimating or measuring merger-related
6 savings and revenue enhancements. The exact magnitude of these effects is both
7 impossible to estimate before the merger actually occurs and impossible to measure after
8 the merger actually occurs. Precise estimation is impossible prior to the merger because:
9 (1) the costs that must be incurred to achieve savings by consolidating operations,
10 retraining individuals, etc. can only be precisely quantified after costs have actually been
11 incurred and (2) the level of savings or revenue enhancement actually achieved is
12 dependent on future weather, economic, and competitive conditions, and these conditions
13 are unknown at the time estimates are made.

14 Precise measurement of cost savings or revenue enhancements after the merger has
15 occurred is impossible because of: (1) difficulties in separating cost savings or revenue
16 enhancements that could have been achieved absent the merger; and (2) the unknown
17 impact of weather, economic, and competitive conditions on costs or revenue
18 enhancements once they have or would have actually been incurred. Some cost savings
19 that occur after the merger would be attributable to cost reduction plans that both UE and
20 CIPSCO already have in place. Weather, economic, and competitive conditions would also
21 impact the level of costs after the merger and there is no way of sorting out the impact that
22 these factors have on costs incurred after the merger. For example, if the regulatory
23 climate changes in three years so that all customers are allowed to buy their power from
24 whatever source they choose, UE's management could be expected to operate the

Rebuttal Testimony of
Ryan Kind

1 Company in a different manner than it would otherwise. The effects on UE's cost levels of
2 management's reaction to a drastically altered regulatory environment could not be isolated
3 precisely from changes in cost levels brought about by the merger.

4 **Q. IS IT EQUALLY DIFFICULT TO ESTIMATE OR MEASURE THE LIKELY IMPACT OF THE**
5 **STRATEGIC COMPETITIVE ADVANTAGES ASSOCIATED WITH THE PROPOSED MERGER?**

6 **A.** Yes, the impact of the proposed merger on UE's future earnings and risk profile due to
7 obtaining key strategic advantages as a result of the merger is impossible to quantify.
8 Obviously, the revenue enhancement and risk reduction impacts from this merger that are
9 related the improvement of UE's competitive position are dependent on how soon energy
10 markets become competitive and magnitude of this merger's impact on UE's future
11 competitive position. While it is safe to say that these strategic benefits are very real and
12 likely to have a significant impact on UE's future operations, it is impossible to either
13 precisely estimate them up front or distinguish them after events have actually transpired.

14 **IV.A. Estimation of Savings for the Proposed UE/CIPSCO Merger**

15 **Q. PLEASE REVIEW THE MERGER-RELATED COST SAVINGS ESTIMATES THAT YOU HAVE**
16 **SEEN THUS FAR FOR THE UE/CIPSCO MERGER.**

17 **A.** There have been at least four recent estimates of merger savings associated with a
18 UE/CIPSCO merger. CIPSCO produced a ten-year estimate of **** _____ **** million in
19 gross savings on June 2, 1995. Goldman Sachs presented an annual estimate of **** _____ ****
20 million to UE on June 15, 1995. The UE merger application filing contains a ten-year
21 estimate of \$590 million in gross savings. And finally, UE's latest refinement of expected
22 merger savings is a ten-year estimate of **** _____ **** million in gross savings. There were
23 definitely additional estimates of savings from a UE/CIPSCO merger that were produced

Rebuttal Testimony of
Ryan Kind

1 during the years preceding the Summer of 1995 and during the Summer of 1995, but UE
2 stated that it did not provide any of these estimates to OPC in response to our data requests
3 because they had been destroyed.

4 **Q. WHICH ESTIMATES DID UE RELY ON IN DECIDING WHETHER THEY WANTED TO**
5 **APPROACH CIPSCO REGARDING A MERGER?**

6 **A.** The initial merger estimates that UE apparently relied on in deciding to approach CIPSCO
7 were contained in the Goldman Sachs Presentation to Union Electric Company, June 15,
8 1995 (see Schedule RK-1). This document contained ** _____
9 _____
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**

16 It is important to remember, however, that the ** _____
17 _____

18 ** As noted earlier in this testimony, Mr. Rainwater presented estimated savings figures
19 for a UE/CIPSCO merger to UE's CEO over the three year period preceding the summer
20 of 1995.

21 **Q. PLEASE DESCRIBE THE PROCESS THAT UE AND CIPSCO ENGAGED IN TO ARRIVE AT**
22 **THE TEN-YEAR ESTIMATE OF MERGER SAVINGS INCLUDED IN UE'S FILING.**

Rebuttal Testimony of
Ryan Kind

1 A. Once UE and CIPSCO decided in June of 1995 that they were both serious about pursuing
2 a merger, they began doing some analysis of savings estimates on their own and shortly
3 thereafter (probably in late June or early July) contacted Deloitte & Touche for assistance.
4 At that point the merger savings estimation process became a joint project of UE,
5 CIPSCO, and Deloitte & Touche.

6 The merger savings estimate that is contained in UE's filing is the result of a joint effort by
7 UE, CIPSCO, and Deloitte & Touche. This estimate was finalized on or about August 8,
8 1995 and has been characterized by UE and UE's consultant Deloitte & Touche as
9 conservative and achievable.

10 **Q. DID YOU FIND ANYTHING PARTICULARLY CURIOUS IN YOUR REVIEW OF THE UE**
11 **MERGER FILING SAVINGS ESTIMATE?**

12 A. Yes, I did. One area where the savings estimation process appeared questionable was in
13 the area of joint dispatch. Maurice Brubaker's Illinois Commerce Commission written
14 testimony raised questions about the procedures that UE utilized to estimate joint dispatch
15 savings. He pointed out that economy interchange sales were not fully modeled when UE
16 estimated the joint dispatch savings so these savings may be underestimated.

17 Another area where the savings estimate did not appear to reflect the full potential for
18 savings was in the area of capacity deferral savings. On April 25, 1996 OPC obtained
19 copies of some intermediate work products of Deloitte & Touch (in response to OPC DR
20 No. 573) which provided additional insight into how the savings estimate contained in
21 UE's filing was arrived at. Unfortunately, since we have only had access to these
22 documents for a short time (even though OPC believes they were within the scope of long
23 outstanding Staff DR Nos. 1, 5, and 30), I have been unable to analyze them in detail or do
24 any follow-up discovery on them at this time. For this reason, OPC reserves the right to

Rebuttal Testimony of
Ryan Kind

1 file supplemental rebuttal testimony based on UE's responses to DRs that follow-up on the
2 documents received in response to OPC DR No. 573.

3 Two of the documents that OPC received in response to DR No. 573 were copies of
4 August 1, 1995 and August 8, 1995 Deloitte & Touch Board of Directors presentations.
5 The relevant portions of both documents are included in Schedule RK-3. Both of these
6 documents indicate that UE and CIPSCO believed ** _____
7 _____
8 _____
9 _____
10 _____
11 _____

12 _____ **

13 One of the concerns I have with this is that UE asserts that it has gained control of
14 CIPSCO's assets by paying a premium to CIPSCO's shareholders. If this is true, then
15 why isn't UE utilizing these assets ** _____ ** to the
16 fullest extent possible to obtain savings? I am also somewhat puzzled by a comment that
17 UE's CEO made in an August 14 conference call with investment analysts where he stated
18 that "both companies are financially strong and our generating needs complement each
19 other."(emphasis added) Why was he pointing out that the two company's generating
20 needs compliment each other when UE doesn't intend to take advantage of the savings
21 available from using CIPSCO's excess generating capacity to satisfy UE's rather
22 immediate need for additional capacity?

23 Q. PLEASE DESCRIBE UE'S LATEST MERGER SAVINGS ESTIMATE.

NP

Rebuttal Testimony of
Ryan Kind

1 A. UE provided this latest estimate to OPC on April 22, 1996. A four page summary of this
2 updated estimate is shown in Schedule RK-4. According to UE, these are the last
3 estimates of merger savings that it will produce. The Company does not intend to further
4 refine its estimates and it does not intend to track merger savings as they are achieved. As
5 page one of Schedule RK-4 shows, ** _____

6 _____
7 _____
8 **

9 Page 4 of Schedule RK-4 contains a table showing how these savings are expected to be
10 spread out over the ten year period. The level of savings is expected to ** _____

11 _____
12 _____
13 **

14 **Q. IF UE'S SAVINGS ESTIMATES ARE CORRECT, DO THEY HAVE ANY IMPLICATIONS ON**
15 **UE'S ABILITY TO BE ABLE TO RETAIN A SUBSTANTIAL AMOUNT OF SAVINGS FOR**
16 **SHAREHOLDERS THROUGH NORMAL RATEMAKING PRACTICES?**

17 A. Yes, there are some very definite implications. With the level of savings expected to
18 increase year after year, UE's shareholders should be able to retain a significant portion of
19 these savings through a sharing plan if one is in place or through regulatory lag if a
20 sharing plan is not in place. Also, ** _____ **
21 indicates that shareholders will have an opportunity to benefit fairly rapidly from the
22 merger's impact on earnings.

23 **Q. DOES PUBLIC COUNSEL HAVE ANY REASON TO BELIEVE THAT ANY OF THE**
24 **DIFFERENT SAVINGS ESTIMATES WILL ACCURATELY PREDICT THE FUTURE?**

Rebuttal Testimony of
Ryan Kind

1 A. No. The most recent estimate does, however, seem to be the most accurate since the
2 Company has attempted to estimate the costs and savings associated with the plan that it
3 has developed for implementing the merger. This appraisal of the latest estimate is just
4 based on a preliminary analysis of the work underlying the estimate since we have not had
5 the time to do an extensive analysis.

6 Q. WHICH OF THE ABOVE SAVINGS ESTIMATES WERE UTILIZED IN THE GOLDMAN SACHS
7 PRO FORMA FINANCIAL ANALYSIS THAT WAS INCLUDED IN THE JOINT PROXY?

8 A. The Goldman Sachs analysis was based entirely upon ** _____
9 _____ **

10 Q. DID THE DELOITTE & TOUCHE SAVINGS ESTIMATE INCORPORATE ANY ESTIMATE OF
11 FUTURE MERGER RELATED REVENUE ENHANCEMENTS?

12 A. No, it did not.

13 **IV.B. Revenue Enhancement Benefits From the Proposed UE/CIPSCO Merger**

14 Q. DOES UE ADDRESS THE POTENTIAL FOR REVENUE ENHANCEMENT IN ITS
15 TESTIMONY?

16 A. This subject is only addressed in a very general manner. Mr. Mueller states on page 9 of
17 his Direct Testimony that:

18 the strategically combined companies will have enhanced opportunities for
19 marketing in the wholesale and interchange markets. The two companies
20 will have electric interconnections with 28 other utility systems. This
21 increased number of interconnections will enhance opportunities to make
22 sales transactions with these systems and others.

Rebuttal Testimony of
Ryan Kind

1 Revenue enhancement was also addressed briefly on page 12 of the Direct Testimony of
2 UE witness Mr. Flaherty where he states that “[t]ypically, the quantifiable created savings
3 resulting from a utility merger occur in three ways: [c]ost reduction...cost
4 avoidance...revenue enhancement.” Mr. Flaherty described revenue enhancement by
5 stating that:

6 The creation of additional revenue streams as a result of the merger
7 through use of existing assets to supplement existing revenue sources can
8 be used to increase benefits for both shareholders and customers. These
9 revenue streams would be related directly to the ability to combine and
10 package available resources in a more attractive manner than could be
11 achieved independently.

12 **Q. DOES MR. FLAHERTY EXPLAIN IN HIS TESTIMONY THE REASON WHY THE SAVINGS**
13 **ESTIMATE THAT HE HELPED UE/CIPSCO CREATE DID NOT CONTAIN EXPECTED**
14 **LEVELS OF FUTURE MERGER-RELATED REVENUE ENHANCEMENT?**

15 **A.** No, his testimony doesn't make any further mention of revenue enhancement beyond the
16 quotes that are shown above. In the following exchange that took place between Mr.
17 Oligschlaeger and Mr. Flaherty during Mr. Flaherty's April 1, 1996 interview, he verified
18 that the merger filing savings estimate does not include any amounts for revenue
19 enhancement:

20 **MR. OLIGSCHLAEGER:** Are there savings from this transaction that
21 you would expect to occur that were left unquantified for whatever reason
22 in your analysis?

23 **MR. FLAHERTY:** Well, I believe that our numbers are conservative and
24 that the companies will be able to achieve those and to extend beyond that,
25 so I guess by definition there would be some additional savings.

26 **MR. OLIGSCHLAEGER:** Maybe let me give you an example. There
27 are no savings estimated by Deloitte & Touche in the companies that
28 would pertain to revenue enhancement in general, are there?

29 **MR. FLAHERTY:** No.

Rebuttal Testimony of
Ryan Kind

1 MR. OLIGSCHLAEGER: Would you expect that in the interchange
2 market, for example, because of the expanded opportunities the companies
3 may -- through increased number of interconnections that they may be
4 able to more optimally participate in that market?

5 MR. FLAHERTY: There's a possibility of that, yes.

6 MR. OLIGSCHLAEGER: Was that something you looked at or was that
7 not part of your scope?

8 MR. FLAHERTY: We looked at it and talked about it but didn't feel
9 comfortable with the level of information we had within the time frame to
10 do much with that particular area.

11 **Q. WOULD THE ACCRETION (INCREASE IN EPS) THAT UE EXPECTS TO RESULT FROM**
12 **THIS MERGER BE EVEN GREATER IF UE'S PRO FORMA FINANCIAL ANALYSIS HAD**
13 **INCLUDED AN ESTIMATE OF MERGER RELATED REVENUE ENHANCEMENTS?**

14 **A. Yes.**

15 **IV.C. Strategic Competitive Benefits Likely to Benefit the Company's Shareholders**
16 **and Management**

17 **Q. WHAT DO YOU MEAN BY STRATEGIC COMPETITIVE BENEFITS?**

18 **A. These are the risk reducing and revenue enhancing benefits that result from combining the**
19 **two companies' assets and service territories. These benefits will arise from the**
20 **characteristics of the combined entity that allow it to operate more effectively in a less**
21 **regulated, more competitive environment than either utility could on its own. UE certainly**
22 **assigns some value to these benefits since it "has adopted a must assume approach to the**
23 **direct competition issue."**

24 **Q. HAS UE ACKNOWLEDGED THAT IT WOULD RECEIVE SOME SIGNIFICANT STRATEGIC**
25 **BENEFITS FROM THE PROPOSED MERGER?**

Rebuttal Testimony of
Ryan Kind

1 A. Yes, the Company has acknowledged these benefits. In my discussion of revenue
2 enhancements above, I quoted from a portion of Mr. Mueller's testimony where he
3 described the benefits that UE expected from the increased number of transmission
4 interconnects that the merged entity would have. On page 10 of his Direct Testimony, Mr.
5 Mueller notes that "[t]he combined service territories of UE and CIPS will be larger and
6 more diverse than either of the service territories of UE or CIPS as independent entities.
7 This increased geographic diversity should reduce the risk due to exposure to local changes
8 in economic or competitive conditions." On page 9 of his testimony, Mr. Rainwater notes
9 that "cost reduction is our most effective way to prepare for competition, since lower costs
10 mean lower rates." Of course, UE's statements about the strategic benefits expected to
11 arise from the merger were already discussed extensively above where I reviewed the
12 rationale for approval of this merger by UE's management, Board of Directors, and
13 shareholders.

14 Q. HOW WOULD YOU CLASSIFY THE STRATEGIC COMPETITIVE BENEFITS THAT UE IS
15 LIKELY TO OBTAIN FROM THE PROPOSED MERGER?

16 A. I would put most of these benefits into one or more of the following categories:

- 17 • Marketing (the retail merchant function)
- 18 • Transmission
- 19 • Generation

20 Q. PLEASE EXPLAIN WHY THE MERGED COMPANY COULD OBTAIN SOME BENEFITS THAT
21 WOULD ALLOW IT TO MORE EFFECTIVELY PERFORM THE RETAIL MERCHANT
22 FUNCTION.

Rebuttal Testimony of
Ryan Kind

1 A. In order to explain the likely benefits in this area, I need to first explain what the retail
2 merchant function is and how its importance may change in the future as the industry
3 becomes more competitive and less regulated.

4 Q. PLEASE EXPLAIN THE CURRENT STATUS OF THE RETAIL MERCHANT FUNCTION THAT
5 IS PROVIDED BY ELECTRIC UTILITIES.

6 A. Utilities currently have an exclusive franchise granted to them by state utility commissions
7 that allows them and only them to sell electricity to customers within their service
8 territories. Wholesale customers, such as municipal utilities are an exception to this
9 exclusive franchise arrangement. Because of this exclusive franchise, utilities currently
10 have only a limited incentive to engage in sophisticated marketing efforts to try and gain or
11 retain customers. Utilities do presently compete against one another to try to attract
12 additional customers to their service territories. In addition, electric utilities compete
13 against gas utilities that share service territories with them for serving some end uses such
14 as space heating. However, either electricity or gas often has such a significant cost
15 advantage for many end uses (such as water heating, and residential air conditioning) that
16 significant competition is limited.

17 Utilities are, however, beginning to prepare for a less regulated industry by offering new
18 services and more attractive pricing to their larger customers. All of the larger electric
19 utilities in Missouri have either already brought to market or are in the process of
20 developing energy service offerings that will enhance the value of service being provided
21 by the incumbent utility. At least one of Missouri's major electric utilities has begun
22 offering more attractive pricing in the form of long-term contracts and real time pricing in
23 order to prepare for competition.

24 Q. HOW IS THE RETAIL MERCHANT FUNCTION LIKELY TO CHANGE IN THE FUTURE?

Rebuttal Testimony of
Ryan Kind

1 A. There has been a lot of discussion in the electric industry over the last several years about
2 taking away the exclusive franchise privileges that utilities have enjoyed up until now.
3 Two retail wheeling experiments have recently been approved in Illinois so UE is
4 obviously aware of recent trends. A process of informally discussing retail wheeling (also
5 referred to as direct access) has begun at the Missouri PSC.

6 Another possible change that has been receiving a large amount of attention recently in the
7 utility industry is the likely convergence of the electric and natural gas utility industries.
8 Electric utilities like UE and CIPSCO that have significant gas LDC operations are
9 expected to have a head start on taking advantage of this convergence. Beyond offering
10 customers a choice of gas or electricity, many believe that successful energy providers in
11 the future will need to be able to satisfy all of their customers needs on both sides of the
12 meter. This means that companies with experience in offering energy services (mostly
13 efficiency and convenience improvements) on the customer's side of the meter will be well
14 equipped to compete in a less regulated and more competitive utility industry.

15 I believe that UE's enhanced retail marketing abilities that will result from this merger will
16 begin providing some benefits to it in the form of revenue enhancement (this includes
17 retaining customers that would otherwise be lost to competitors) and risk reduction within
18 the next few years.

19 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THAT AMEREN'S RETAIL MARKETING ABILITIES**
20 **WILL BE GREATER THAN THE MARKETING ABILITIES OF EITHER UTILITY ON ITS OWN.**

21 A. First, I need to provide some background information regarding the efforts of UE and
22 CIPSCO to enhance their marketing capabilities prior to this merger. I will discuss UE's
23 efforts first. UE's latest marketing plan indicates that ** _____

Rebuttal Testimony of
Ryan Kind

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Mr. Mueller's letter to shareholders in the Union Electric 1995 Annual Report also gives some insight into the additional emphasis that UE has placed recently on its retail marketing efforts. In his letter, Mr. Mueller states that:

Our large commercial and industrial customers, the first sought-after prizes in any energy market competition, want more than competitive prices. They've told us they need reliable energy service and more energy-related products. Our Energy Saving Partnership programs, our technical assistance with advanced electrotechnologies and our recently implemented Key Account Management Program are the beginnings of a growing menu of services designed to build our current business.

Q. DO YOU HAVE ANY OTHER REASONS TO BELIEVE THAT UE HAS RECENTLY INCREASED ITS EMPHASIS ON THE RETAIL MARKETING FUNCTION?

NP

Rebuttal Testimony of
Ryan Kind

1 A. Yes, UE recently had an informal meeting with members of the Staff and OPC where it
2 indicated a strong interest in marketing energy services outside of its service territory.
3 Also, when Gary Rainwater made a presentation on strategic issues at the January, 1996
4 UE Board of Directors meeting, he mentioned that management was thinking about **

5 _____
6 _____ **

7 Q. DO YOU HAVE ANY REASON TO BELIEVE THAT UE INTENDS TO MAINTAIN ITS
8 INCREASED EMPHASIS ON THE RETAIL MARKETING FUNCTION IF THE PROPOSED
9 MERGER IS APPROVED?

10 A. Yes. ** _____
11 _____
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21 _____ **

22 Q. DO YOU HAVE ANY INFORMATION ABOUT RECENT EFFORTS BY CIPSCO TO
23 ACCELERATE ITS RETAIL MARKETING EFFORTS?

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Rebuttal Testimony of
Ryan Kind

1 A. Yes, CIPSCO's move to establish "a new marketing function" was outlined in the *CIPSCO*
2 *Incorporated 1995 Annual Report*. CIPSCO's new marketing initiative is described on
3 page 14 of the annual report where it states that:

4 A new marketing function was established in 1995 to focus on developing
5 new revenues. The marketing area is responsible for wholesale energy
6 and capacity sales contracts. It will work at the retail level to attract and
7 retain customers within the CIPS region and to establish a CIPS
8 marketing presence as a low-cost energy producer in areas outside the
9 traditional service territory. The marketing group also will lead our
10 efforts to develop new products and services. (emphasis added).

11 Q. HAVE ANY UE OR CIPSCO PERSONNEL MADE ANY PUBLIC STATEMENTS ABOUT THE
12 INCREASED POTENTIAL TO ACHIEVE SUCCESS IN THE RETAIL MARKETING AREA BY
13 COMBINING THE ALREADY EXISTING EFFORTS OF UE AND CIPSCO IN THE
14 MARKETING AREA?

15 A. Yes, in the September issue of CIPSCENE, an informational video newsletter for CIPSCO
16 employees, Jim Backman, the CIPS Marketing Vice President made the following
17 comment:

18 And now, of course, with the merger, we're looking at transitioning our
19 marketing efforts and marketing strengths to mesh together with Union
20 Electric's marketing strengths and the opportunities there are absolutely
21 unlimited from a marketing prospective. That's where we can start
22 doubling and tripling the impacts that we originally thought of within our
23 marketing action plan by carrying them over to Missouri and bringing
24 their programs over to Illinois . . . and that's what I'm talking about when
25 I talk about the meshing.

26 Q. IF THE REVENUE ENHANCEMENTS ASSOCIATED WITH THE RETAIL MERCHANT
27 FUNCTION HAD BEEN INCORPORATED IN THE GOLDMAN SACHS PRO FORMA
28 FINANCIAL ANALYSIS, WOULD THE RESULTS HAVE INDICATED A HIGHER LEVEL OF
29 EPS ACCRETION THAN THE RESULTS PRESENTED TO UE'S SHAREHOLDERS IN THE
30 PROXY STATEMENT?

Rebuttal Testimony of
Ryan Kind

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A. Yes.

Q. PLEASE EXPLAIN WHY AMEREN COULD BENEFIT FROM THE INCREASED AMOUNT OF TRANSMISSION ASSETS THAT IT WOULD OWN AFTER THE MERGER.

A. I will begin my answer to this question by describing the transmission assets that would be held by the merged company. In order to describe the configuration of transmission assets that would be held by the merged company, I will rely on some Exhibits that UE's FERC merger witness Mr. Rodney Frame included in his direct testimony in UE's merger case at the FERC. Mr. Frame's exhibits are included in my Schedule RK-5. As page 1 of Schedule RK-5 shows, UE would gain an additional eleven transmission interconnects from merging with CIPSCO, resulting in a total of 28 interconnects for the merged entity.

Q. DOES CIPSCO HAVE A SIGNIFICANT NUMBER OF TRANSMISSION ASSETS FOR A UTILITY ITS SIZE?

A. Yes, it does. In fact, an article in a 1994 issue of Research Magazine observed that:

** _____

_____**

Q. HAS THE MANAGEMENT OF UE MADE ANY STATEMENTS REGARDING THE BENEFITS THAT THE MERGED COMPANY MAY SEE FROM THE INCREASED NUMBER OF TRANSMISSION INTERCONNECTIONS?

A. Yes. As I noted earlier in my discussion of revenue enhancements, Mueller states in his direct testimony that:

NP

Rebuttal Testimony of
Ryan Kind

1 the strategically combined companies will have enhanced opportunities for
2 marketing in the wholesale and interchange markets. The two companies
3 will have electric interconnections with 28 other utility systems. This
4 increased number of interconnections will enhance opportunities to make
5 sales transactions with these systems and others.

6 Mr. Mueller also commented on this subject in the August 14, conference call that UE and
7 CIPSCO held with investment analysts where he stated that:

8 I would just like to add that with the combination of the two companies,
9 our interconnections will be much more far reaching. We'll be able to
10 transact with a lot more companies, have a lot more opportunities, I think,
11 to market this and, I think, there is a real synergy here. We have been
12 aggressive for many years in marketing interchange power and, I think,
13 this just enables us both to do a lot more of it.

14 **Q. HAVE YOU SEEN ANY OTHER STATEMENTS FROM UE'S MANAGEMENT WHERE THEY**
15 **INDICATED THAT THE COMBINED TRANSMISSION ASSETS MAY ENABLE THE MERGED**
16 **COMPANY TO HAVE MORE OPPORTUNITIES FOR ENERGY SALES?**

17 **A.** Yes, the document entitled *Most frequently asked questions...* that UE sent to shareholders
18 prior to the shareholder merger vote contained the following statement: "The combined
19 company will inter-connect with 28 other utility systems providing opportunities for
20 additional energy sales."

21 **Q. DO YOU HAVE ANY CONCERNS THAT THE INCREASED CONCENTRATION OF**
22 **TRANSMISSION ASSETS THAT WOULD RESULT FROM THIS MERGER WILL NOT ONLY**
23 **HELP UE COMPETE IN A LESS REGULATED AND MORE COMPETITIVE INDUSTRY, BUT**
24 **ALSO LIMIT THE BENEFICIAL RESULTS THAT CONSUMERS COULD RECEIVE FROM A**
25 **MORE COMPETITIVE INDUSTRY?**

26 **A.** Yes, UE's ability to be a more powerful competitor in a less regulated electric industry
27 may hinder the development of effective competition in that industry. The competitive

Rebuttal Testimony of
Ryan Kind

1 model that consumers are expected to benefit from relies on having a market with low
2 barriers to entry and with many sellers where no one seller can influence the market
3 clearing price.

4 UE and CIPSCO are of course required to file open access transmission tariffs in
5 conjunction with their merger filing at the FERC. Just having these tariffs on file would
6 not, however, be a "cure all" to ensure that it cannot take advantage of its ownership of a
7 major transmission gateway in the Midwest. Many other details would need to be worked
8 out including: (1) UE's participation in an Independent System Operator (ISO)
9 arrangement; (2) procedures for determining who is responsible for building new
10 transmission facilities to remedy transmission bottlenecks; and (3) determination of how
11 the costs will be shared for newly constructed facilities. Public Counsel is aware of UE's
12 recent move to participate in discussions with some other Midwest utilities about forming
13 and ISO but we are unaware of the current status of those discussions.

14 **Q. PLEASE EXPLAIN WHY AMEREN COULD BENEFIT FROM THE INCREASED AMOUNT OF**
15 **GENERATION ASSETS THAT IT WOULD OWN AFTER THE MERGER.**

16 **A.** Ameren could benefit in several ways from the combination of UE and CIPSCO generation
17 assets. First, in a more competitive electric industry, utilities may no longer be able to
18 receive revenues from generation based on rates that have been set by regulators. Utilities
19 may only be able to receive the market price for their generation and this market price may
20 be either greater or less than the current regulated price. UE witness Mr. Rainwater
21 addresses this subject in the UE video entitled *Competing for the Future* that I referenced
22 earlier in this testimony. In that video, Mr. Rainwater stated that:

23 A lot of people assume that with more competition that the price of
24 electricity can only go down; what some people don't recognize is with
25 deregulation, the price of electricity may really go up, some of the really
26 low-cost power suppliers may be able to price up to a market price.

Rebuttal Testimony of
Ryan Kind

1 Q. DOES UE CONSIDER ITSELF TO BE A LOW COST PRODUCER?

2 A. Apparently it does. In response to Staff DR No. 77, UE stated that "...we have reviewed
3 stranded cost studies done by industry analysts over the past several years, and we agree
4 with their conclusions that neither UE nor CIPS has any material stranded cost exposure."

5 Q. IF UE HAS ACQUIRED GENERATING ASSETS FROM CIPSCO THAT MAY BE ABLE TO
6 PRODUCE POWER AT COSTS THAT ARE WELL BELOW MARKET-BASED PRICES IN THE
7 FUTURE, DO AMEREN AND ITS SHAREHOLDERS STAND TO BENEFIT FROM THIS ?

8 A. Yes, they very well may. If the embedded cost of Ameren's generation assets is lower than
9 what market prices turn out to be, if and when the industry is deregulated, then some of the
10 difference between the market value of Ameren's generation assets and the embedded cost
11 of those assets may some day increase the wealth of Ameren's shareholders. Another way
12 of looking at this is from the perspective of what might existing UE shareholders have to
13 gain by giving CIPSCO a favorable stock exchange ratio to induce those shareholders to
14 give up control over their assets (which include generation assets). If there is an
15 appreciation in the market value of those generating assets that UE shareholders are
16 gaining control of, then UE shareholders may receive some gains in the future when that
17 increase in the market value of their generation assets is reflected in the market value of
18 Ameren stock.

19 Q. WHAT IS THE SIGNIFICANCE OF YOUR ASSERTION THAT UE SHAREHOLDERS MAY
20 SOME DAY BENEFIT FROM AN INCREASE IN THE MARKET VALUE OF THE CIPSCO
21 GENERATING ASSETS WHICH UE WOULD ACQUIRE PRIOR TO ANY SIGNIFICANT RETAIL
22 WHEELING DEREGULATION IN THE ELECTRIC INDUSTRY IF THIS MERGER IS
23 APPROVED?

Rebuttal Testimony of
Ryan Kind

1 A. The previous analysis is just further support for the proposition that it does not make any
2 sense to utilize stock exchange ratios at the time of the merger announcement to determine
3 whether any "premium" has been incurred. Any increases or decreases in the value of a
4 shareholder's investment will be dependent on the timing of any future stock exchange
5 transactions and the conditions that affect the market value of the stock at that time.

6 **Q. WOULD AMEREN OWN ENOUGH GENERATING CAPACITY TO EXERCISE SOME MARKET**
7 **POWER IN REGIONAL POWER MARKETS IF THE PROPOSED MERGER IS APPROVED?**

8 A. This question is probably impossible to answer without actually modeling the regional
9 power market in a manner that allows for the relevant market to change as transfer
10 capability constraints associated with specific transmission facilities are accounted for
11 under varying load conditions. If UE is able to exercise some degree of market power then
12 it could benefit in the form of revenue enhancement and consumers who buy power in the
13 region could suffer by not being able to buy power in a market with truly effective
14 competition.

15 There certainly seems to be some danger in allowing a large amount of the region's low
16 cost generating facilities to be brought under a single ownership umbrella. If direct access
17 does occur and if CIPSCO had remained an independent utility, then consumers who were
18 able to purchase power directly from area providers would have had one additional low
19 cost provider to choose from. Also, since at this time there is still much uncertainty as to
20 if, how, and when direct access will occur, ratepayers have no assurance at this time that
21 this merger will not lesson the competitive benefits that might accrue to them if direct
22 access becomes a reality.

23 **Q. WOULD THE MERGED ENTITY HAVE ANY OTHER POTENTIAL FOR REVENUE**
24 **ENHANCEMENT IN THE GENERATION AREA?**

Rebuttal Testimony of
Ryan Kind

1 A. Yes, if the merger is approved, Ameren would gain a controlling interest in Electric
2 Energy, Inc. (EEI). This joint venture is currently joint owned by UE (40%), CIPSCO
3 (20%), Illinois Power Co. (20%), and Kentucky Utilities (20%). After the merger, Ameren
4 would own a controlling interest (60%) in EEI. EEI currently owns a 1,000 mW coal-fired
5 plant (the Joppa Plant) in southern Illinois along with a substation and some transmission
6 facilities.

7 **Q. HAS UE MADE ANY REMARKS ABOUT THE STRATEGIC ADVANTAGES THAT IT MAY**
8 **GAIN BY INCREASING ITS OWNERSHIP SHARE TO 60%?**

9 A. Yes, the following exchange regarding this topic took place between Ted Payne (an
10 investment analyst) and Chuck Mueller (UE's CEO) during the August 14, 1995
11 conference call that UE and CIPSCO held with investment analysts:

12 Ted Payne: A question concerning your investment in EEI. Will there be
13 any change in the combined ownership?

14 Chuck Mueller: Presently, Union Electric owns 40% of Electric Energy,
15 Inc. and CIPSCO owns 20%; Kentucky Utilities, 20%; and Illinois Power,
16 20%. The combined entity, obviously, will own 60%. We presently plan
17 to continue EEI in its present course. We are supplying power to the
18 uranium enrichment facility, and we consider them a very good customer
19 and we plan to keep them as such. Now, going down the road, there are
20 possibilities that have been discussed concerning independent power
21 production and things of that nature with EEI. It clearly provides us with
22 an additional synergy, I believe.

23 Ted Payne: But, right now, its full intention to hold on to the entire 60%
24 of the investment? There's no plans for disbursing it amongst the other
25 holders?

26 Chuck Mueller: We very definitely consider it a key asset and have no
27 intention of disbursing it or disposing of it or anything else. We view this
28 as being clearly one of the keys of this transaction is an added ownership
29 share that we can jointly share in EEI Inc.

Rebuttal Testimony of
Ryan Kind

1 Q. DOES UE'S MERGER SAVINGS ESTIMATE INCORPORATE REVENUE ENHANCEMENT
2 FROM UE'S INCREASED OWNERSHIP SHARE OF THE JOPPA PLANT OR FROM ANY OF
3 THE OTHER GENERATING FACILITIES THAT WOULD BE HELD BY THE NEW MERGED
4 ENTITY?

5 A. No, neither UE's merger saving estimates or its proforma financial analysis included
6 impacts of revenue enhancement associated with the new entity's enlarged portfolio of
7 generation assets.

8 V. UE's Merger Application Ratemaking Proposal

9 Q. ARE YOU THE PRIMARY OPC WITNESS ADDRESSING UE'S RATEMAKING PROPOSAL?

10 A. No. Both Mr. Trippensee and Mr. Burdette also address the proposal. Mr. Trippensee
11 addresses the specific mechanics of UE's proposal (among other things) while I address
12 the overall need for any extraordinary ratemaking treatment at the time the Commission
13 considers whether this merger application should be approved.

14 Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE EXTRAORDINARY RATEMAKING
15 TREATMENT THAT UE IS REQUESTING IN THIS CASE.

16 A. UE is asking the Commission to issue an order that makes a ten year adjustment to the
17 financial statements that will be used for regulatory purposes. This adjustment would be
18 accomplished through an above-the-line adjustment to cost of service. These above-the-
19 line adjustments would vary by year and would range from \$30.0 million in the first year
20 after the merger to \$59.5 million in the tenth year after the merger.

Rebuttal Testimony of
Ryan Kind

1 Q. NOW YOU'VE CONFUSED ME. ISN'T UE PROPOSING TO SHARE 50% OF THE MERGER
2 SAVINGS WITH RATEPAYERS. HOW COULD 50% SHARING BE ACCOMPLISHED IF UE
3 IS PROPOSING TO KEEP A SIGNIFICANT PORTION OF THE SAVINGS PRIOR TO SHARING
4 WITH RATEPAYERS THROUGH THE ALTERNATIVE REGULATION PLAN THAT IS
5 CURRENTLY IN EFFECT?

6 A. On page seven of UE's merger application, the Company states that it is requesting the
7 Commission to issue an order "[a]uthorizing UE to offset a ratable portion of the merger
8 costs against merger savings attributable to the Company's Missouri electric and gas
9 operations and to share equally with the ratepayers the remaining merger savings
10 during the first 10 years following the merger." (emphasis added) UE has been unable to
11 identify any actual costs that would be associated with the annual cost of service
12 adjustments that it is proposing, except for merger transaction and transition costs which
13 compose a minor portion of these proposed annual adjustments. Despite this inability to
14 identify any actual costs other than merger transition and transaction costs, UE's proposal
15 would allow it to retain the majority of savings and then share the remainder with
16 ratepayers.

17 Q. MR. KIND, DID ANY OF THE PRO FORMA FINANCIAL ANALYSES THAT UE PERFORMED
18 TO DETERMINE THE EARNINGS IMPACT OF THIS MERGER ASSUME THAT THE
19 COMPANY WOULD RECEIVE THE EXTRAORDINARY RATE MAKING TREATMENT THAT
20 UE IS REQUESTING IN ITS APPLICATION?

21 A. ** _____
22 _____
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Rebuttal Testimony of
Ryan Kind

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Q. ON PAGES 17 AND 18 OF HIS TESTIMONY MR. RAINWATER DISCUSSES THE "INVESTMENT" THAT THE COMPANY MADE TO PROCEED WITH THE MERGER. ASIDE FROM INCURRING TRANSITION AND TRANSACTION COSTS, ARE YOU AWARE OF ANY INVESTMENT THAT THE COMPANY OR ITS SHAREHOLDERS HAVE MADE OR WILL MAKE AS PART OF THIS MERGER?

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A. No.

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Q. ON PAGE 8 OF HIS TESTIMONY, MR. DON BRANDT SPEAKS OF THE NEED FOR UE TO "RECOVER THE COSTS NECESSARY TO BRING ABOUT THE MERGER." ASIDE FROM INCURRING TRANSITION AND TRANSACTION COSTS, ARE YOU AWARE OF ANY COSTS THAT THE COMPANY OR ITS SHAREHOLDERS MAY HAVE INCURRED TO BRING ABOUT THIS MERGER?

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A. No.

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Q. ON PAGE 3 OF HIS TESTIMONY, MR. DOUGLAS KIMMELMAN STATES THAT "[W]ITHOUT THE MERGER PREMIUM, THE CIPSCO SHAREHOLDERS WOULD NOT BE INDUCED TO ENTER INTO THE COMBINATION, CAUSING THE MERGER-RELATED SAVINGS TO BE PERMANENTLY LOST." DO YOU AGREE WITH MR. KIMMELMAN'S STATEMENT.

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A. I neither agree or disagree with the statement. CIPSCO's management, Board of Directors, and shareholders probably could have been enticed to enter into this agreement in a variety of ways. Certainly if UE had offered CIPSCO more seats on the Ameren

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Rebuttal Testimony of
Ryan Kind

1 Board of Directors or temporary holding of the Ameren CEO position, UE could have
2 negotiated a stock exchange ratio different than the 1.03 ratio that was settled on. I
3 believe, however, that Mr. Kimmelman's statement fails entirely to make the point that he
4 was trying to make.

5 **Q. WHAT POINT DO YOU BELIEVE MR. KIMMELMAN WAS TRYING TO MAKE?**

6 A. I believe he was trying to provide a justification for the extraordinary ratemaking treatment
7 that UE is proposing in this case. I believe that he is trying to not so subtly imply that
8 unless the Commission approves UE's ratemaking proposal which provides for direct
9 recovery of the "merger premium" through an above the line adjustment to cost of service,
10 UE's shareholders will not be sufficiently motivated to proceed with this merger.

11 **Q. DO YOU BELIEVE MR. KIMMELMAN UNDERSTANDS THE LONG TERM STRATEGIC**
12 **BENEFITS THAT MERGERS CAN PROVIDE FOR ELECTRIC UTILITIES AND THEIR**
13 **SHAREHOLDERS?**

14 A. Yes, I do. I believe Mr. Kimmelman was involved in preparing and presenting the August
15 8, 1995 and August 11, 1995 Goldman Sachs presentations to the UE Board of Directors
16 that described ** _____

17 _____ ** These presentations were discussed earlier in this testimony
18 and a portion of the August 11 presentation is included in Schedule RK-2. Mr.
19 Kimmelman's involvement in the August 8, 1995 Board of Directors meeting was
20 summarized in the meeting minutes as follows:

21 ** _____
22 _____
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26 _____

Rebuttal Testimony of
Ryan Kind

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** (emphasis added).

Mr. Kimmelman's involvement in the August 11, 1995 Board of Directors meeting was
summarized in the meeting minutes as follows:

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Rebuttal Testimony of
Ryan Kind

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** (emphasis added).

Q. DO THE ABOVE BOARD MINUTES EXCERPTS INDICATE THAT MR. KIMMELMAN INDICATED TO THE UE BOARD OF DIRECTORS THAT LONG-TERM STRATEGIC BENEFITS WERE AN IMPORTANT ASPECT OF THIS MERGER?

A. Yes, they do.

Q. HAVE YOU SEEN ANY REMARKS MADE BY MR. KIMMELMAN OUTSIDE OF THIS MERGER CASE THAT WOULD INDICATE THAT HE BELIEVES ELECTRIC UTILITIES SHOULD CONSIDER THE LONG-TERM STRATEGIC BENEFITS THAT ARE LIKELY TO BE GAINED FROM UTILITY MERGERS?

A. Yes, I have. Some remarks are attributed to Mr. Kimmelman in an article entitled *Inside utility mergers: Trends within the trend* by Cate Jones that appeared in the January, 1996 issue of *Electrical World*. The following excerpt from that article expresses some of Mr. Kimmelman's views on the long-term strategic benefits of utility mergers:

Whenever companies have been forced to compete, "larger companies have historically fared better, because they are able to survive the discounting that inevitably results in the battle for customers," says Kimmelman. And since distribution is the business that is closest to customers, he adds, acquiring more distribution channels will become increasingly important, and the objective of future mergers.

Q. DO YOU BELIEVE UE'S SHAREHOLDERS HAVE A SUFFICIENT MOTIVATION FOR PROCEEDING WITH THIS MERGER WITHOUT GETTING DIRECT RECOVERY OF THE MERGER PREMIUM?

A. Yes, I believe they clearly do for two reasons. First, ** _____

Rebuttal Testimony of
Ryan Kind

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Second, as noted throughout this testimony, UE expects to see many long-term strategic benefits from this merger. These long term benefits can be expected to enhance earnings and lower risk over the long-term and UE's investors will certainly consider them.

NP

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Kind Rebuttal
Case No. EM-94-145

Presentation to Union Electric Company

Discussion Materials

June 15, 1995

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CASE NO. EM-96-149

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Arch Company

Presentation to the
Board of Directors

Goldman, Sachs & Co.
August 11, 1995

KIND REBUTTAL
CASE NO. EM-96-149

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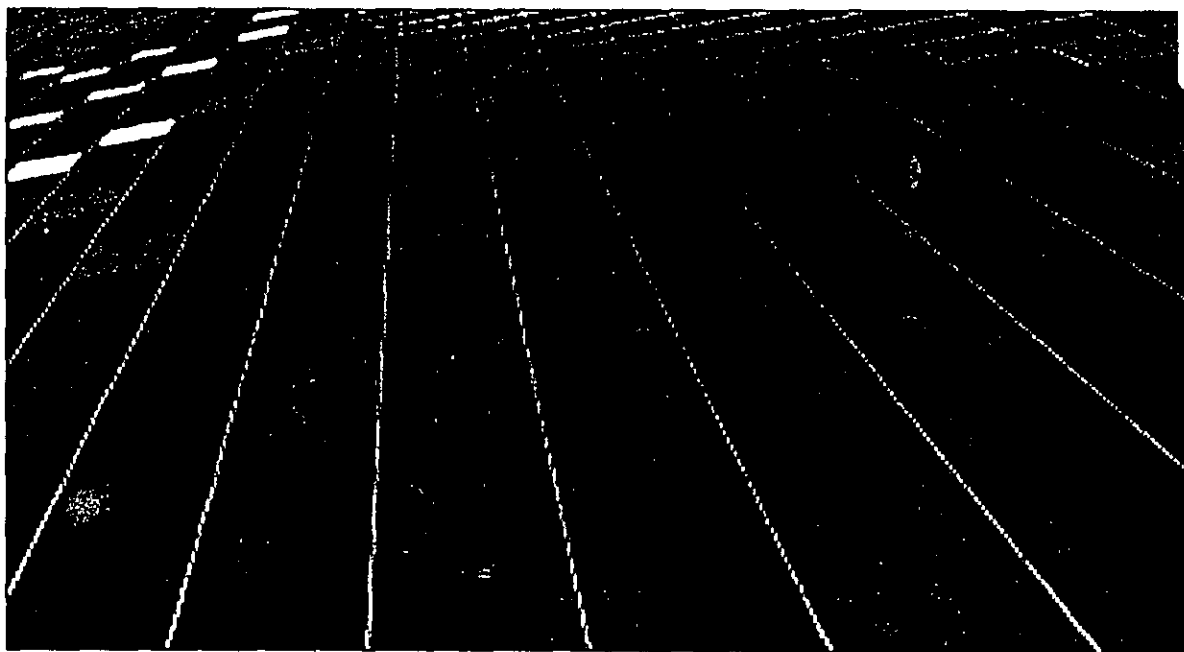
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Board Presentation

August 1, 1995

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Kind Rebuttal
Case No. EM-94-149



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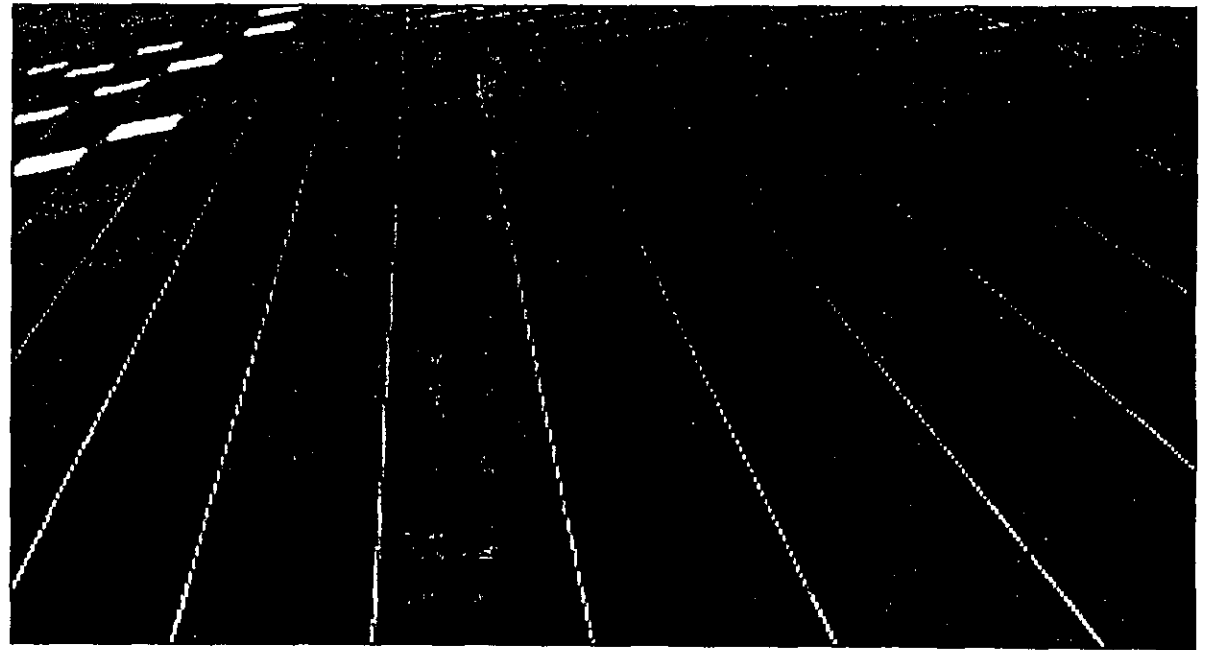
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Board of Directors Presentation

August 8, 1995

Kind Rebuttal
Case No. EM-94-149



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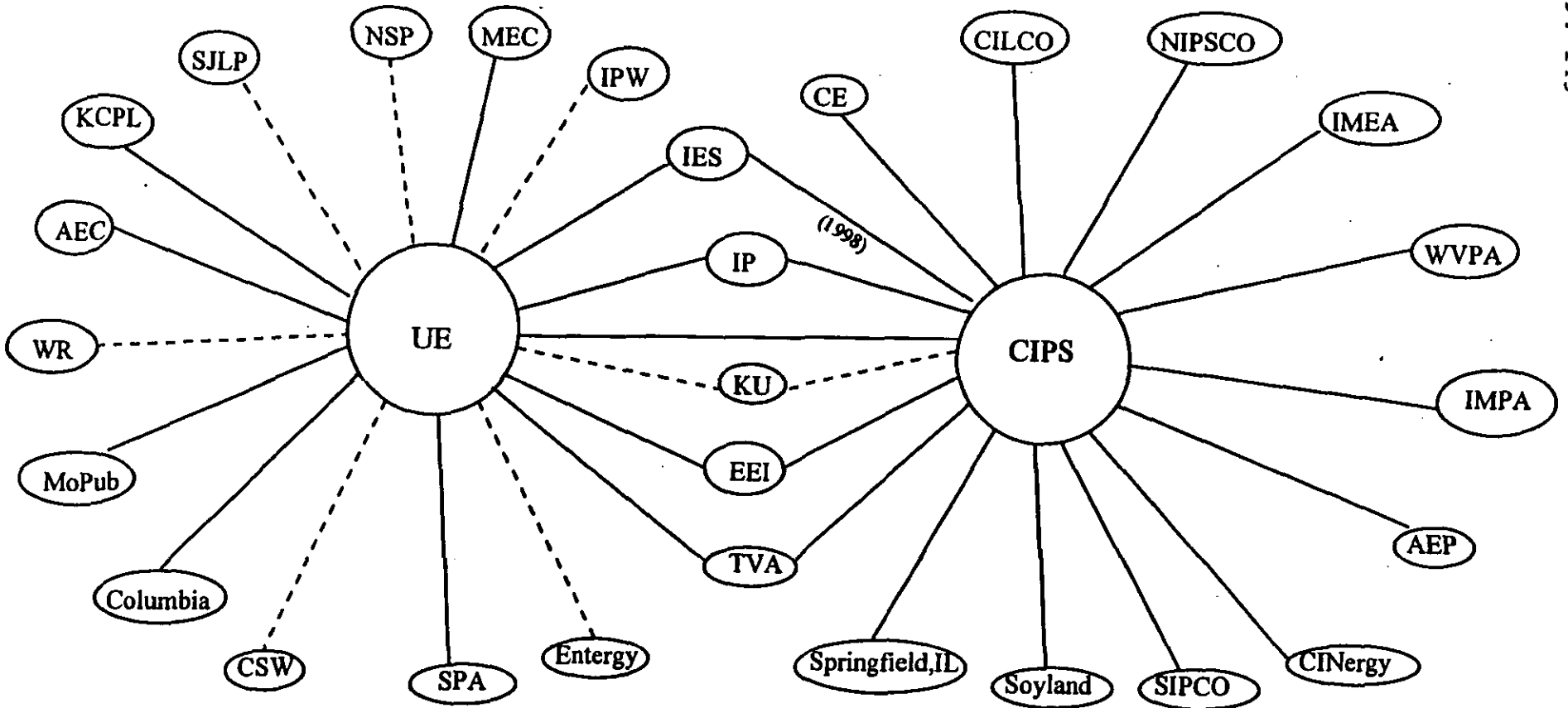
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INTERCONNECTIONS OF UE AND CIPS



— Direct
- - - Contractual

INTERCONNECTIONS OF UE AND CIPS

Utilities Interconnected with UE

Utilities Interconnected with CIPS

-----Direct-----

AEC*
CIPS*
Columbia*
EEI*
IES*
IP*
KCPL*
MEC*
MoPub*
SPA*
TVA*

CE*
CILCO*
Springfield*
EEI*
IES* (1998)
IMEA*
IMPA*
IP*
IM/AEP*
NIPSCO*
PSI/CINergy*
Soyland*
SIPCO*
UE*
TVA*
WVPA*

-----Contractual Only-----

APL/Entergy
IPW
KGE/WR
KU
NSP
PSO/CSW
SJLP*

KU

Utilities with asterisk (*) are potential receipt and delivery points under merged firms' open access tariffs.

Utilities in bold are interconnected with both UE and CIPS.

NOTE: See Exhibit ___ (RWF-3) for explanation of abbreviations.

LIST OF ABBREVIATIONS

AEC	Associated Electric Cooperative, Inc.
AECC	Arkansas Electric Cooperative Corporation
AEP	American Electric Power Company, Inc.
Ames	Ames Municipal Electric System
AP	Alabama Power Company
APL	Arkansas Power & Light Company
APS	Allegheny Power Service Corporation
Atlantic	Atlantic Municipal Utilities
Basin	Basin Electric Power Cooperative
Big Rivers	Big Rivers Electric Corporation
BPU	Kansas City Board of Public Utilities
Cajun	Cajun Electric Power Cooperative, Inc.
CBPC	Corn Belt Power Cooperative
CE	Commonwealth Edison Company
Cedar Falls	Cedar Falls Utilities
Centerior	Centerior Energy Corporation
Central Iowa	Central Iowa Power Cooperative
CILCO	Central Illinois Light Company
CINergy	CINergy
CIPS	Central Illinois Public Service Company
CLECO	Central Louisiana Electric Company, Inc.
Columbia	Columbia Water & Light Department
Consumers	Consumers Power Company
CPA	Cooperative Power Association
CPC	Central Power Electric Cooperative, Inc.
CPL	Carolina Power & Light Company
CSW	Central and South West Corporation
Dahlberg	Dahlberg Light & Power Company
DPC	Dairyland Power Cooperative
DPL	The Dayton Power & Light Company
Duke	Duke Power Company
Duquesne	Duquesne Light Company
ECAR	East Central Area Reliability Coordination Agreement
EEL	Electric Energy, Inc.
EKPC	East Kentucky Power Cooperative, Inc.
Eldridge	Eldridge Municipal Light Department
Empire	Empire District Electric Company
Entergy	Entergy Corporation
EPI	Entergy Power, Inc.
ERCOT	Electricity Reliability Counsel of Texas
ETEC	East Texas Electric Cooperative
FP&L	Florida Power & Light Company
Geneseo	Geneseo Municipal Utilities
GP	Georgia Power Company
GRDA	Grand River Dam Authority
Gulf	Gulf Power Company
Harlan	Harlan Municipal Utilities
Heartland	Heartland Consumers Power District

Kind Rebuttal
Case No. EM-94-149

Hoosier	Hoosier Energy Rural Electric Cooperative
IES	IES Industries, Inc.
IIGE	Iowa-Illinois Gas & Electric Company
IM	Indiana Michigan Power Company
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
Independence	Independence Power & Light Department
IP	Illinois Power Company
IPL	Indianapolis Power & Light Company
IPW	Interstate Power Company
KAMO	KAMO Power
KCPL	Kansas City Power & Light Company
KGE	Kansas Gas & Electric Company
KU	Kentucky Utilities
Lafayette	Lafayette Utilities System
LEPA	Louisiana Energy Power Authority
LES	Lincoln Electric System
LGE	Louisville Gas & Electric Company
MAIN	Mid-America Interconnected Network
MAPP	Mid-Continent Area Power Pool
MBMFA	Missouri Basin Municipal Power Agency
MEAN	Municipal Energy Agency of Nebraska
MEC	MidAmerican Energy Company
Midwest	Midwest Energy, Inc.
Minnkota	Minnkota Power Cooperative, Inc.
Miss P	Mississippi Power Company
MoPub	Missouri Public Service Company
MPL	Minnesota Power & Light Company
MPSI	Midwest Power Systems, Inc.
Mt. Carmel	Mt. Carmel Public Utility Company
Muscatine	Muscatine Power and Water
NCPC	North Central Power Co., Inc.
NIPSCO	Northern Indiana Public Service Company
NPPD	Nebraska Public Power District
NSP	Northern States Power Company
NTEC	Northeast Texas Electric Cooperative, Inc.
NWPS	Northwestern Public Service Company
OE	Ohio Edison Company
OGE	Oklahoma Gas & Electric Company
OMPA	Oklahoma Municipal Power Authority
OPPD	Omaha Public Power District
OTP	Otter Tail Power Company
OVEC	Ohio Valley Electric Company
Owensboro	Owensboro Municipal Utilities
Plaquemine	Plaquemine City Light & Water Department
PSI	PSI Energy, Inc.
PSO	Public Service Company of Oklahoma
Richmond	Richmond Power & Light
Savannah	Savannah Electric and Power Company
SERC	Southeastern Electric Reliability Council Region
Sho-Me	Sho-Me Power Corp.
SIGECO	Southern Indiana Gas & Electric Company

Sikeston	Sikeston Board of Municipal Utilities
SIPCO	Southern Illinois Power Cooperative
SJLP	St. Joseph Light & Power Company
SMEPA	South Mississippi Electric Power Association
SMMPA	Southern Minnesota Municipal Power Agency
Southern	The Southern Company
Soyland	Soyland Power Cooperative, Inc.
SPA	Southwestern Power Administration
SPP	Southwest Power Pool
Springfield, IL	Springfield City Water, Light & Power
Springfield, MO	Springfield City Utilities
SRMPA	Sam Rayburn Municipal Power Agency
Sunflower	Sunflower Electric Power Corporation, Inc.
SWEPCO	Southwestern Electric Power Company
SWPS	Southwestern Public Service Company
TVA	Tennessee Valley Authority
UE	Union Electric Company
UPA	United Power Association
USEC	United States Enrichment Corporation
Utilicorp	Utilicorp United, Inc.
VEPCO	Virginia Electric and Power Company
WAPA	Western Area Power Administration
Waverly	Waverly Light & Power
WEPCO	Wisconsin Electric Power Company
West Plains	West Plains Electric Cooperative, Inc.
WF	Western Farmers Electric Cooperative
WPL	Wisconsin Power & Light Company
WPPI	Wisconsin Public Power Inc. System
WPSC	Wisconsin Public Service Corporation
WR	Western Resources
WVPA	Wabash Valley Power Association