Ameren Exhibit 3.0

ILLINOIS COMMERCE COMMISSION

DOCKET NO. ______________________

DIRECT TESTIMONY

OF

LEONARD M. JONES

Submitted On Behalf

Of

CENTRAL ILLINOIS LIGHT COMPANY d/b/a AMERENCILCO

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AMERENCIPS

ILLINOIS POWER COMPANY d/b/a AMERENIP

(THE AMEREN ILLINOIS UTILITIES)

OCTOBER 26, 2007

ILLINOIS COMMERCE COMMISSION

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DIRECT TESTIMONY

OF

LEONARD M. JONES

Q. Please state your name and business address.

A. My name is Leonard M. Jones. My business address is 1901 Chouteau Avenue, St. Louis, Missouri, 63103.

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

A. I am employed with Ameren Services Company as Managing Supervisor of Restructured Services.

Q. On whose behalf are you filing testimony?

A. I am filing testimony on behalf of the Ameren Illinois Utilities.

Q. What is your education and work background?

A. A description of my education and work background is described in Appendix A to my testimony.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to provide support and rationale for the new and revised tariffs that have been filed in this proceeding. These tariffs are intended to provide recovery of those costs incurred by the Ameren Illinois Utilities with regard to the products that are being purchased in the upcoming procurement event, as well as the multi-year financial swap contract that is now in effect as a result of the legislation. I will also explain the transition to these new tariffs from those which they replace; the current

Rider MV, Rider BGS-L and Rider RTP, which provided for the recovery of power supply costs associated with the September 2006 competitive procurement auction and the procurement of capacity and energy for hourly priced service for customers with demands equal to or greater than 1 MW.

Q. Do you have an understanding as to the origin of the tariff filings?

A. Yes. As Mr. Craig Nelson more fully describes, legislation was recently passed that provides for a prescriptive means by which certain standard products are to be purchased in the wholesale market, pursuant to the filed procurement plan. As part of that legislation, the Commission is required to approve or modify the electric utility's tariffs that are filed with the initial procurement plan.

TARIFF REVISIONS

Q. What tariff changes are you sponsoring?

A. I am sponsoring the following tariff changes:

New Tariffs:

Rider PER – Purchased Electricity Recovery

Rider MVA – Market Value Adjustment

Rider HSS – Hourly Supply Service

The tariffs are attached to my testimony as Ameren Exhibits 3.1, 3.2, and 3.3, respectively.

Revised Tariffs:

Customer Terms & Conditions

The aforesaid revised tariffs are attached to my testimony as Ameren Exhibit 3.4.

Tariffs to be Cancelled:

Rider MV – Market Value of Power and Energy

Rider BGS-L – Basic Generation Service Large

Rider RTP-L – Real-Time Pricing Large

The cancelled tariffs are attached to my testimony as Ameren Exhibits 3.5, 3.6, and 3.7, respectively.

Q. What other tariff changes will be made?

A. There are additional references to Rider MV which appear in other electric service tariffs that need to be removed and/or replaced with references to Rider PER, Rider MVA, or Rider HSS, as applicable. The Ameren Illinois Utilities plan to file such changes as part of the compliance filing in this proceeding.

Q. When will the new tariffs, and changes to existing tariffs, become effective?

A. The Ameren Illinois Utilities request that the new tariffs, Rider PER, Rider MVA, and Rider HSS become effective within 30 days after the conclusion of this proceeding. These tariffs should also include a footnote stating that "retail charges computed in accordance with this Rider become operational and are applicable for service provided on and after June 1, 2008". A similar statement was contained in tariffs filed during the summer of 2006, for tariffs that were to in effect on January 2, 2007, in compliance with Docket No. 06-0070 (cons.), the Ameren Illinois Utilities' previous power procurement case approving Rider MV. Regarding modifications to existing tariffs, including changes to the Customer Terms and Conditions, the Ameren Illinois Utilities propose that such changes be submitted in a compliance filing by May 9, 2008, with an effective date of

June 1, 2008. Likewise, tariffs proposed to be cancelled would also be submitted in the May 9, 2008 compliance filing with an effective date of June 1, 2008.

Q. What is the purpose of Rider PER – Purchased Electricity Recovery?

A. The purpose of Rider PER is to provide the mechanism to recover electric power and energy costs from customers that are incurred pursuant to the Commission-approved procurement plan and those other costs identified in Section 16-111.5 of the Public Utilities Act (PUA) necessary for the provision of bundled electric service to eligible retail customers, as well as customers served under Rider RTP – Real-Time Pricing until the Supplier Forward Contract requirements have been fulfilled. The Supplier Forward Contracts will roll off by May 31, 2010.

Q. Why are customers served under real-time pricing falling under Rider PER?

A. Rider RTP was developed as an optional hourly pricing service for customers with demands under 1,000 kW. Such customers are currently served with supply acquired via the BGS-FP Supplier Forward Contracts. One-third of these contracts expire on each of May 31, 2008, May 31, 2009 and May 31, 2010. Further, the acquisition of supply to serve customers electing hourly pricing is specifically excluded from inclusion in the Procurement Plan. As such, the Utilities will be acquiring supply to serve such customers under both the BGS-FP Supplier Forward Contracts and other market purchases, and must account for this commingled supply accordingly. It is for this reason that such customers fall under Rider PER rather than Rider HSS. (Note: Service under Rider RTP-L, hourly pricing for customers with demands over 1,000 kW, is already provided by the Ameren Illinois Utilities outside of the auction process).

Q. How does Rider PER differ from Rider MV?

A. Rider PER and Rider MV both explain the applicable procurement methods and provide a mechanism to recover the cost of supply acquired by the Company to serve eligible load, provide a true-up mechanism to reconcile such costs. Unlike Rider MV which applied to all customers taking company-supplied power and energy, Rider PER applies to only those customers taking service under Rider BGS and customers taking service under Rider RTP through May 31, 2010. Accordingly, unlike Rider MV, Rider PER only provides company-supplied power and energy to customers who are eligible for fixed-priced bundled service.

Q. What tariffs have been proposed to address cost recovery for those customers who are not eligible for fixed-priced bundled service?

A. Rider HSS has been designed to provide company-supplied power and energy to those customers.

Q. What is the purpose of Rider MVA?

A. Rider MVA provides the bridge for the true-up of power and energy supply costs for customers served under Rider BGS, Rider RTP and Rider BGS-L to allow for the lag in the Midwest Independent Transmission Systems Operator's 55 day settlement which will continue to occur even after Rider MV has been cancelled and replaced with Rider PER.

Q. Please explain Rider HSS?

A. Rider HSS effectively replaces the function previously provided by Appendix B of Rider MV, which covered the provision of hourly service to customers with demands equal to or greater than 1,000 kW, and expands the scope of the tariff to include all customers with demands 400 kW and greater taking company-supplied power and energy supply service.

Rider HSS reflects a few changes in the pricing of supply service. For ease of understanding, certain costs have been combined to reflect four major billing components: Supplier Charge, Energy Charge, Supply Cost Adjustment and Supply Balancing Adjustment. The Supplier Charge recovers the capacity costs and demand-based ancillary costs. The Energy Charge recovers the Real-Time Locational Marginal Price, estimated costs for any energy-based ancillary service plus estimated costs for market settlement costs. The Supply Cost Adjustment recovers the costs, as approved in the Company's Delivery Service case, for procurement costs, cash working capital requirements, and uncollectible costs. The Supply Balancing Adjustment mechanism allows for the expenses the Company incurs for the procurement of electric power and energy supply to equal the amounts billed to the hourly supply service customers. The SBA is a true-up mechanism similar to the Purchased Energy Adjustment (PEA) factor in Rider PER. The tariff has been developed so that the adjustment mechanism for the recovery of costs related to customers being served under Rider MV will carry over to Rider HSS seamlessly. Amortized costs under the true-up mechanisms under Rider MV for such customers will continue to be amortized and recovered under Rider HSS.

Q. Please explain Rider MVA?

A. As explained previously, Rider MVA provides the bridge for the true-up of power and energy supply costs for customers served under Rider BGS, Rider RTP and Rider BGS-L to allow for the lag in the Midwest Independent Transmission Systems Operator's 55 day settlement which will continue to occur even after Rider MV has been cancelled and replaced with Rider PER. Since a fixed priced option is no longer applicable to customers who have been declared competitive, Rider BGS-L will be cancelled and there will only be one adjustment factor after June 1, 2008. Rider MVA addresses the transition to electric power and energy supply service adjustments under Rider PER just as Rider HSS addresses the true-up mechanism transition for customers served under Rider RTP-L. Rider RTP-L is also being cancelled since Rider HSS has combined the provision of electric supply from Rider MV and Rider RTP-L.

Q. What other changes have resulted from Rider MV being cancelled?

A. Rider MV contained the switching rules applicable to customers electing company-supplied power and energy. These rules, as well as certain definitions contained within Rider MV, have been moved to the Customer Terms and Conditions of the Ameren Illinois Utilities' Delivery Service tariffs.

<u>PRICING UNDER RIDER PER</u>

Q. Rider MV described in considerable detail the methodology to convert winning auction values into retail prices. Will Rider PER include similar language?

A. Rider PER will provide general directions on development of base Purchased Electricity Charges. Due to the nature of the products being acquired under the procurement plan, it is not necessary within Rider PER to provide the same level of detail that was contained within Rider MV. For example, the "translation" section of Rider MV provided lengthy detail on splitting single auction values into summer and non-summer seasonal supplier payment ratios, in addition to seasonal and time-of-use retail supply charges applicable to the various customer groups. Such ratios have already been calculated for the existing Supplier Forward Contracts expiring May 31, 2009 and May 31, 2010, respectively

Q. How will development of base Purchased Electricity Charges under Rider PER differ from those calculated under Rider MV?

A. Purchased electricity costs will be converted to base charges similar to the methodology used to develop the base retail charges under Rider MV. While the methodology is similar, there are a few significant differences. First, Retail Supply Charges were modified by the Commission in ICC Docket No. 07-0165 ("rate redesign case"). The Ameren Illinois Utilities have assumed that the values developed in the rate redesign case represent the starting point for all modifications to base Purchased Electricity Charges. Second, the translation provision in Rider MV used loads for all delivery service customers to develop base Retail Supply Charges. Under Rider PER, only usage from customers that are projected to take fixed price service from the Ameren Illinois Utilities are used in developing the seasonal and time-of-use prices, thus helping to ensure that such prices reflect the expected load characteristics of the customers expected to take such service. Third, the mitigation adjustment calculation has been substantially modified to address rate impacts for residential and small commercial classes, by season, and by usage block, whereas the mitigation adjustment in Rider MV today applies only at a class average level for all customer groups under 1,000 kW of demand.

Q. What is the significance of using the Retail Supply Charges from the rate redesign case as the starting point?

A. In the rate redesign case, the Commission endeavored to develop rates that were "more just and more reasonable" than those developed under the strict application of Rider MV. In that proceeding, the non-summer rates for high winter use residential customers (e.g., electric space-heat customers) were significantly reduced. All Ameren Illinois Utilities now have reduced prices available to high winter use residential customers using more than 800 kWh in a non-summer month. At AmerenCILCO and, also, the portion of the AmerenCIPS service territory formerly served by tariffs applicable to the St. Louis metro-east region (former Union Electric Company – Illinois), all customers using more than 800 kWh are eligible for the same reduced non-summer rate. At AmerenIP and AmerenCIPS, customers that took service under special electric space-heat tariff provisions prior to 2007 are eligible for reduced non-summer rates for use over 800 kWh. All residential base retail supply charges for the first 800 kWh of non-summer use were increased, and summer charges were decreased slightly.

Moreover, prices for small general use customers were also realigned. For all three Companies, non-summer rates were changed from a single retail supply charge to a block for the first 2,000 kWh, and for all additional usage. The prices for the first block were raised, while the charges for the tail block were reduced. Summer prices for all three Utilities were increased over the pre-existing Rider MV Retail Supply Charges. AmerenCIPS summer prices were also differentiated by a higher price for the first 2,000 kWh.

Retail Supply Charges for General Service customers with demands from 150 kW up to 1,000 kW (BGS-3) were not adjusted in the rate redesign proceeding. Likewise, power prices for Lighting Service (BGS-5) were not adjusted.

The new levels of supply charges from the rate redesign case reflect adjustments that place bill impacts above strict adherence to cost of service. The Ameren Illinois Utilities' use of base Retail Supply Charges from the rate redesign case recognizes the need to continue a much more gradual movement to cost-based rates.

Q. What modifications did you make to the "mitigation" adjustment methodology within Rider MV for use in proposed Rider PER?

A. As previously stated, the mitigation adjustment calculation has been substantially modified to address rate impacts for residential and small general service classes, by season, and by usage block. The "mitigation" constraints have also been tightened to lessen price volatility. A price for a usage block will not change more than the largest of 125% of the overall increase or 10%.

The mitigation adjustment in Rider MV today applies only at a class average level for all customer groups (BGS-1, BGS-2, BGS-3, and BGS-5) under 1,000 kW of demand. The methodology constrained the increases allowed to any single class to the greatest of a) 150% of the overall average for customers in the BGS-FP supply group, or b) 20%. The results of the mitigation adjustment did not produce desired results for the Ameren Illinois Utilities. For example, no adjustments were made to any of the Retail Supply Charges for AmerenIP and AmerenCILCO. For AmerenCIPS, costs were shifted away from General Service (BGS-3) to Residential (BGS-1).

While broad application of the mitigation approach may not have worked as hoped, a more focused application of the same concept is proposed within Rider PER.

Q. Please continue.

A. As discussed above, the Commission has undergone a thorough review of bill impacts and ordered changes to residential and small commercial BGS Retail Supply Charges to alleviate rate shock for those customers. In the rate redesign case, the Commission chose to adjust neither BGS-3 (a group that has experienced significant switching to ARES supply since January 2007) nor BGS-5 rates. Similarly, the Ameren Illinois Utilities propose to only apply price mitigation to BGS-1 and BGS-2 prices within Rider PER. Since Residential (BGS-1) and Small General Service (BGS-2) supply charges vary by season and by usage block, Rider PER applies constraints by Residential and Small General Service price category.

AmerenCILCO has three residential price categories (summer, non-summer first 800 kWh, and non-summer over 800 kWh) and three small general service price categories (summer, non-summer first 2,000 kWh, and non-summer over 2,000 kWh). AmerenIP has six residential price categories – three for customers who took service under space-heat provisions prior to 2007 (again summer, non-summer first 800 kWh, and non-summer over 800 kWh), and three for all other residential customers. AmerenIP also has three small general service price categories. AmerenCIPS has nine residential price categories: three for customers who took service under space-heat provisions prior to 2007, three for non-space heat customers, and three for customers who were served under tariffs applicable to the Illinois service areas previously served by Union Electric Company – Illinois. AmerenCIPS has four price categories for small general service customers since both summer and non-summer rates contain price differences for monthly use above and below 2,000 kWh.

Q. Does the mitigation methodology proposed in Rider PER attempt to compare present and proposed fully bundled rates paid (or estimated to be paid) by customers in each category, as is done under the Rider MV mitigation methodology?

A. No, only the variable price components of these customers' prices were evaluated. Customers taking power under either BGS-1 or BGS-2 must also take delivery service under DS-1 or DS-2, respectively. Both DS-1 and DS-2 contain $/kWh delivery charges (seasonally differentiated within the rate redesign case). Transmission service under Rider TS is also a $/kWh charge for these customers. Sales within each price category, multiplied by the sum of the unit prices for BGS, DS, and TS, results in the variable revenue under "present" rates. The "proposed" variable rate uses the same DS and TS prices, but an updated power price reflecting the results of the new procurement event. Revenue at the "proposed" variable rate is compared to revenue under the "present" variable rate. If the change is larger than the greatest of 125% of the DS/BGS-1 and DS/BGS-2 average variable increase, or 10%, then rates for that price segment will be limited. The revenue from a rate limited price segment will be recovered from all other non-limited segments on a percent of variable revenue (i.e., revenue excluding customer and meter charges) basis. If another segment reaches its price limit as a result of the reallocation, the amount of that revenue limit will be allocated to all other price segments that have not yet reached the limit. This limit/reallocation approach is identical to the methodology used today in the mitigation section of Rider MV.

Q. How will the previous auction results directly impact proposed prices?

A. There are two key areas not yet discussed where the auction results will impact new Purchased Electricity Charges. The first area concerns the overall level of cost to be recovered. As described in the testimonies of Mr. Nelson and Mr. James Blessing, approximately 1/3 of the auction-based power contracts expire at the end of May 2008 and will be replaced with contracts entered into as a result of the new competitive procurement process. One half of the remaining contracts will each expire May 31, 2009 and May 31, 2010. Proposed prices will reflect a weighted average of those auction products and the annual expected cost of products acquired via the new competitive procurement process.

Second, the existing Supplier Forward Contracts contain provisions for paying suppliers a seasonally differentiated price. Existing base retail supply charges (prior to the rate redesign case) ostensibly match revenue from customers and costs paid to suppliers. Put differently, 2/3 of the existing base retail supply charges will not change after the next procurement event. The prices for 2/3 of supply need to generate sufficient cash for the Ameren Illinois Utilities to provide payment to suppliers under the Supplier Forward Contracts. Any seasonal price shifting resulting from updated rate translation prism inputs will impact only approximately 1/3 of the base retail supply charges. For example, without consideration of prior contracts, assume the rate prism suggests a 3 cents/kWh increase to residential summer prices. Only 1/3 of power contracts would be subject to the 3 cents/kWh summer increase or an overall increase of 1 cent/kWh to the summer base retail supply charge. (Of course, any rate changes are also subject to the rate "mitigation" limitations previously discussed).

Q. Does this conclude your direct testimony?

A. Yes.

Appendix A

STATEMENT OF QUALIFICATIONS OF LEONARD M. JONES

My name is Leonard M. Jones. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I am employed by Ameren Services Company as Managing Supervisor – Restructured Services – Regulatory Policy and Planning.

I graduated from Western Illinois University with a Bachelor of Arts Degree in Economics in 1987. In 1988, I received a Master of Arts Degree in Economics, also from Western Illinois University. From 1988 through 2004 I was employed by Illinois Power Company (”Illinois Power”) as a Rate Analyst, Senior Rate Analyst, Rate Specialist, Team Leader - Costing and Economic Services, and Director – Business Planning and Forecasting. Shortly after completion of Ameren Corporation’s (“Ameren”) acquisition of Illinois Power, I was assigned to my current position.

I previously testified before the Illinois Commerce Commission in Docket No. 91-0335, regarding Illinois Power’s electric marginal cost of service study; Docket No. 93-0183, regarding Illinois Power’s gas marginal cost of service study; Docket No. 98-0348, regarding Illinois Power’s proposed Rider DA-RTP II; Docket No. 98-0680, regarding the investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues; Docket No. 98-0769, regarding requirements governing the form and content of contract summaries for the 1999 Neutral Fact Finder; Docket Nos. 99-0120 & 99-0134 (Cons.) regarding approval of Illinois Power’s Delivery Service Implementation Plan and Tariffs; Docket Nos. 00-0259/00-0395/00-0461 (Cons.) regarding proposed Rider MVI and revisions to Rider TC; Docket 01-0432 regarding electric Delivery Service Tariff rate design and related matters; Docket 04-0476 regarding gas rate design; Docket Nos. 06-0070/06-0071/06-0072 (Cons.) regarding electric Delivery Service Tariff rate design and related matters; Docket Nos. 06-0691/06-0692/06-0693 (Cons.) regarding residential real-time pricing tariffs; Docket 06-0800 regarding an investigation into changes to auction process and the Ameren Illinois Utilities’ market value tariffs (Rider MV); and Docket 07-0165 regarding an investigation into the Ameren Illinois Utilities’ rate design.