Ameren Exhibit 2.0

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 06-0448

DIRECT TESTIMONY

OF

MARTIN J. LYONS

Submitted On Behalf

Of

AMEREN ILLINOIS UTILITIES

August 17, 2006

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DIRECT TESTIMONY

OF

MARTIN J. LYONS

Q. Please state your name and business address.

A. Martin Lyons Jr., One Ameren Plaza, 1901 Chouteau Ave., St. Louis, MO.

Q. What is your position with Petitioners?

A. I am Vice President-Controller.

Q. Please provide your educational and professional background.

A. In 1988, I received a Bachelor of Science degree in Business Administration, with an Accounting major, from Saint Louis University. In 1997, I received a Master of Business Administration degree from Washington University. In 1988, I joined Price Waterhouse (now PricewaterhouseCoopers LLP) and was admitted to the partnership in 1999. During my tenure as a partner, I devoted approximately seventy-five percent of my time to supervising audits of, and consulting on accounting issues for, utility clients. I routinely assisted utility clients with, among other things, accounting and financial reporting matters, utility rate filings, debt and equity offerings, merger and acquisition due diligence procedures and accounting issues raised by deregulation. I have also assisted utility clients with defending accounting principles before the Securities and Exchange Commission

("SEC"), the Federal Energy Regulatory Commission ("FERC") and various state regulatory agencies. In 2001, I joined Ameren as Controller. I was made a Vice President in 2003.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain 1) how power supply costs are accounted for under generally accepted accounting principles (GAAP), 2) how and when costs may be deferred as an asset on a company's books and recognized in a future period under GAAP, and 3) the consequences of being ordered to defer costs when we do not believe cost deferral is appropriate under GAAP.

Q. By what means do the Ameren Illinois Utilities maintain their books of account?

A. Each of the Petitioners is a public registrant with the Securities and Exchange Commission (SEC). SEC registrants are required to file periodic financial statements that are prepared in accordance with GAAP. GAAP-compliant financial statements are also used by the investment community, credit rating agencies and creditors in evaluating the financial results, position and liquidity of companies. Accordingly, the Petitioners maintain their accounting books and records in accordance with GAAP which provides the basis for their external financial reporting.

Q. In this proceeding, Petitioners have proposed to defer power supply costs during a two-year period. How are power supply costs customarily treated under GAAP?

A. Under GAAP, expenses are recorded in the period they are incurred. Thus, if the Petitioners purchase power in 2007, the cost of that power would ordinarily be recognized as an expense on the income statement in 2007 under GAAP, regardless of when the Petitioners actually pay for the power or recover the cost of power from their customers.

Q. Is it possible to defer the recognition of expenses under GAAP?

A. For entities that are subject to regulation, it is possible in certain circumstances to defer the rate recognition of costs in the income statement as expense by creating an offsetting asset on the balance sheet. This type of asset is commonly referred to as a "regulatory asset."

Q. Are costs deferred as regulatory assets ultimately recognized as expenses on the income statement?

A. Yes. Regulatory assets stay on the balance sheet until they are later amortized and charged to expense over a period of time that is consistent with the recovery period from rate payers of the applicable costs.

Q. Are there accounting rules that address the deferral of costs as regulatory assets?

A. Yes. There are numerous pieces of accounting literature within GAAP that discuss accounting for rate regulated entities with Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation", as the foundation. Generally speaking, GAAP requires that deferred costs be "probable of recovery" in future periods through inclusion of the same specific costs in rates charged to regulated customers. If the expenses are considered to be probable of recovery, the company establishes an asset in the amount of the deferred expenses as well as any carrying costs that may be allowed by the regulator. Typically, these costs are recorded in Account 186 of the Uniform System of Accounts for FERC reporting purposes, which contains deferred debits.

Q. What does "probable of recovery" mean?

A. GAAP defines probable to mean that "the future event or events are likely to occur." Accordingly, costs should be deferred only if their future recovery is likely to occur. GAAP does not define a specific percentage threshold to indicate when probability has been achieved. However, in practice, probability is generally achieved when a future event is considered likely to occur at a 75% to 80% level of certainty or threshold. Any facts or circumstances that would suggest a probability threshold is less than that level would result in the inability to defer costs to a future period for accounting purposes under GAAP.

Q. Who determines if a cost is probable of future recovery?

A. Management is responsible for the preparation of a company's financial statements in accordance with GAAP. Accordingly, any accounting judgments involved in the preparation of GAAP financial statements is also the responsibility of management. Such an accounting judgment would include the determination of whether a cost is probable of future recovery. In making that determination, management would look to certain evidence to support a probable conclusion.

Q. Generally what evidence is required to conclude that a cost is or is not probable of future recovery?

A. Accountants always consider the nature of the specific costs, the regulatory environment and jurisdictional rate making practices, and ultimately look to various sources of evidence such as past analogous rate orders within the pertinent jurisdiction, challenges to those rate orders and pertinent court rulings.

Q. In the current regulatory environment, would deferral of power expenses by the Petitioners meet the probable of recovery requirement under GAAP?

A. In my judgment, no. There currently exist facts and circumstances that create uncertainty to the point that would prevent the Petitioners from concluding future recovery of deferred power supply costs is probable. The uncertainty arises from the Illinois Supreme Court's treatment of a deferral of expenses authorized by the Illinois Commerce Commission ("ICC") two decades ago. In our view, this uncertainty would exist even if the ICC were to issue a rate order requiring the deferral of power supply costs for rate making purposes. Accordingly, as the principal accounting officer for the Petitioners, I could not authorize the recording of such a deferral, and I could not advise our outside auditors that such a deferral was proper. As a result, for GAAP financial reporting, such costs could not be deferred.

Q. What adverse consequences would be created if the deferral of power supply costs was ordered by the ICC but the Petitioners could not conclude for GAAP purposes that the future recovery of those costs was probable?

A. Without deferral of those costs for accounting purposes, the Petitioners would be required to record all power supply costs as expenses on the income statement in the year they were incurred. Revenues related to the recovery of those costs would be recorded on the income statement in the years they were realized. Accordingly, the income statement of the Petitioners would likely reflect a substantial net loss in the years the power supply costs subject to deferral of recovery were incurred. As further discussed in the testimony of Mr. Jerre E. Birdsong, we have substantial concerns that such a situation would have adverse consequences to the Petitioners in their ability to, among other things, access the capital markets and receive desirable credit ratings from the credit rating agencies.

Q. What effect would the pending legislation have?

A. Legislation that empowers a regulator to dictate a utility's legal right to recover deferred costs in a future period is in almost all cases the best evidence in reaching a probable of recovery conclusion. For accounting purposes, the pending legislation would remove substantially all uncertainty in a probability assessment created prior court action because it would expressly empower the ICC to authorize deferrals of expenses in the present circumstances for subsequent recovery. This would allow the Petitioners to conclude that deferrals ordered by the ICC were probable of recovery under GAAP requirements.

Q. Does this conclude your testimony?

130 A. Yes.