

**Ameren Illinois Utilities**  
**Docket No. 09-0602**  
**AG Exhibit 1.2**  
**Copies of Applicant's Responses to Discovery Requests**  
**Referenced in the Direct Testimony of**  
**Ralph C. Smith**

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**The Ameren Illinois Utilities'  
Response to ICC Staff Data Requests  
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Response Date: 4/5/2010**

RWB 1.15

Referring to the criteria for Qualifying Costs, as presented in Ameren Exhibit 2.1, does the Company agree to add a criterion which limits Qualifying Costs to only those costs incurred after the Commission's approval of this tariff?

**RESPONSE**

**Prepared By: Robert Mill  
Title: Director, Regulatory Policy and Rates  
Phone Number: 314-554-3734**

Yes.

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RWB 1.05

Is it correct that Ameren's proposed Rider RPS would allow incentive compensation expense to be included in recoverable Qualifying Costs? If yes, provide the Company's rationale for the inclusion of incentive compensation expense through the rider. If no, explain where in the rider that incentive compensation expense is excluded from recoverable Qualifying Costs.

**RESPONSE**

**Prepared By: Robert J. Mill  
Title: Director, Regulatory Policy and Rates  
Phone Number: 314-554-3734**

Yes. The Rider does not distinguish between incentive compensation and all other compensation associated with Qualifying Costs. Failure to include all compensation in the Qualifying Costs would result in an under-recovery of the full cost to implement the Commission-approved plan for Liberty Audit projects.

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Response Date: 3/18/2010**

MGM 1.02

Referring to lines 88-96 of Ameren Exhibit 1.0:

- a) Do the Companies contend that without Rider RPS they would be unable to implement the Liberty audit recommendations and maintain their current credit ratings? If so, what is the basis for that contention? Please provide all supporting documentation or analysis.
- b) Do the Companies contend that without Rider RPS they would be unable to implement the Liberty audit recommendations and “maintain the ability to meet capital expenditures and demonstrate to the investment community that ability”? If so, what is the basis for that contention? Please provide all supporting documentation or analysis.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President Regulatory Affairs and Financial Services**

**Phone Number: 309-677-5707**

In my testimony on lines 66-67 I state: “Without the necessary funding or mechanism to eventually recover these costs, the AIUs will be forced to defer these projects until the costs can be recovered in base rates or through the rider discussed by Mr. Mill.”

- a) No, the AIUs contend that they will be forced to defer these projects until the costs can be recovered in base rates or through a rider.
- b) No, the AIUs contend that some ratemaking mechanism which provides timely and full recovery (i.e. base rate recovery or a rider) is needed to enable the AIUs to maintain the ability to meet capital expenditure requirements and demonstrate to the investment community that ability.

The contentions are based on my 30 years of business experience in the utility business. No analysis has been conducted.

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Response to Illinois Office of Attorney General Data Requests  
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AG 2.11

Please identify, and explain specifically, all restrictions on the Ameren Utilities ability to file base rate cases to address distribution system plant additions and costs related to implementing recommendations in the Liberty management audit report.

**RESPONSE**

**Prepared By: Craig D. Nelson**  
**Title: Senior Vice President, Regulatory Affairs and Financial Services**  
**Phone Number: (309) 677-5707**

The Ameren Illinois Utilities in their recent rate cases have relied upon the use of historical test years to establish the cost basis for setting their rates. This approach does not provide a historical foundation for the Liberty Audit implementation costs which have yet to be incurred and therefore does not provide a cost recovery mechanism for such costs. And, as I testify, beginning at Line 66 of my direct testimony, “[W]ithout the necessary funding or a mechanism to eventually recover these costs, the AIUs will be forced to defer these projects until the costs can be recovered in base rates ...”

A future test year could conceivably provide some synchronization of cost incurrence with cost recovery and allow some of the projects to go forward but as I mention in my testimony the AIUs would have to attempt to time cost incurrence with test year recovery. And, that approach may extend the five-year completion period due to some deferrals and/or bifurcation of projects.

The rider recovery mechanism and the use of a future test year are similar in that the costs are associated with projects that are not yet completed or are projected. However, as proposed the recovery rider mechanism provides customers more protection than base rate treatment since the rider ensures that the customer pays no more and no less than the actual cost of implementation.

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AG 4.01

Please refer to the response to AG-2-11. The response states in part that: “A future test year could conceivably provide some synchronization of cost incurrence with cost recovery and allow some of the projects to go forward but as I mention in my testimony the AIUs would have to attempt to time cost incurrence with test year recovery. And, that approach may extend the five-year completion period due to some deferrals and/or bifurcation of projects.”

- a) Why haven’t the AIUs used a future test year in their current and prior Illinois rate case filings? Explain fully and identify and provide citations to all restrictions that have prevented the AIUs from using a future test year.
- b) Please identify each impediment, prohibition and restriction that would prevent the Ameren Illinois Utilities from making general rate case filings using a future test year for their future Illinois rate cases.
- c) Why can’t the AIUs accurately forecast the amount of operating and capital expenditures related to implementing recommendations in the Liberty audit report sufficiently for use in a rate case filing by each of the AIUs that utilize a future test year? Explain fully.
- d) Please identify, quantify and explain each Liberty audit recommendation that the AIUs seek to recover in Rider RPS for which AIU management cannot influence the timing of cost incurrence or cannot coordinate the timing of cost incurrence with test year recovery.
- e) Please identify, quantify and explain each Liberty audit recommendation that the AIUs seek to recover in Rider RPS for which AIU management believes would need to be bifurcated, and provide the proposed bifurcation for each such project

**RESPONSE**

**Prepared By: Craig D. Nelson**  
**Title: Senior Vice President, Regulatory Affairs and Financial Services**  
**Phone Number: (309) 677-5707**

- a) The Ameren Illinois Utilities (AIUs) have not used a future test year in their current and prior Illinois rate case filings because they chose to use an historical test year.
- b) I am not aware of any major impediments, prohibitions, or restrictions that would prevent the AIUs from using a future test year.
- c) The AIUs could forecast the operating and capital expenditures; however, due to the timing of the implementation and the amount of time needed to complete the

implementation, the related expenditures may or may not “naturally” fall within the future test year. For that reason, projects and/or elements of some of the projects will have to be timed such that they correspond with a future test year, thus resulting in the need to defer some projects or elements of others to such time as their completion would coincide with a future test year.

- d) We could coordinate expenditures with recovery; however, doing so would alter the timetable in the implementation plan which has been submitted to the Illinois Commerce Commission.
- e) This information has not been compiled and is not readily available.

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AG 2.09

Please provide the most current financial and economic evaluations the Ameren Utilities has for each Liberty Audit recommendation that the Ameren Utilities’ claim cannot be implemented without a special rider.

**RESPONSE**

**Prepared By: Craig D. Nelson**  
**Title: Senior Vice President, Regulatory Affairs and Financial Services**  
**Phone Number: (309) 677-5707**

The Ameren Illinois Utilities (AIUs) have not conducted financial and economic evaluations for each individual Liberty Audit recommendation for the purpose of supporting the use of a rider recovery mechanism for the timely recovery of the estimated \$86 million cost to implement the agreed-upon Liberty Audit recommendations over a five-year period. Rather, the proposal to utilize a rider is based on sound business judgment and economic principles. While the AIUs are currently providing safe and reliable service, and will continue to do so, one cannot overlook the fact that none of the individual AIUs is earning its authorized rate of return on common equity. (See the response to AG 2.10.)

The costs which would be recovered through the proposed rider recovery mechanism are incremental to what we are currently spending to provide safe and reliable service and, furthermore, these costs are not being recovered through base rates. As I testify, beginning at Line 62 of my prepared direct testimony, the “AIUs cannot continue to implement the Liberty Audit recommendations that include incremental costs without the necessary funds.” That is, timing of expenditures related to the implementation of the various agreed-upon recommendations must be synchronized with the recognition of those costs in rates. To do otherwise, would only serve to lower the AIUs’ already less than authorized, earned rates of return on common equity.

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AG 4.03

Refer to the response to AG-2-10. That response states that “the AIUs’ electric rates of return on common equity for the 12-month period ending December 31, 2009, for AmerenCILCO, AmerenCIPS and AmerenIP are 7.30%, 5.03%, and 5.86%, respectively, (See AG 2.10 Attach) and are each below the allowed rates of return on common equity which the Illinois Commerce Commission (ICC) authorized in the most recently completed electric rate cases (ICC Dockets No. 09-0306, 09-0307, and 09-0308). ”

- a) Have the AIUs conducted any analysis to determine why their earned ROEs are falling below the ROEs authorized in their last rate cases? If not, explain fully why not. If so, please identify and provide a copy of each such analysis.
- b) Have the AIUs conducted any analysis to show that implementation of Liberty audit recommendations is the only or primary reason why their earned ROEs have been below the ROEs authorized in their last rate cases? If not, explain fully why not. If so, please identify and provide a copy of such analysis.
- c) Please identify, quantify and explain all Commission adjustments that were made in ICC Dockets No. 09-0306, 09-0307, and 09-0308 that were not reflected in the AIUs’ calculation of the 2009 ROEs listed in the response to AG-2-10.

**RESPONSE**

**Subparts a) and b):**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

**Subpart c):**

**Prepared By: Ronald D. Stafford**

**Title: Managing Supervisor, Regulatory Accounting**

**Phone Number: (314) 206-0584**

- a) The Ameren Illinois Utilities (AIUs) have not conducted any analysis to determine why their earned ROEs are falling below the ROEs authorized in their last rate cases because it is intuitively obvious that the reasons are regulatory lag and cost disallowances.
- b) No
- c) None of the Commission adjustments that were made in ICC Dockets No. 09-0306, 09-0307, and 09-0308 are reflected in the AIUs’ calculation of the 2009 ROEs listed in the response to AG 2.10. The requested analysis has not been done and therefore, it is not available.

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AG 4.02

Refer to the response to AG-2-09. Have the AIUs conducted financial and economic evaluations for any individual Liberty Audit recommendation? If not, explain fully why not. If so, please identify each Liberty audit recommendation for which the AIUs have conducted a financial and economic evaluation, and provide a copy of such evaluation and the related workpapers and analysis.

**RESPONSE**

**Prepared By: Charles R. Mueller  
Title: Manager Strategic Initiatives  
Phone Number: 618-236-6248**

An analysis of each recommendation was done by internal subject matter experts in 2008 to verify their reasonableness. This was not a formal cost/benefit analysis process and the results of the analysis were not retained. There was no requirement by the ICC for the company to do a cost benefit analysis. The accepted recommendations appeared to be reasonable and would continue to improve the level of service we can provide to our customers.

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AG 3.05

Ref: Ameren Exhibit 1.0, lines 62-63 (Access to Necessary Funds). According to Mr. Nelson’s testimony, “The AIU’s cannot continue to implement the Liberty Audit recommendations that include incremental costs without the necessary funds.” Please provide the following additional information:

- a) List and quantify each Liberty Audit recommendation that the AIU’s “cannot continue to implement” because of the absence of “necessary funds”, as referenced by Mr. Nelson.
- b) Explain and provide calculations quantifying the level of funding that is available to the AIU’s under traditional regulation and in the absence of the proposed Rider RPS, indicating how this limitation causes the AIU’s to be unable to, “continue to implement the Liberty Audit recommendations.”
- c) Define and quantify the amount of “funds” Ameren Corporation is able to access for investment in the consolidated business at the present time, with reference to Ameren Corporation’s existing cash and liquid investments, lines of credit and available financing under relevant debt indentures and other financial covenants.
- d) Given your response to part (c) as well as all relevant corporate capital allocation policies that influence how consolidated capital resources are allocated among business units and alternative investment opportunities, quantify the amount of “funds” the AIUs are able to access for investment in their businesses at the present time.
- e) Provide detailed calculations and complete copies of source documents supportive of your response to parts (c) and (d).
- f) Is it the opinion of Mr. Nelson or the AIUs that the utility businesses are not financially solvent or do not have continuing access to all needed incremental capital on reasonable terms?
- g) If your response to part (f) is affirmative, please explain and quantify each restriction on Ameren’s access to capital presently and projected in each of the years 2010 through 2015.

**RESPONSE**

**Prepared By: Craig D. Nelson**  
**Title: Senior Vice President, Regulatory Affairs and Financial Services**  
**Phone Number: (309) 677-5707**

- a) See Ameren Exhibit 3.0, beginning at Line 129 and continuing through Line 193 and the attachment to AG 3.09g for a listing of recommendations that have been deemed complete and an explanation of the resources that are needed to complete

the remaining items in the implementation plan. As indicated on Line 162, Ameren Exhibit 3.3 provides cost estimates to implement each of the Liberty recommendations.

- b) Such an analysis has not been completed.
- c) Such an analysis has not been completed.
- d) See the response to subpart c).
- e) Not Applicable
- f) No, the Ameren Illinois Utilities are financially solvent; but they do not have unlimited access to incremental capital.
- g) Not Applicable

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AG 3.02

Ref: Ameren Exhibit 1.0, lines 35-38 (Ameren’s Commitment to Implement). According to Mr. Nelson’s testimony, “The AIUs have made a commitment to implement various agreed-upon audit recommendations...and would like to fulfill that commitment.” Please provide the following additional information:

- a) Identify with specificity which elements (if any) of the referenced commitment Ameren is unable, because of financial constraints, to honor without a rate adjustment rider such as the proposed Rider RPS.
- b) Provide and explanation and complete copies of all studies, reports, analyses, projections, workpapers, calculations and other documents associated with or supportive of your response to part (a).
- c) Identify with specificity which elements (if any) of the referenced commitment Ameren is unwilling, from a management perspective, to honor without a rate adjustment rider such as the proposed Rider RPS.
- d) Provide and explanation and complete copies of all studies, reports, analyses, projections, workpapers, calculations and other documents associated with or supportive of your response to part (c).
- e) Is it Ameren’s or Mr. Nelson’s opinion that any of the agreed-upon audit recommendations are unreasonable and should not be undertaken if the AIUs are not granted a rate adjustment rider such as the proposed Rider RPS, but become reasonable and appropriate when such a rate adjustment rider is implemented?
- f) If your response to part (e) is affirmative, please identify each of the agreed-upon audit recommendations that is only reasonable and appropriate if a rate adjustment rider is granted, and explain why the merit of the recommendation is tied to the regulatory treatment of the associated costs

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

- a) The Ameren Illinois Utilities (AIUs) have completed the recommendations which we were able to accomplish with existing resources. (See AG 3.09 Attach) However, due to financial constraints which the AIUs are currently facing, the AIUs are not able to honor all of the recommendations which require additional resources without the recognition of the related costs of implementing the agreed-upon recommendations in their rates – whether through the rider recovery mechanism or at some future date when the expected costs can be captured in the AIUs’ base rates

through a rate case proceeding. That is, the AIUs must be able to recover the related implementation and ongoing costs in a timely fashion.

See also the response to AG data request 2.09.

- b) There are no such documents other than those provided in response to subpart a).
- c) See response to subpart a).
- d) See response to subpart b).
- e) Mr. Nelson's opinion is that the recommendations should not be undertaken if recovery of the related costs cannot be synched to expenditures, given that these projects, and related costs are incremental to what we are spending to provide safe and reliable service.
- f) See response to subpart e).

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AG 2.05

Do any other Illinois utilities have riders that are identical or similar to Ameren Utilities’ proposed Liberty Audit Rider? If so, please identify the name of the utility, and, provide a copy of the utility’s tariff if such information is in Ameren Utilities possession.

**RESPONSE**

**Prepared By: Robert J. Mill  
Title: Director, Regulatory Policy and Rates  
Phone Number: 314-554-3734**

Mr. Mill is not aware of any identical riders in effect for the other Illinois utilities. Riders that are similar, meaning they recover certain incremental investment and costs between rate cases are Rider ICR for Peoples Gas, Light and Coke Company and QIP for Illinois American Water Company. See the AIUs’ response to AG 2.06 for copies of the referenced tariffs.

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AG 2.07

Do the Ameren Utilities have any information on whether any other electric utilities have proposed riders similar to Ameren Utilities’ proposed Liberty Audit Rider (Other than Peoples Gas)?

- a) Are the Ameren utilities aware of whether each such utility-proposed rider was approved or rejected by the utility’s respective regulatory authorities; and
- b) If so, please provide relevant docket numbers and copies of any regulatory orders approving or denying said request.

**RESPONSE**

**Prepared By: Robert J. Mill  
Title: Director, Regulatory Policy and Rates  
Phone Number: 314-554-3734**

Mr. Mill is not aware whether other electric utilities have proposed a Rider similar to the Liberty Audit Rider.

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AG 3.06

Ref: Ameren Exhibit 1.0, lines 99-100 (Specifically Defined Costs). According to Mr. Nelson’s testimony, “Thus the rider is appropriate because it allows direct recovery of specifically defined costs.” Provide the following additional information:

- a) Explain in detail how this, “specifically defined costs” criteria should be applied by the Commission in evaluating the types of utility costs or revenue changes for which rider rate adjustments are believed appropriate.
- b) What are some examples of costs that are not “specifically defined” and that Mr. Nelson believes should not be allowed “direct recovery” via rate adjustment rider?
- c) To what extent is “direct recovery” via a rate adjustment rider appropriate for every type of cost that can be “specifically defined”?
- d) Explain which types of costs, if any, that can be “specifically defined” but that should not be afforded rate adjustment rider treatment, indicating each of the reasons for your opinion.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

The costs related to each recommendation should be evaluated by the Commission prior to the AIUs spending the related dollars. Therefore, we have suggested that a cost-benefit analysis for the recommendations listed in Ameren Exhibit 3.3 be performed before expenditures are made. If a cost/benefit analysis is done, the costs will be “specifically defined” and if they are approved by the Commission, then they could be recovered through the rider mechanism.

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AG 3.11

Ref: Ameren Exhibit 1.0, lines 167-174 (Commission Agreement with Liberty Recommendations). According to Mr. Nelson’s testimony, “The AIU’s seek clarification on each recommendation to ascertain whether or not the Commission agrees with the Liberty recommendation as far as providing a value to customers. If the commission determines that the costs of certain recommendations outweigh any benefits, the Commission should so advise the AIUs.” Please respond to the following:

- a) Provide a listing of each of the Liberty recommendations that Mr. Nelson and the AIUs believe involve costs that outweigh any benefits.
- b) Provide a listing of each of the Liberty recommendations that Mr. Nelson and the AIUs believe will produce benefits that exceed costs.
- c) Provide citations to, or complete copies of, all costs/benefit analyses, financial projections, studies, reports and other information relied upon to support your responses to parts (a) and (b).
- d) To what extent is the Companies’ response to parts (a) and (b) dependent upon implementation of a rate recovery mechanism for project costs in the form of Rider RPS or its equivalent?
- e) Provide a listing of each of the Liberty recommendations, if any, that Mr. Nelson and the AIUs believe involve costs that outweigh any benefits, unless Rider RPS or its equivalent is approved to provide for direct rate recovery of project costs.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

- a) An analysis of the costs versus the benefits of the recommendations has not been performed.
- b) See response to subpart a).
- c) Not Applicable
- d) The Companies’ responses to subparts a) and b) are not dependent upon the implementation of a rate recovery mechanism in the form of Rider RPS or its equivalent.
- e) See response to subpart d).

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AG 3.01

Ref: Petition, page 2 (Liberty Audit Project Recommendations). According to the Petition, “The AIUs believe the proposed rider represents the most reasonable means of assuring the implementation of projects that the Commission’s auditor, Liberty, believes will benefit the AIUs’ customers by adding strength to the AIUs’ systems and enhancing the reliability of electric service.” Please explain with specificity the AIUs’ position and belief regarding whether or not each of the referenced projects that have been accepted in Ameren’s implementation plan will sufficiently benefit the AIUs’ customers as to be cost effective and properly implemented. If your response depends upon regulatory approval or disapproval of proposed Rider RPS, separately identify each Liberty recommendation that is only viewed as reasonable and cost-effective by Ameren with Rider cost recovery.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

See the AIUs’ response to AG 2.09 and AG 4.02 (response due July 20).

The AIUs have not performed a cost/benefit analysis for the referenced projects, and therefore, are unable to state with specificity whether the benefits equal or exceed the related cost of a particular project.

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AG 3.19

Ref: Ameren Exhibit 2.0, lines 121-129 (Rider Coordination with Rate Cases).  
According to Mr. Mill’s testimony, “When the AIUs file their next rate cases, known and measurable cost recovery for projects can then be reflected in base rates and recovery for such projects under the rider would cease coincident with the Commission authorizing new base rates to take effect.” Please respond to the following:

- a) Explain the AIUs’ best estimate of the timing of the next rate case for each AIU electric utility entity.
- b) If the proposed Rider RPS is approved, will the AIUs commit to not file any new rate cases that would change electric delivery service rates during the entire implementation period of the Liberty Audit recommendations, as described in Ameren Exhibit 3.3?
- c) If your response to part (b) is negative, please explain each reason why the AIUs could not simply rely upon test year regulation and anticipated near term rate cases to recover costs associated with their implementation plan, while recognizing all other changing costs and sales revenue levels?

**RESPONSE**

**Prepared By: Robert J. Mill**  
**Title: Director, Regulatory Policy and Rates**  
**Phone Number: 314-554-3734**

- a) The AIUs have stated that it intends to file more frequent rate cases in the future. No specific date has been set for the next rate case filing.
- b) No
- c) Incremental Liberty Audit implementation costs will be included in base rate case test years. As referenced in Mr. Mill’s testimony, once costs are reflected in base rates, recovery for such projects under the rider would cease coincident with the Commission authorizing new base rates to take effect. The rider is not a substitute for future base rate cases, and future base rate cases are not substitutes for the rider. The rider’s purpose is to recover actual Liberty Audit implementation costs between base rate cases in order to avoid financial impacts to the AIUs for reliability recommendations deemed important and necessary by the Commission.

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AG 3.20

Ref: Ameren Exhibit 2.0, lines 111-119 (Filings and Safeguards for Rider RPS). Mr. Mill’s testimony describes a series of “safeguards” and filings that would be made by the AIUs if the proposed Rider RPS is implemented. Please provide the following additional information:

- a) A timeline indicating the proposed filings dates, review intervals and Commission action dates for each proposed filing in each year, for the expected total term that Rider RPS would remain effective.
- b) Explain whether the proposed filings would be coincident for each of the AIU utilities, or would be staggered to spread out the work required of the utility and Commission Staff.
- c) Provide specimen copies of the form of each filing that is contemplated.
- d) State whether the AIUs intend to make all filings arising from proposed Rider RPS with the Attorney General’s Office, the Citizens Utility Board or other parties to the Companies’ recent rate cases.
- e) Provide the Company’s best estimate of the costs that would be incurred by each of the AIU and collectively for Ameren in each year that Rider RPS is effective, assuming no formally contested proceedings arise from administration of proposed Rider RPS.
- f) Explain the AIUs’ proposal in the event information contained within an informational sheet filing, annual reconciliation report, internal audit or annual earnings report is contested by Staff, indicating proposed procedural schedules through which discovery would occur, hearings could be scheduled and briefing might occur.

**RESPONSE**

**Prepared By: Robert J. Mill**  
**Title: Director, Regulatory Policy and Rates**  
**Phone Number: 314-554-3734**

- a) See Rider RPS tariff section titled INFORMATION SHEET FILINGS for the dates such monthly informational filings could occur. See Rider RPS tariff section titled ANNUAL RECONCILIATION for the date such annual filings would occur. See Rider RPS tariff section titled ANNUAL AUDIT AND REPORTS for the dates such annual audit report filings would occur. The Commission review dates and Commission action dates are not known.

- b) The AIUs expect to be a single merged utility by the time the Rider RPS is approved in this docket. Therefore, there would be a single filing for the Ameren Illinois Company for the items listed in subpart a).
- c) No such Rider RPS specimen filings have been prepared. Future Rider RPS filings will be modeled after similar filings for other AIU riders already in effect.
- d) The filings are only made at the ICC.
- e) Mr. Mill presumes that subpart e is only referencing the costs to administer Rider RPS and not the projects costs themselves. Based on this assumption, the AIUs have not projected the cost of administering Rider RPS. It is expected to be administered with existing Staff.
- f) Concerning the information sheets, if Staff discovers an error, the AIUs will confirm such error and revise sheets accordingly. This is a reason why there is a review period built into the information sheet process before they are to take effect. The same process is in place today for other Riders of the AIUs. The AIUs cannot guess as to the proposed procedural schedules through which discovery would occur, hearings schedules and briefing schedules should contested issues arise with the reconciliation report, or if the internal audit or annual earnings reports are contested by Staff.

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AG 3.08

Ref: Ameren Exhibit 1.0, lines 124-128 (No Assurance of Implementation in Subject Time Frame). According to Mr. Nelson’s testimony, “We will take into account these recommendations as we plan budgets over the next several years, but there can be no assurance they will be implemented within the subject time frame.” Please provide the following additional information:

- a) Explain in detail the process and procedures through which Ameren Corporation and its AIU subsidiaries “plan budgets”, indicating each form of analysis that is applied to prioritize and rank investment and expense decisions during budget planning.
- b) Describe with specificity how the referenced “these recommendations” in Mr. Nelson’s testimony will be integrated into the Company’s budgeted planning process and procedures explained in your response to part (a) in the event no special rate rider treatment of costs is approved, indicating what level of priority will be assigned each element of the “recommendations” that are referenced.
- c) In the event rate rider recovery of costs is approved, explain how your response to part (b) would change.
- d) Is it Mr. Nelson’s or the AIUs’ belief that the importance or urgency of any of the “recommendations” is different as a result of whether or not rate rider cost recovery if approved by the Commission?
- e) Is it Mr. Nelson’s or the AIUs’ belief that the economic justification for any of the “recommendations” is different as a result of whether or not rate rider cost recovery if approved by the Commission?
- f) Please explain and provide complete copies of any documents supportive of your responses to parts (d) or (e) of your response.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

- a) The AIUs plan their budgets in a manner which satisfies and prioritizes their investments so that they are able to provide adequate, efficient, reliable, environmentally safe, and least-cost public utility service in accordance with statutory requirements.
- b) We will look at the recommendations and determine which ones are required versus those which are incremental to what we are currently doing and spending

to provide adequate, safe, and reliable service. They will then be integrated as financial markets and budget limitations allow.

- c) Since the Rider would allow for a better synchronization of approved cost incurrence with related cost recovery, the implementation of the recommendations would occur more quickly than would be the case if the Rider were not approved.
- d) No. The importance of the recommendations does not change; only the companies' ability to fund their implementation changes.
- e) No
- f) No such documents exist.

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AG 3.09

Ref: Ameren Exhibit 1.0, lines 144-150 (Commission Approval/Disapproval of Projects). According to Mr. Nelson’s testimony, “All the AIUs are asking for is some form of approval of a project or projects. The Commission’s approval, as set forth in the AIUs’ proposed Rider RPS, is a necessary condition that must be met before the project is pursued and/or completed. Once this occurs, the AIUs can begin work on and/or complete the project and recovery the related costs under Rider RPS. Stated differently, if the project is not approved, the AIUs will not pursue/complete it and will not seek cost recovery through Rider RPS.” Please provide the following additional information:

- a) Is it Mr. Nelson’s or the AIUs’ belief that Commission approval is needed before any actions will be taken to implement the recommendations under traditional test-year rate case regulation (without Rider RPS)?
- b) If your response to part (a) is affirmative, please explain each reason why the Company is unwilling or unable to proceed with implementation of each of the recommendations, relying upon its own management expertise and judgment rather than judgments and approvals that may be provided by the Commission.
- c) Is it Mr. Nelson’s or the AIUs’ belief that Commission approval is needed before any actions will be taken to implement the recommendations only if Rider RPS is approved?
- d) Does Mr. Nelson or the AIUs believe that the Commission and its staff have more professional expertise and analytical resources than Company’s management in terms of the ability to effectively evaluate and prioritize alternatives involved in implementation of the Liberty Audit recommendations?
- e) If your response to part (d) is affirmative, please explain the basis for your belief.
- f) If your response to part (d) is negative, please explain each of the purposes served by requiring advance approval of projects by the Commission.
- g) Which, if any, of the Liberty Audit recommendations has already been implemented by the AIUs?
- h) Please explain whether or not Commission approvals were received for any of the projects identified in your response to part (g) and provide copies of documents associated with your response, if any.

**RESPONSE**

**Subparts a) thru f):**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

**Subparts g) and h):**

**Prepared By: Chuck Mueller**

**Title: Manager, Strategic Initiatives**

**Phone Number: 618-236-6248**

- a) It is Mr. Nelson's belief that Commission approval, as set forth in the Ameren Illinois Utilities' (AIUs) proposed Rider RPS, is a necessary condition that must be met before the project is pursued and/or completed.
- b) The AIUs are already providing adequate, safe, and reliable service and the implementation of the various recommendations would be incremental to the provision of that adequate, safe, and reliable service.
- c) No
- d) Mr. Nelson does not have an opinion as to whether the Commission and its Staff have more, less, or equivalent professional expertise and analytical resources as the AIUs have.
- e) Not Applicable
- f) Not Applicable
- g) See AG 3.09 Attach for a listing of the recommendations the AIUs have completed and have been verified by Liberty.
- h) Approval was not received from the Commission but the Company was able to complete these recommendations with existing resources.

Rec#	Complete	Description
III-04	Yes	Ensure that all emergency response personnel are familiar with and use emergency plans.
III-05	Yes	Make the Electric Emergency Restoration Plans (both corporate and division) accessible to all key response personnel, including bargaining unit employees.
III-07	Yes	Hold post-event critiques following every significant outage event.
III-11	Yes	Improve emergency plans by evaluating actual performance.
IV-03	Yes	Implement a notification process to alert the response organization of the threat or onset of a major outage event.
IV-06	Yes	Establish clearly the reporting relationship between Ameren corporate management and the response organization for major outage events. Include this in the corporate Electric Emergency Restoration Plan (EERP), and ensure that all members of the response organization are aware of this reporting relationship.
IV-07	Yes	Restructure the organization of the Emergency Operations Center (EOC) to include the function of coordination of Call Centers. Eliminate the broad span of control for the EOC Director.

Rec#	Complete	Description
IV-12	Yes	Define clearly the role of the Division Manager in the division emergency response organization and implement this consistently in all operating divisions.
IV-17	Yes	Continue to enhance and improve the Storm Center website and provide the option for self-reporting outages.
IV-18	Yes	Expand efforts with Level One (Health Care / Life Quality) critical care customers to proactively contact these customers prior to planned outages and as soon as possible after unplanned outages when the emergency response plan is activated.
IV-33	Yes	Implement a process to confirm that all line and support function lead personnel have been alerted when the initial event alert has been sent. (Also, see Recommendation IV-3, Section IV.B, Pre-Storm Preparations.)
IV-34	Yes	Revise corporate Electric Emergency Restoration Plan (EERP) to ensure that Ameren-IL assigns separate individuals to head up the division storm response and the response at a local operating center.
IV-37	Yes	Install the new voice radio system that will have all of the Ameren-IL service area operating on the same system.
IV-43	Yes	Review the practice of managing the work and rest hours of field restoration workers that results in employees remaining on premium pay during the entire major emergency restoration.

Rec#	Complete	Description
V-02	Yes	Revise the transmission planning load forecast probability to 90/10 weather basis.
V-03	Yes	Benchmark ("back-cast") the transmission-planning load forecast.
V-04	Yes	Develop area load forecasts for transmission studies.
V-05	Yes	Develop and use a 10-year weather-based design temperature for the distribution planning load forecast.
V-06	Yes	Centralize the short circuit model.
V-09A	Yes	Design new ACSR transmission and sub-transmission lines to a 140oC operating temperature. Determine higher design operating temperatures for other conductors used in transmission and sub-transmission line construction. TRANSMISSION
V-09B	Yes	Design new ACSR transmission and sub-transmission lines to a 140oC operating temperature. Determine higher design operating temperatures for other conductors used in transmission and sub-transmission line construction. SUBTRANSMISSION.

Rec#	Complete	Description
V-12A	Yes	Review pole loading requirements and required pole set depths. TRANSMISSION - analyze and correct.
V-12B	Yes	Review pole loading requirements and required pole set depths. SUBTRANSMISSION - analyze and correct.
V-15	Yes	Revise the transmission transformer purchasing specification.
V-16	Yes	Determine the overload capabilities of existing transmission transformers.
V-17	Yes	Develop less conservative transmission transformer ratings.
V-20	Yes	Implement the uniform distribution construction standards as planned for early 2008.
V-23A	Yes	Develop short-time emergency ratings for the sub-transmission and transmission components. TRANSMISSION

Rec#	Complete	Description
V-23B	Yes	Develop short-time emergency ratings for the sub-transmission and transmission components. SUBTRANSMISSION
V-24A	Yes	Make design basis assumptions the same in power ratings of the transmission, sub-transmission, and distribution systems. TRANSMISSION.
V-24B	Yes	Make design basis assumptions the same in power ratings of the transmission, sub-transmission, and distribution systems. SUBTRANSMISSION and DISTRIBUTION.
V-25	Yes	Separate the switchgear substation-protection scheme in urban areas and the outdoor bus protection scheme in rural areas into two distinct diagrams.
V-31	Yes	Review the coordination of division personnel training requirements.
V-35	Yes	Perform switching surge studies for the 230,000-volt and 345,000-volt transmission system for off-normal conditions.
V-36	Yes	Obtain updated lightning software and data for transmission lightning performance analysis.

Rec#	Complete	Description
V-38	Yes	Conduct initial selection and budget estimates with finer grade cost estimates when satisfactory alternatives have costs of the same order of magnitude.
V-40	Yes	Improve the process for contingency funding of large unexpected projects.
VI-01	Yes	Evaluate whether inspection and maintenance functions under Ameren Services' responsibility would be more effective if Ameren-IL managed them directly.
VI-02	Yes	Make the distribution divisions accountable only for the portions of service reliability goals for which they are responsible. Accountability should align with responsibility.
VI-17	Yes	Increase the distribution system workforce.
VI-27	Yes	Improve the physical condition of distribution-circuit tap lines.
VI-32	Yes	Develop allowed transmission vegetation heights from the ground.

Rec#	Complete	Description
VI-34	Yes	Add Section 218.B of the NESC to all voltage levels of the vegetation management standards that allow overhang.
VI-38	Yes	Determine and correct the cause for the increase in transmission vegetation rework in 2007.
VI-40	Yes	Continue to pursue standard easement widths for distribution and sub-transmission voltage levels for facilities in and out of the roadway.
VI-43	Yes	Reinforce Ameren-IL vegetation standards with transmission vegetation contractors.
VI-45	Yes	Trim back-lot facilities to vegetation management horizontal specifications.
VI-47	Yes	Enforce contractor record keeping requirements.

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AG 2.06

Did the Ameren Utilities use any other utility’s tariff riders as a model for Ameren Utilities’ proposed Liberty Audit Rider? If so, please:

- a) identify the name of the each utility, its regulatory jurisdiction, and the docket or case number in which the rider was addressed; and
- b) provide a copy of each utility’s tariff that the Ameren Utilities used.

**RESPONSE**

**Prepared By: Robert J. Mill**  
**Title: Director, Regulatory Policy and Rates**  
**Phone Number: 314-554-3734**

Yes.

- a) The proposed Rider RPS tariff was generally modeled after the following sources: Rider QIP – Qualifying Infrastructure Plant Surcharge tariff that the Ameren Illinois Utilities proposed in ICC Docket Nos. 07-0585 (Cons.). The Qualifying Infrastructure Plant Surcharge Rider of service Schedule No. 24 for the Illinois American Water Company, Docket No. 07-0507. And, the proposed Infrastructure Cost Recovery Rider of The Peoples Gas and Light and Coke Company in Docket Nos. 07-0241/07-0242 (and ultimately approved in Docket Nos. 09-0166/09-0167).
- b) Find attached, copies of the referenced tariffs.  
AG 2.06 Attach 1 Rider QIP (For AmerenCILCO)  
AG 2.06 Attach 2 Rider QIP IL American Water  
AG 2.06 Attach 3 Rider ICR Peoples 09-0167

Illinois utilities and the Companies’ approach supports the Commission’s uniformity efforts. Said uniformity supports ease of rider audits by the Commission Staff and also supports consistent application of similar utility provisions across the entire state of Illinois.

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AG 5.01

Please refer to the response to AG-4-01.

- a) Referring to the response to AG-4.01(d), please identify, quantify and explain how the timetable in the implementation plan that Ameren submitted to the Illinois Commerce Commission could be adjusted to coordinate the timing of expenditures with recovery in a series of AIU rate cases.
- b) Referring to the response to AG-4.01(a), please identify and discuss in detail all of the factors the AIUs consider and evaluate in determining whether to file their Illinois rate cases using (1) an historical test year versus (2) a future test year.
- c) Referring to the response to AG-4.01(c ), please identify all specific projects that could be deferred and/or timed to fit within a future test year.
- d) Referring to the response to AG-4.01(c ), please identify all specific projects that could not be deferred and/or timed to fit within a future test year. For each such specific project, please identify and explain fully why it could not be deferred and/or timed to fit within a future test year.
- e) If using a future test year would help the AIUs better coordinate (1) the timing of Liberty Audit Report-based expenditures with (2) recovery of such expenditures, please explain fully how this would impact the AIUs’ decision as to test year selection in the AIUs’ future Illinois rate cases.
- f) If using a future test year would help the AIUs better coordinate (1) the timing of Liberty Audit Report-based expenditures with (2) recovery of such expenditures, please explain fully how this would impact the AIUs’ decision as to incurrence of Liberty Audit Report recommendation implementation expenditures.

**RESPONSE**

**Prepared By: Craig D. Nelson**

**Title: Senior Vice President, Regulatory Affairs and Financial Services**

**Phone Number: (309) 677-5707**

- a) As indicated in the response to 4.01(d), the AIUs could coordinate the expenditures with recovery. A means of doing this without the use of a rider mechanism would be by timing the expenditures so that they would fall within a rate case test year – either through the use of a future test year or the use of an historical test year with pro forma adjustments.

Hypothetically speaking, if the AIUs were to file a rate case using a future test year they would incorporate the implementation expenditures for Liberty-audit recommendations in their proposed revenue requirement. At the conclusion of the case, the AIUs would know whether to proceed with making the actual

expenditures depending on whether the Commission had approved the expenditures by allowing them into the revenue requirement. As an example, say the AIUs filed a rate case on January 1, 2012, and elected to use a 2013 future test year. The Commission would decide the rate case in late November, 2012. If the projected expenditures were approved, the AIUs would then proceed with the project in 2013; but if not approved, the AIUs would not proceed with the projects, thereby syncing up their expenditures with allowed cost recovery. This process would be less flexible than a rider approach and could extend the implementation period (timetable) for some multi-year projects since the AIUs would have to time the incremental project costs so that they coincided with rate case filings.

- b) There are many factors, including the state of the economy, customer rate impacts, timing of the rate case filing, financial considerations, information availability, etc. which the AIUs consider and evaluate in determining the test year they select for use in a rate case.
- c) Conceivably, all of the agreed-upon recommendations which thus far have been deferred could be further deferred and/or timed in such a manner so that they would fit in a future test year. However, as I stated in response to AG 2.11, “that approach may extend the five-year completion period due to some deferrals and/or bifurcation of projects.”
- d) There are no such projects since as stated in response to subpart c), all of the agreed-upon recommendations which have been deferred could be further deferred.
- e) There are many variables to be considered in the selection of a test year. The AIUs would consider this as an important variable among the many items they would consider in determining the need for a rate case filing along with the timing of such a rate case filing, what the test year would be for such a filing, etc.
- f) The best way for the AIUs to implement the agreed-upon Liberty audit recommendations is for the Commission to approve the expenditures and the rider mechanism as we have requested. This approach provides the most flexibility for implementing the recommendations and syncing those related expenditures to timely recovery of actual costs. The approach, which utilizes a future test year, would not be as flexible as a rider approach and could extend the implementation timetable. However, with either approach the AIUs would not make the expenditures to implement the Liberty Audit Report agreed-upon recommendations whose implementation have been deferred until the Commission has approved the recovery of the related expenditures.

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AG 3.03

Ref: Ameren Exhibit 1.0, lines 30-32 (Estimated Cost to Implement Recommendations). According to Mr. Nelson’s testimony, “The AIU’s have determined that it will cost approximately \$86 million to implement the Liberty recommendations over a period of five years.” Please provide the following additional information:

- a) Provide the most detailed available projected total capital expenditure budget for each of the years 2010 through 2015, for each of the AIUs’ businesses and on a consolidated basis, with and without the effects of budgeted capital expenditures associated with the Liberty recommendations.
- b) Provide the most detailed available projected total operations (income statement) budget for each of the years 2010 through 2015, for each of the AIU’s businesses and on a consolidated basis, with and without the effects of budgeted O&M expenses associated with the Liberty recommendations.
- c) Provide the most detailed available projected cash flow budget (statement of sources and uses of funds) for each of the years 2010 through 2015, for each of the AIU’s businesses and on a consolidated basis, with and without the effects of budgeted capital expenditures and O&M expenses associated with the Liberty recommendations.
- d) Using the information from your response to parts (a) through (c), explain in detail each reason whether and why the AIU’s are unable or unwilling to incur the incremental costs associated with implementation of the Liberty recommendations under traditional regulation and without a rate adjustment mechanism such as the proposed Rider RPS.

**RESPONSE**

**Prepared By: Craig D. Nelson**  
**Title: Senior Vice President, Regulatory Affairs and Financial Services**  
**Phone Number: (309) 677-5707**

- a) The AIUs do not have a projected capital expenditure budget that includes the capital expenditures associated with the Liberty recommendations.
- b) The AIUs do not have a projected total operations budget (income statement) that includes the expenses associated with the Liberty recommendations.
- c) The AIUs do not have a projected cash flow budget that includes the cash flows associated with the Liberty recommendations.

- d) See the above responses to AG 3.03, subparts a), b), and c) and Ameren Exhibit 3.0, lines 159 through 193.