FILED
May 10, 2011
Data Center
Missouri Public
Service Commission

Exhibit No.: 103
Issue(s): Fuel Adjustment Clause; Rate Case Expense; Storm Costs/Amortizations
Witness: Lynn M. Barnes
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2011-0028
Date Testimony Prepared: March 25, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

REBUTTAL TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

UNION ELECTRIC COMPANY d/b/a Ameren Missouri

St. Louis, Missouri
March, 2011

Ameren Exhibit No. 103
Date 4-27-11 Reporter TU
File No. ER-2011-0028

TABLE OF CONTENTS

I. INTRODUCTION 1

II. FUEL ADJUSTMENT CLAUSE SHARING MECHANISM 2

III. RATE CASE EXPENSE 11

IV. STORM COSTS 13

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LYNN M. BARNES**
4

5 **CASE NO. ER-2011-0028**

6 **I. INTRODUCTION**

7 **Q. Please state your name and business address.**

8 A. My name is Lynn M. Barnes. My business address is One Ameren Plaza,
9 1901 Chouteau Avenue, St. Louis, MO 63103.

10 **Q. Are you the same Lynn M. Barnes who filed direct testimony in this case?**

11 A. Yes, I am.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is to address the following issues
14 presented in the direct testimony of the Missouri Public Service Commission Staff ("Staff"):

15 a) The Staff has recommended modifications to the Fuel Adjustment Clause
16 ("FAC") which would change the current sharing mechanism from 95%/5% to 85%/15%.
17 The Staff is also recommending a few relatively minor clarifications, and also recommends
18 including in the FAC tariff certain reporting requirements the Company is already following.
19 I had previously recommended a few minor "housekeeping" changes that do not affect the
20 basic structure or operation of the FAC, but that are warranted due to changed conditions.
21 While the Company strongly disagrees with the Staff's sharing mechanism proposal, the
22 Company is in general agreement on the Staff's other FAC-related proposals.

1 b) The Staff is recommending a reduction in the amount of rate case expense to
2 be included in the Company's cost of service. The Company believes the Staff's
3 recommendation is unsupported and should be rejected.

4 c) The Staff has recommended a reduction in the amount of normalized storm
5 costs to be included in the cost of service based on a calculation that excludes certain storms
6 from the normalization period. The Company believes that if a normalization calculation is
7 proper to derive an appropriate level of storm costs in rates, it should be calculated
8 consistently and include all relevant historical expenses, which the Staff's proposal fails to
9 do. In addition, the Company recommends that the storm costs incurred in the twelve
10 months ended February 28, 2011 that are in excess of the normalized level of storm costs be
11 amortized over a five-year period, as the Commission has done in each of the Company's last
12 two rate cases.

13 **II. FUEL ADJUSTMENT CLAUSE SHARING MECHANISM**

14 **Q. What is Staff's position regarding the sharing mechanism in the FAC?**

15 A. The Staff is recommending that the current sharing mechanism, which
16 allocates 95% of the increases or decreases in net fuel costs to customers and 5% of such
17 increases or decreases to the Company, be modified to allocate 85% to customers and 15% to
18 the Company. This is described in the Staff Report—Revenue Requirement Cost of Service
19 ("Staff Report"), on pages 110 through 117.

20 **Q. Please describe what is meant by the 95%/5% sharing mechanism and**
21 **the potential impact of moving to an 85%/15% sharing mechanism.**

22 A. Certainly. The 95%/5% sharing mechanism simply means that if the cost of
23 fuel and purchased power expenses, net of off-system sales (i.e., net fuel costs), increases

1 above or decreases below the net base fuel costs against which changes in net fuel costs are
2 tracked, then the Company will recover 95% of the increase or refund 95% of the decrease
3 over (under the existing FAC tariff) a twelve-month period beginning four months after the
4 end of the accumulation period. The Company does not recover or refund 5% of these costs.
5 Moving this sharing mechanism to 85%/15% would result in the Company having to absorb
6 15% of the cost increases or retaining 15% of the cost decreases, rather than 5%.

7 **Q. What are Staff witness Lena Mantle's reasons for recommending a**
8 **change to the sharing mechanism?**

9 A. Ms. Mantle attempts to justify her recommendation based on two basic
10 observations that she asserts somehow suggest that the 95%/5% mechanism doesn't provide
11 the proper incentive, as follows: 1) that Ameren Missouri has two open contested cases
12 before the Commission regarding its FAC; and 2) that the information the Company has
13 provided in its monthly FAC submissions show that the average price received for off-system
14 sales ("OSS") has increased and its OSS volumes have decreased over time.

15 **Q. Can you comment on these reasons?**

16 A. Certainly. In Ms. Mantle's testimony, she discusses the contested issue
17 currently under review by the Commission relating to the Staff's report on its first prudence
18 audit. The dispute under review is related to a difference in interpretation of the FAC tariff
19 approved in Case No. ER-2008-0318 as it relates to whether certain contracts are "long-term
20 full or partial requirements" contracts, or whether they are not long-term full or partial
21 requirements contracts. If they are not, then pursuant to the Company's tariff the sales under
22 those contracts are to be included as OSS, but if they are those sales are excluded from OSS.
23 For reasons that remain unclear to me, Ms. Mantle is apparently suggesting that because the

1 Company entered into these contracts in the wake of a significant loss of load from its largest
2 customer that the sharing mechanism should be changed. Her suggestion is made despite the
3 fact that she has admitted that the contracts at issue are in fact long-term full or partial
4 requirements contracts,[1] and despite the fact that the Staff agrees that it was prudent for the
5 Company to enter into them, as discussed below.

6 In addition, Ms. Mantle cites another contested issue that is being addressed in the
7 docket relating to the Company's true-up of its first recovery period under the FAC. This
8 issue arose from a mistake in the original calculation of net base fuel costs that resulted in an
9 understatement of the difference between the actual net fuel costs being tracked in the FAC
10 and the net base fuel cost figures against which those actual fuel costs were compared. For
11 reasons that are also unclear to me, Ms. Mantle is suggesting that if the sharing mechanism
12 had been different that this error would not have occurred.

13 Finally, Ms. Mantle refers to the Company's monthly FAC submissions that indicate
14 that average prices received for OSS have risen and OSS volumes have decreased.
15 Ms. Mantle is suggesting that if the sharing mechanism were altered, the Company would be
16 incented to increase the prices it receives for energy sold off-system and/or find more
17 customers for off-system sales.

18 **Q. Starting with the first reason cited by Ms. Mantle, did the Staff's report**
19 **from its prudence audit (Case No. EO-2010-0255) determine that any of the Company's**
20 **costs were imprudently incurred?**

21 A. No. In fact, as I noted, in the Staff's report in the prudence audit the Staff
22 specifically stated that entering into the contracts in question was "a prudent action by
23 AmerenUE given the significant amount of energy AmerenUE would not be delivering to

[1] Case No. EO-2010-0255, Tr. p. 384-385.

1 Noranda for months, at that time expected to be 12-15 months."[2] Moreover, although the
2 Staff report comprehensively examined all of the Company's fuel cost components, the
3 report did not allege any other type of imprudence with respect to any of these components,
4 or with respect to any Company operation (fuel procurement, power plant operation,
5 maintenance, etc.) that impacts net fuel costs.

6 **Q. Would the Company's actions relating to Noranda's lost load have been**
7 **different if the sharing mechanism was different?**

8 A. No. In fact, the entire premise of Ms. Mantle's testimony on this issue
9 appears to be false. It appears that her premise is that if Ameren Missouri had been
10 responsible for a 15% share of changes in net fuel costs then it would not have entered into
11 power supply contracts to replace the load lost because, in her mind, Ameren Missouri would
12 have been able to keep 15% (not 5%) of any OSS that could have been made using the
13 volumes not being taken by Noranda. Ms. Mantle's math simply does not work, however.
14 While it is true that a 15% share would have meant the Company would have kept the margin
15 on a portion of those volumes, the Company's generation portfolio would still have been out
16 of balance, and the Company would still have incurred tens of millions of dollars of losses –
17 whether the sharing was 5%, 15%, or some other percentage. The bottom line is that the
18 Company's action would have been the same no matter what its sharing percentage was
19 because the Company would still have needed to do what it did: attempt to replace the load
20 lost from Noranda with a similar-type load over the period of time that Noranda was
21 expected to be out.

[2] MPSC Staff Report, "Prudence Review of Costs Related to the Fuel Adjustment Clause for the Electric Operations of Union Electric Company, d/b/a AmerenUE," p. 18.

1 **Q. Moving to the second reason Ms. Mantle cited, when was the mistake that**
2 **is being addressed in the true-up proceeding initially discovered?**
3 A. The net base fuel cost calculation error that Ms. Mantle refers to in her
4 testimony was originally discovered in late 2009, during the Company's preparation of the
5 adjustment filing for the second accumulation period. At that time, the Company discussed
6 the issue with the Staff, believing that the Staff would agree that a simple mistake had been
7 made and that it should be corrected, and the Company continued those discussions with
8 Staff (and other parties) through February 2011. At that time, while the Staff agreed that the
9 sales used to calculate net base fuel costs in Case No. ER-2008-0318 were not determined at
10 the generation level but the sales used to calculate FAC adjustments were calculated at the
11 generation level (which created an unintended mismatch), the Staff would not agree that it
12 was appropriate to correct the mistake.[3] Quite frankly, I'm not sure how a different sharing
13 mechanism would have resulted in finding this error any sooner, as Ms. Mantle implies. I
14 suppose what she is implying is that the Company "should have been more careful" and that
15 it would have been had the sharing percentage been greater. This too is a false premise.
16 *Both* the Staff and the Company failed to recognize that the sales used were not at the
17 generation level. The mistake occurred as part of implementing the first FAC the Company
18 had had since the 1970s. The mistake involves a relatively small sum (approximately
19 $5 million over five different accumulation periods) out of total net fuel costs of more than
20 $400 million annually.

[3] The Staff will probably argue, as suggested by Ms. Mantle's testimony, that there was no "mistake," although the Staff agrees there was a "mismatch." Ameren Missouri witness Steve Wills addresses this issue in his rebuttal testimony, and the Company's attorneys have addressed this issue in briefs filed in the true-up docket.

1 **Q. Finally, were lower OSS volumes over the past couple of years linked in**
2 **any way to things that the Company would have done differently had the sharing**
3 **mechanism been different?**
4 A. No. As Ameren Missouri witness Jaime Haro demonstrates in his rebuttal
5 testimony, the lower OSS volumes we saw between Accumulation Period 2 and
6 Accumulation Period 5 were entirely attributable to higher retail sales, due both to warmer
7 than normal weather and a rebound in industrial loads (including the return of Noranda to full
8 load). Similarly, the lower OSS volumes we saw between Accumulation Period 1 and
9 Accumulation Period 4 were also due to higher retail sales, the fact that the Callaway Plant
10 had a refueling outage in one period but not the other, and the fact that we had other major
11 planned maintenance outages (designed to improve power plant performance) in one period
12 but not the other.
13 **Q. Did the sharing mechanism in the FAC influence the Company's actions**
14 **regarding any of the areas discussed by Ms. Mantle?**
15 A. No. As I've demonstrated, the sharing mechanism had nothing to do with any
16 of these areas. While the sharing mechanism does impact the ***calculation*** of the difference
17 between actual net fuel costs and net base fuel costs, it is not a factor in the ***business***
18 ***decisions*** made by the Company. Rather, changing the sharing mechanism to increase the
19 Company's portion will simply result in the disallowance of prudently incurred fuel costs
20 whenever the Company's net fuel costs increase between rate cases, or whenever the net base
21 fuel costs are set too low.
22 **Q. Aren't the net base fuel costs just as likely to be set at a level that is too**
23 **high in this case as they are to be set at a level that is too low?**

1 A. No. The way that net base fuel costs are calculated, they are far more likely to
2 be set at a level that is too low. There are two reasons for this. First, as Ameren Missouri
3 witness Jaime Haro testifies in his rebuttal testimony, OSS revenues included in the net base
4 fuel costs have consistently been calculated based on a three-year average of power prices.
5 Since the most recent three-year average of power prices is much higher than current power
6 prices, the OSS revenues included as part of the net base fuel costs are higher than OSS
7 revenues that are likely to actually be achieved. Second, because the Company faces
8 scheduled increases in coal, coal transportation, nuclear fuel and other fuel costs, fuel costs
9 that will actually be incurred are likely to be higher than those embedded in the net base fuel
10 costs. As a consequence of both of these factors, net base fuel costs are likely to be lower
11 than net fuel costs that will actually be incurred, and increasing the sharing percentage is
12 likely to mean that Ameren Missouri will simply have to absorb a greater amount of
13 prudently incurred net fuel costs.

14 **Q. Does Ameren Missouri's experience with the fuel adjustment clause to**
15 **date bear this out?**

16 A. Yes. For example, during the 12 months ending February 28, 2011, the
17 existing 5% sharing caused the Company to under-recover approximately $7.5 million of net
18 fuel cost increases during this period that were not in any way shown to have been
19 imprudently incurred. If the Staff's 85%/15% proposal had been in place during that period,
20 the Company would have been forced to absorb an *additional* approximately $15 million of
21 net fuel cost increases that were not in any way shown to have been imprudently incurred.
22 There is simply no justification for requiring Ameren Missouri to absorb costs of this
23 magnitude without any showing of imprudence.

1 **Q. Are there any other reasons that the sharing mechanism should not be**
2 **changed?**
3 A. Yes. Regardless of other considerations, the sharing mechanism should not be
4 changed because inconsistent regulatory policy has the effect of eroding investor confidence
5 in utilities and casts a shadow on the state regulatory process. Ameren Missouri witness
6 Gary Rygh's rebuttal testimony describes how uncertainty relating to the components of the
7 FAC in every rate case would erode investor confidence in the regulatory process, which
8 would then impact the Company's credit quality. Reduced credit quality would make it more
9 costly and potentially more difficult for Ameren Missouri to access the capital needed to fund
10 necessary investments in the system. As Mr. Rygh discusses in detail, this would be
11 particularly true where, as here, there has been absolutely no evidence that the Company has
12 acted imprudently regarding its net fuel cost management.
13 **Q. Does the sharing mechanism currently in effect in the FAC provide**
14 **Ameren Missouri with sufficient financial incentive to be prudent and take reasonable**
15 **steps to manage its net fuel costs?**
16 A. Yes. The Company has not changed its practices or risk management policies
17 regarding hedging fuel and purchased power costs or regarding the operation and
18 maintenance of its generating units[4] since the Commission approved its FAC. Because the
19 Staff has not identified any imprudently incurred costs in its prudence review audit under the
20 current sharing mechanism, I cannot imagine how shifting the incentive to a greater
21 percentage could cause the Company to perform any differently. Staff's proposal would
22 serve only to penalize the Company by likely disallowing a larger percentage of prudently

[4] Ameren Missouri witness Mark C. Birk addresses this issue in his rebuttal testimony, primarily in response to "rate design" testimony filed by MIEC witnesses Maurice Brubaker and James Dauphinais.

1 incurred costs. The existence of the prudence review process and the related possibility for
2 the disallowance of costs provides enough of an incentive for the Company to prudently
3 manage its net fuel costs. Also, the fact that the Commission possesses the discretion and
4 power to eliminate the FAC altogether if the Company engaged in imprudent behavior with
5 respect to its net fuel costs provides an additional very powerful incentive for the Company
6 to act prudently. There simply is nothing in Ms. Mantle's testimony to indicate that the
7 Company currently lacks sufficient financial incentive to prudently manage its net fuel costs
8 to warrant a change in the sharing mechanism that is already in place. Further, there is no
9 indication from the Staff of what change in behavior from the Company they are seeking or
10 what results they are expecting that would serve as an indication that the sharing mechanism
11 is at the appropriate level.

12 **Q. You previously indicated that the Company had suggested some minor**
13 **housekeeping changes to the FAC tariff, and that the Staff had suggested a few**
14 **clarifications as well. What is the Company's position on the changes suggested by the**
15 **Staff?**

16 A. Except for the sharing percentage change, the Company is generally in
17 agreement with all of Staff's proposed changes in the FAC tariff, including the addition of
18 reporting requirements which the Company is already following. With regard to the change
19 in how the net base fuel cost ("NBFC") calculation is done, please see the rebuttal testimony
20 of Ameren Missouri witness Steven Wills. Attached to this testimony as Schedule
21 LMB-ER4 is an exemplar FAC tariff sheet that incorporates the housekeeping changes I
22 originally recommended in my direct testimony (see Schedule LMB-E3), and that adds the

1 additional changes suggested by the Staff and agreed upon by the Company. These
2 additional changes are shown in italics and they are also highlighted.

3 **III. RATE CASE EXPENSE**

4 **Q. Staff has recommended that $1,000,000 be included in Ameren Missouri's**
5 **revenue requirement for rate case expenses. Do you agree with this recommendation?**

6 A. No, I do not. Staff witness Lisa Ferguson stated in her deposition that she
7 based her recommendation in this case on Staff recommendations in the pending Kansas City
8 Power & Light Company ("KCP&L") and KCP&L-GMO rate cases, and Ameren Missouri's
9 last rate case, as well as The Empire District Electric Company's last rate case. However,
10 when questioned, she admitted that she did not consider any of the specifics of any of these
11 cases when making her recommendation.[5] Ms. Ferguson does not suggest that any cost
12 Ameren Missouri is incurring is imprudent or unnecessary, and she provides no other reason
13 why any portion of the Company's rate case expenses should not be recovered. Her
14 adjustment is arbitrary and completely unsupported. Moreover, it is inconsistent with
15 Missouri's tradition of regulation, which obligates the Commission to provide the utilities it
16 regulates with a reasonable opportunity to recover prudently incurred costs. If expenses are
17 prudent and properly incurred, they must be allowed as a part of rates. Ameren Missouri
18 believes this principle lies at the heart of sound utility regulation, is good policy and sees no
19 reason to depart from this long held tradition.

---

[5] Deposition of Lisa Ferguson, March 17, 2011 pp. 26-31. Although Ms. Ferguson claims her recommendation is based on "what other electric companies in the state have spent to try a rate case" (*Id.* at 26) the magnitude of her adjustment suggests that it is informed by Staff recommendations in the cases she examined.

1 **Q. Why is the Staff's approach to defining this amount inappropriate?**

2 A. Ms. Ferguson's comparison of Ameren Missouri's rate case expenses to those
3 of other utilities does not take into account the many differences between an Ameren
4 Missouri rate case and those of the other Missouri utilities. Her argument ignores the fact
5 that Ameren Missouri is by far the largest utility in Missouri. Ameren Missouri has
6 approximately 50% more customers than the Missouri *and* Kansas customers of Missouri's
7 second largest utility, Kansas City Power & Light Company. Ameren Missouri's customer
8 base is also much larger than that of The Empire District Electric Company, another
9 company Ms. Ferguson used in her comparison. Ms. Ferguson did not take into
10 consideration that the Company's rate cases involve large sums and many complex issues,
11 and include numerous intervening parties who actively participate throughout the entire case.
12 Moreover, Ameren Missouri's participation in the Midwest Independent Transmission
13 System Operator, Inc. ("MISO"), and the need to model fuel costs and off-system sales,
14 make setting rates for the Company a much more complex and difficult task than for other
15 Missouri utilities.

16 **Q. Has Ameren Missouri's utilization of external resources for rate case**
17 **support been consistent in recent years?**

18 A. Yes it has. The following table shows our actual rate case expenses for the
19 last two rate cases and our estimated expenses for this case:

	ER-2008-0318	ER-2010-0036	ER-2011-0028
	Actual	Actual	Estimate
Outside Legal	$600,737	$537,454	$860,000
External Consultants	$1,309,810	$1,308,180	$1,020,000
Other	$ 170,531	$552,718	$170,000
Total	$2,081,078	$2,128,352	$2,050,000

1

2 Ameren Missouri has managed its reliance on outside consultants, limited the number
3 of external witnesses and otherwise taken steps to reduce its rate case expenses over the last
4 few years. However, even with this diligent effort, the importance of rate cases to the
5 financial well-being of the Company and the number and complexity of issues involved
6 make it impossible to fully prosecute this case without the outside assistance Ameren
7 Missouri has used. Ms. Ferguson seems to suggest that if the level of internal resources used
8 for rate cases were increased by the amount of external costs (e.g., increasing total
9 headcount), that the costs would be prudent and recoverable. By contrast, our view is that
10 utilizing external resources in peak times allows us to have better control of our costs instead
11 of embedding a level of internal costs in rates that matches peak need rather than "normal"
12 need, which we believe is a more prudent and economical course of action.

13 **IV. STORM COSTS**

14 **Q. What level of storm costs is Staff witness John Cassidy proposing in this**
15 **rate case?**

16 A. Mr. Cassidy is recommending a normalized test year level of $2.9 million for
17 non-labor related storm restoration costs before the true-up through February 28, 2011.

1 **Q. Is this level of storm costs sufficient?**

2 A. No. While I agree with Mr. Cassidy's approach of normalizing costs based on
3 several historical periods, I disagree with his decision to eliminate certain costs from that
4 historical period in his average. Mr. Cassidy implies that by including in the normalization
5 calculation costs from historical storms whose costs are being amortized the Company is
6 somehow double-recovering those historical storm costs. That is simply not the case.

7 **Q. How should the level of storm costs be determined?**

8 A. To correctly calculate a normalized level of storm costs, that is, a level that we
9 can reasonably expect to incur during the period when rates set in this case will be in effect,
10 it is important to include all relevant storm costs in the historical periods being used to
11 develop the normalization. Whether or not historical costs are being recovered through
12 amortizations is irrelevant to determining what the normalized level of costs should be in the
13 future.

14 **Q. Please elaborate.**

15 A. Consider the last forty-seven months of storm expense (April 2007 through
16 February 2011). The annual average of the storm expense over that period is $7,096,592. In
17 both of Ameren Missouri's last two electric rate cases, Case No. ER-2008-0318 and Case
18 No. ER-2010-0036, the Commission approved a five-year amortization of test year storm
19 expense in excess of the normalized level. What Staff has done in this case is exclude the
20 storm costs that are being amortized and *then* calculate the average, which lowers the average
21 from $7,096,592 to $4,835,231. But the entire point of using an average is to "smooth out"
22 the highs and the lows and set a normalized level of storm costs using actual experience as a
23 proxy for what future levels may be. If some of the actual storm costs are excluded, the

1 normalization is not based on actual experience. Based upon actual experience, the
2 examination of historical storm costs tells us that it is reasonable to expect that, on average
3 (i.e. "normally") storm costs will be $7,096,592 per year. The Staff's exclusion of storm
4 costs that are being amortized results in an understatement of the level of storm costs that
5 must be reflected in the revenue requirement, so that the revenue requirement contains a
6 reasonable proxy for what the future level of storm expense will be.

7 **Q. In late January/early February 2011, the Company incurred costs of**
8 **approximately $8 million in anticipation of weather predictions of a severe storm.**
9 **Ultimately, the storm was less severe than predicted. Should these costs be included in**
10 **the calculation of storm costs?**

11 A. Yes, I believe so. Ameren Missouri witness David Wakeman addresses the
12 reasons that including these storm preparation costs is appropriate. Including costs of
13 preparing for the late January/early February storm, the annual average for storm costs for
14 the forty-seven months (April 2007 through February 28, 2011) is $7,096,592. The actual
15 storm costs for the true-up period (the twelve months ended February 28, 2011) is
16 $8,133,738. For the original test year (the twelve months ended March 31, 2010) the actual
17 storm costs were $1,233,628. Therefore the test year storm costs should be increased by
18 $5,862,964 (to $7,096,592) to reflect the forty-seven month average. The difference between
19 the actual storm costs for the twelve months ended February 28, 2011 of $8,133,738 and the
20 forty-seven month average storm costs of $7,096,592, or $1,037,146, should be amortized
21 over five years, consistent with the Commission's treatment of storm costs in Ameren
22 Missouri's last two rate cases.

1 **Q. Does this conclude your rebuttal testimony?**

2 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.	)))))	Case No. ER-2011-0028

AFFIDAVIT OF LYNN M. BARNES

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

Lynn M. Barnes, being first duly sworn on her oath, states:

1. My name is Lynn M. Barnes. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Vice President, Business Planning and Controller.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Ameren Missouri consisting of 16 pages, and Schedule(s) LMB-ER4, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Lynn M. Barnes
Lynn M. Barnes

Subscribed and sworn to before me this 25 day of March, 2011.

Amanda Tesdall
Notary Public

My commission expires:

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

APPLICABILITY

This rider is applicable to kilowatt-hours (kWh) of energy supplied to customers served by the Company under Service Classification Nos. 1(M), 2(M), 3(M), 4(M), 5(M), 6(M), 7(M), 8(M), 11(M), and 12(M).

Costs passed through this Fuel and Purchased Power Adjustment Clause (FAC) reflect differences between actual fuel and purchased power costs, including transportation, net of Off-System Sales Revenues (OSSR) (i.e., Actual Net Fuel Costs) and Net Base Fuel Costs (factor NBFC, as defined below), calculated and recovered as provided for herein.

The Accumulation Periods and Recovery Periods are as set forth in the following table:

Accumulation Period (AP)	Filing Date	Recovery Period (RP)
February through May	By August 1	October through ~~September~~*May*
June through September	By December 1	February through ~~January~~*September*
October through January	By April 1	June through ~~May~~*January*

Accumulation Period (AP) means the historical calendar months during which fuel and purchased power costs, including transportation, net of OSSR for all kWh of energy supplied to Missouri retail customers are determined.

Recovery Period (RP) means the billing months as set forth in the above table during which the difference between the Actual Net Fuel Costs during an Accumulation Period and NBFC are applied to and recovered through retail customer billings on a per kWh basis, as adjusted for service voltage level.

The Company will make a Fuel and Purchased Power Adjustment (FPA) filing by each Filing Date. The new FPA rates for which the filing is made will be applicable starting with the Recovery Period that begins following the Filing Date. All FPA filings shall be accompanied by detailed workpapers supporting the filing in an electronic format with all formulas intact.

FPA DETERMINATION

Ninety five percent (95%) of the difference between Actual Net Fuel Costs and NBFC for all kWh of energy supplied to Missouri retail customers during the respective Accumulation Periods shall be reflected as an FPA_C credit or debit, stated as a separate line item on the customer's bill and will be calculated according to the following formulas.

For the FPA filing made by each Filing Date, the FPA_C rate, applicable starting with the Recovery Period following the applicable Filing Date, to recover fuel and purchased power costs, including transportation, net of OSSR, to the extent they vary from Net Base Fuel Costs (NBFC), as defined below, during the recently-completed Accumulation Period is calculated as:

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

$$FPA_{(RP)} = [[(CF+CPP-OSSR-~~TS-S~~-W) - (NBFC \times S_{AP})] \times 95\% + I + R - N]/S_{RP}$$

The FPA rate, which will be multiplied by the voltage level adjustment factors set forth below, applicable starting with the following Recovery Period is calculated as:

$$FPA_C = FPA_{(RP)} + FPA_{(RP-1)} + FPA_{(RP-2)}$$

where:

FPA_C = Fuel and Purchased Power Adjustment rate applicable starting with the Recovery Period following the applicable Filing Date.

FPA_{RP} = FPA Recovery Period rate component calculated to recover under/over collection during the Accumulation Period that ended prior to the applicable Filing Date.

$FPA_{(RP-1)}$ = FPA Recovery Period rate component from prior FPA_{RP} calculation, if any.

$FPA_{(RP-2)}$ = FPA Recovery Period rate component from FPA_{RP} calculation prior to $FPA_{(RP-1)}$, if any.

CF = Fuel costs incurred to support sales to all retail customers and Off-System Sales allocated to Missouri retail electric operations, including transportation, associated with the Company's generating plants. These costs consist of the following:

a) For fossil fuel or hydroelectric plants:

(i) the following costs reflected in Federal Energy Regulatory Commission (FERC) Account Number 501: coal commodity, applicable taxes, gas, alternative fuels, fuel additives, Btu adjustments assessed by coal suppliers, quality adjustments related to the sulfur content of coal assessed by coal suppliers, ~~costs and revenues for SO_2 and NO_x emission allowances,~~ railroad transportation, switching and demurrage charges, railcar repair and inspection costs, railcar depreciation, railcar lease costs, similar costs associated with other applicable modes of transportation, fuel hedging costs (for purposes of factor CF, hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel and purchased power, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), hedging costs associated with SO2 and fuel oil

UNION ELECTRIC COMPANY **ELECTRIC SERVICE**

MO.P.S.C. SCHEDULE NO. 5 2nd Revised SHEET NO. 98.3

CANCELLING MO.P.S.C. SCHEDULE NO. 5 1st Revised SHEET NO. 98.3

APPLYING TO MISSOURI SERVICE AREA

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, ash disposal revenues and expenses, and revenues and expenses resulting from fuel and transportation portfolio optimization activities; and

(ii) the following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, capacity reservation charges, fuel losses, hedging costs, and revenues and expenses resulting from fuel and transportation portfolio optimization activities; and

(iii) costs and revenues for SO_2 and NO_x emission allowances;

b) Costs in FERC Account Number 518 (Nuclear Fuel Expense).

CPP = Costs of purchased power reflected in FERC Account Numbers 555, 565, and 575, excluding MISO administrative fees arising under MISO Schedules 10, 16, 17, and 24, and excluding capacity charges for contracts with terms in excess of one (1) year, incurred to support sales to all Missouri retail customers and Off-System Sales allocated to Missouri retail electric operations. Also included in factor "CPP" are insurance premiums in FERC Account Number 924 for replacement power insurance ~~(other than relating to the Taum Sauk Plant)~~ to the extent those premiums are not reflected in base rates. Changes in replacement power insurance premiums ~~(other than those relating to the Taum Sauk Plant)~~ from the level reflected in base rates shall increase or decrease purchased power costs. Additionally, costs of purchased power will be reduced by expected replacement power insurance recoveries ~~(other than those relating to the Taum Sauk Plant)~~ qualifying as assets under Generally Accepted Accounting Principles. ~~Notwithstanding the foregoing, concurrently with the date the "TS" factor is eliminated as provided for in this tariff, the premiums and recoveries relating to replacement power insurance coverage for the Taum Sauk Plant shall be included in this CPP Factor.~~

OSSR = Revenues from Off-System Sales allocated to Missouri electric operations.

Off-System Sales shall include all sales transactions (including MISO revenues in FERC Account Number 447), ~~excluding Missouri retail sales and long-term full and partial requirements sales to Missouri municipalities,~~ that are associated with (1) AmerenUE Missouri jurisdictional generating units, (2) power purchases made to serve Missouri retail load, and (3) any related transmission.

DATE OF ISSUE , 2011 DATE EFFECTIVE , 2011

ISSUED BY Warner L. Baxter President & CEO St. Louis, Missouri
NAME OF OFFICER TITLE ADDRESS

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

Adjustment For Reduction of Service Classification 12(M) Billing Determinants:

Should the level of monthly billing determinants under Service Classification 12(M) fall below the level of normalized 12(M) monthly billing determinants as established in Case No. ER-2010-0036 an adjustment to OSSR shall be made in accordance with the following levels:

a) A reduction of less than 40,000,000 kWh in a given month
   - No adjustment will be made to OSSR.

b) A reduction of 40,000,000 kWh or greater in a given month
   - All Off-System Sales revenues derived from all kWh of energy sold off-system due to the entire reduction shall be excluded from OSSR.

~~TS = The Accumulation Period value of Taum Sauk. This factor will be used to reduce actual fuel costs to reflect the value of Taum Sauk, and will be credited in FPA filings (of which there are three each year as shown in the table above), until the next rate case or, if sooner, until Taum Sauk is placed back in service. This value is $26.8 million annually , one third of which (i.e., $8.93 million) will be applied to each Accumulation Period.~~

~~S = The Accumulation Period value of Blackbox Settlement Amount of $3 million annually, which shall expire on September 1, 2010. One third of the annual value ($1 million) shall be applied to each Accumulation Period. For the Accumulation Period during which the factor expires, the factor shall be prorated according to the number of days during which it was effective during that Accumulation Period.~~

W = $300,000 per month for the months, July 1, 2010 through, June 30, 2011. This factor "W" expires on June 30, 2011.

N = The positive amount by which, over the course of the Accumulation Period, (a) revenues derived from the off-system sale of power made possible as a result of reductions in the level of 12(M) sales (as addressed in the definition of OSSR above) exceeds (b) the reduction of 12(M) revenues compared to normalized 12(M) revenues as determined in Case No. ER-2010-0036.

I = Interest applicable to (i) the difference between Actual Net Fuel Costs (adjusted for ~~Taum Sauk, factor "S", and~~ factor "W") and NBFC for all kWh of energy supplied to Missouri retail customers during an Accumulation Period until those costs have been recovered; (ii) refunds due to prudence reviews (a portion of factor R, below); and (iii) all under- or over-recovery

UNION ELECTRIC COMPANY **ELECTRIC SERVICE**

MO.P.S.C. SCHEDULE NO. 5 — 2nd Revised — SHEET NO. 98.5

CANCELLING MO.P.S.C. SCHEDULE NO. 5 — 1st Revised — SHEET NO. 98.5

APPLYING TO **MISSOURI SERVICE AREA**

RIDER FAC

FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

balances created through operation of this FAC, as determined in the true-up filings provided for herein (a portion of factor R, below). Interest shall be calculated monthly at a rate equal to the weighted average interest rate paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

R = Under/over recovery (if any) from currently active and prior Recovery Periods as determined for the FAC true-up adjustments, and modifications due to adjustments ordered by the Commission ~~(other than the adjustment for Taum Sauk as already reflected in the TS factor)~~, as a result of required prudence reviews or other disallowances and reconciliations, with interest as defined in item I.

S_{AP} = Supplied kWh during the Accumulation Period that ended prior to the applicable Filing Date, *as measured by taking the retail component of the Company's load settled at its MISO CP node (AMMO.UE or successor node)*~~at the generation level~~, plus the kWh reductions up to the kWh of energy sold off-system associated with the 12(M) OSSR adjustment above.

S_{RP} = Applicable Recovery Period estimated kWh *representing expected retail component of the Company's load settled at its MISO CP node (AMMO.UE or successor node)*, ~~at the generation level,~~ subject to the FPA_{RP} to be billed.

NBFC = Net Base Fuel Costs are the net costs determined by the Commission's order as the normalized test year value ~~(and reflecting an adjustment for Taum Sauk, consistent with the term TS)~~ for the sum of allowable fuel costs (consistent with the term CF), plus cost of purchased power (consistent with the term CPP), less revenues from off-system sales (consistent with the term OSSR), less an adjustment~~s~~ (consistent with the term~~s "S" and~~ "W"), expressed in cents per kWh, ~~*at the generation level*~~*based on the retail kWh from the net output calculation in the true-up fuel run*, as included in the Company's retail rates. The NBFC rate applicable to June through September calendar months ("Summer NBFC Rate") is ~~1.236~~1.312*TBD* cents per kWh. The NBFC rate applicable to October through May calendar months ("Winter NBFC Rate") is ~~1.044~~1.275*TBD* cents per kWh.

To determine the FPA rates applicable to the individual Service Classifications, the FPA_C rate determined in accordance with the foregoing will be multiplied by the following voltage level adjustment factors:

Secondary Voltage Service	~~*1.0789*~~*1.0557*
Primary Voltage Service	~~*1.0459*~~*1.0234*
Large Transmission Voltage Service	~~*1.0124*~~*0.9906*

DATE OF ISSUE ______, 2011 DATE EFFECTIVE ______, 2011

ISSUED BY Warner L. Baxter (NAME OF OFFICER) President & CEO (TITLE) St. Louis, Missouri (ADDRESS)

Schedule LMB-ER4

The FPA rates applicable to the individual Service Classifications shall be rounded to the nearest 0.001 cents, to be charged on a cents/kWh basis for each applicable kWh billed.

RIDER FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE (CONT'D.)

Applicable To Service Provided On The Effective Date Of This Tariff And Thereafter

TRUE-UP OF FAC

After completion of each Recovery Period, the Company will make a true-up filing in conjunction with an adjustment to its FAC.~~, where applicable. The true-up filings shall be made on the first Filing Date that occurs at least two (2) months after completion of each Recovery Period.~~ *The true-up filing shall be made on the same day as the filing made to adjust its FAC.* Any true-up adjustments or refunds shall be reflected in item R above, and shall include interest calculated as provided for in item I above.

The true-up adjustments shall be the difference between the revenues billed and the revenues authorized for collection during the Recovery Period, *plus amounts necessary to correct over- or under-collections due to errors made in calculating adjustments to the FPA_{C} rate that impacted the Recovery Period*.

GENERAL RATE CASE/PRUDENCE REVIEWS

The following shall apply to this Fuel and Purchased Power Adjustment Clause, in accordance with Section 386.266.4, RSMo. and applicable Missouri Public Service Commission Rules governing rate adjustment mechanisms established under Section 386.266, RSMo:

The Company shall file a general rate case with the effective date of new rates to be no later than four years after the effective date of a Missouri Public Service Commission order implementing or continuing this Fuel and Purchased Power Adjustment Clause. The four-year period referenced above shall not include any periods in which the Company is prohibited from collecting any charges under this Fuel and Purchased Power Adjustment Clause, or any period for which charges hereunder must be fully refunded. In the event a court determines that this Fuel and Purchased Power Adjustment Clause is unlawful and all moneys collected hereunder are fully refunded, the Company shall be relieved of the obligation under this Fuel and Purchased Power Adjustment Clause to file such a rate case.

Prudence reviews of the costs subject to this Fuel and Purchased Power Adjustment Clause shall occur no less frequently than every eighteen months, and any such costs which are determined by the Missouri Public Service Commission to have been imprudently incurred *or incurred in violation of the terms of this tariff* shall be returned to customers with interest at a rate equal to the weighted average interest rate paid on the Company's short-term debt.