DIRECT TESTIMONY

of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Proposed General Increase in Electric and Gas Rates

Ameren Illinois Company d/b/a Ameren Illinois

Docket Nos. 11-0279 and 11-0282 (Cons.)

June 29, 2011

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WITNESS IDENTIFICATION

Q. Please state your name and business address.

A. My name is Bonita A. Pearce. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

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

A. I am currently employed as an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission ("ICC" or “Commission”).

Q. Please describe your background and professional affiliations.

A. I am a licensed Certified Public Accountant with a Bachelor of Science in Accountancy from Illinois State University. Prior to joining the Commission in March of 2001, I was engaged in the practice of public accounting for sixteen years. I returned to the practice of public accounting for a brief period in 2005, before returning to the Commission in 2006.

Q. Have you previously testified before a regulatory body?

A. Yes, I have testified on several occasions before the Commission.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present the results of my review of the filings of Ameren Illinois Company ("AIC" or the "Company") and the analysis of underlying data that include the following:

1. Propose adjustments to both of the Statements of Operating Income and Rate Bases concerning Other Post-employment Benefits ("OPEB") liability, uncollectibles, salaries and wages, employee benefits, incentive compensation, merger costs, and perquisites and awards; and,
2. Present the Commission Staff's ("Staff") modifications to the Company's proposed Pension Benefit Rider ("Rider PBR").

SCHEDULE AND ATTACHMENT IDENTIFICATION

Q. Are you sponsoring any schedules or attachments as part of ICC Staff Exhibit 3.0?

A. Yes. I prepared the following schedules that reflect data as of, or for the test year ending, December 31, 2012:

Schedule 3.01 E and G - Adjustment to Reflect OPEB Liability

Schedule 3.02 E and G - Adjustment to Reduce Uncollectibles Expense

Schedule 3.03 E and G - Adjustment to Reduce Salaries and Wages

Schedule 3.04 E and G - Adjustment to Reduce Employee Benefits

Schedule 3.05 E and G – Adjustment to Reduce Rate Base For Previously Disallowed Incentive Compensation

Schedule 3.06 E and G - Adjustment to Remove Merger Costs

Schedule 3.07 E and G - Adjustment to Reduce PSUP Awards from Perquisites and Awards

I also prepared the following attachments:

Attachment A - Staff Calculation of Uncollectibles Percentage Using Net Write-off Method

Attachment B – Staff Revisions to Proposed Rider PBR

Attachment C – Company Response to AG-DJE 3.19

Q. Please explain the RZ, E and G suffixes that appear in your schedule and attachment numbers and references.

A. These suffixes indicate the rate zone and service to which a particular schedule applies. The E suffix identifies a schedule that applies to electric service, and the G suffix identifies a schedule that applies to natural gas service. RZ-1 indicates Rate Zone I, formerly AmerenCIPS; RZ-2 indicates Rate Zone II, formerly AmerenCILCO; and RZ-3 indicates Rate Zone III, formerly AmerenIP. For example, Schedule 3.02 ERZ-1 presents my Adjustment to Reduce Uncollectibles Expense for Electric Rate Zone I, which was formerly AmerenCIPS Electric.

<u>Adjustment to Reflect OPEB Liability</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.01, Adjustment to Reflect OPEB liability.

A. ICC Staff Exhibit 3.0, Schedule 3.01, Adjustment to Reflect OPEB Liability, reduces rate base for the projected average OPEB liability for

2012 because it represents a cost-free source of capital that was provided by the ratepayers. The OPEB expense was recovered from ratepayers by being included in the determination of base rates in all of the Company's prior rate cases and in the current docket. Theoretically, if a cost was reflected in the revenue requirement and included in the determination of base rates, it is presumed that recovery was provided until new rates were established. Ratepayers should not have to pay a return on costs that ratepayers have already funded. Since the Company has recovered OPEB costs through base rates but not yet paid out the funds to its employees in the form of post-employment benefits, it is necessary to reduce rate base for the unfunded OPEB liability. The Company has the use of cost-free funds until the costs have been paid.

Q. What is the bsis for your adjustment?

A. The basis for my adjustment is the average AIC accrued OPEB liability for 2012, as detailed in the attachment to the Company's response to AG-DJE Data Request ("DR") 3.19 (ICC Staff Exhibit 3.0, Attachment C). The AIC average OPEB liability for 2012 has been reduced by the Company's additional contribution of $100 million in 2011, as described by AIC witness Mr. Stafford. (AIC Ex. 2.0E, p. 35, lines 753 – 759) If the projected $100 million contribution were not reflected in the derivation of the average 2012 OPEB liability, the rate base reduction would be even greater, as evidenced by ICC Staff Exhibit 3.0, Attachment C.

Q. Please respond to the Company's proposal regarding the 2012 OPEB liability.

A. The Company's position that the 2012 OPEB liability should not be reflected as a rate base reduction should be rejected. (AIC Ex. 2.0E, p. 42, lines 927 – 929) Such a practice would constitute a form of single-issue ratemaking because the revenue requirement that formed the basis of prior rates must be regarded as a whole. It is not possible to go back in time and disaggregate prior base rates by line item in order to determine how much has been recovered for each element of the revenue requirement. That is, after rates are established, they are presumed adequate to allow a utility an opportunity to recover its costs, including a return on rate base. When rates are no longer adequate to do this, a utility may request a general increase in rates. However, during the time those rates were effective, some expenses likely increased, while others may have declined. Therefore, it is not possible to state with certainty exactly how much of any particular expense was recovered through base rates. Rather, if the expense was reflected in the revenue requirement in previous rate cases, it is presumed that recovery was adequate to cover costs until new rates were approved.

Q. Has the Commission reached similar conclusions in other dockets?

A. Yes, the Commission has supported reductions of rate base for OPEB liabilities in various dockets. In Peoples Gas/North Shore Gas Docket

Nos. 07-0241/07-0242 (Cons.), the Commission found that the accrued OPEB liability should be deducted from rate base. In Peoples Gas/North Shore Gas Docket Nos. 09-0166/09-0167 (Cons.), the Commission again found that OPEB liability should be deducted from rate base. In Nicor Docket No. 04-0779 and in the Ameren Docket Nos.06-0070/06-0071/06-0072 (Cons.) the Commission found that the OPEB liability should be treated as a reduction of utility rate base.

<u>Adjustment to Reduce Uncollectibles Expense</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.02, Adjustment to Reduce Uncollectibles Expense.

A. ICC Staff Exhibit 3.0, Schedule 3.02, presents my adjustment to reduce the amount of uncollectibles expense included in base rates. My adjustment calculates uncollectibles expense using a percentage derived from a six-year average of net write-offs of accounts receivable.

Based on the percentage that I have derived, I am also recommending:

1) A change to the Gross Revenue Conversion Factor ("GRCF"); and,

2) That the Commission order the Company to prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in the determination of the amount to recover through its Riders EUA (Electric Uncollectible Adjustment) and GUA (Gas Uncollectible Adjustment) pursuant to Sections 16-111.8(a) and 19-145 of the Public Utilities Act ("Act").

Q. Provide the rationale for your adjustment to base the amount of uncollectibles expense included in base rates on the six-year average of net write-offs of accounts receivable.

A. It is more appropriate to base the uncollectibles expense on the net write-offs of accounts receivable because net write-offs consist of actual amounts written off the Company's books, reduced by subsequent recoveries of those amounts. Thus, net write-offs reflect the Company's actual experience with uncollectible accounts—not an estimate.

I have used a six-year average to determine a normal level of net write-offs because this length of time is sufficient to reflect the fluctuations that occur from year to year, while "smoothing" short-term impacts that might not be representative of ongoing experience. For example, a three-year average would include the period 2008 through 2010, a time of economic downturn that would not be considered normal. Thus, it is appropriate for the average to consider a longer period of time.

Q. What are the uncollectible rates that are reflected in your proposed adjustments for uncollectibles expense?

A. The percentage of uncollectible expense based on the six-year average of net write-offs is detailed on ICC Staff Exhibit 3.0, Attachment A. The uncollectibles rates are as follows:

CILCO Electric	.6204%
CILCO Gas	1.1406%
CIPS Electric	.7160%
CIPS Gas	1.1359%
IP Electric	.7344%
IP Gas	1.3394%

These uncollectible rates should be incorporated into the GRCF and be used to update the uncollectibles adjustment in the Electric Power Supply SCA and Rider S for PGA supply and all other tariffs in which the Commission-approved uncollectibles rate is a factor.

Q. Please describe the change you are making to the GRCF.

A. I propose changing the GRCF to utilize the uncollectible rates indicated above and calculated on ICC Staff Exhibit 3.0, Attachment A.

Q. Provide the rationale for also changing the GRCF.

A. It is necessary to also change the GRCF because my adjustment to uncollectibles expense based on the six-year average of net write-offs of the account receivable balance only adjusts the uncollectible expense associated with revenues at present rates. There will also be an impact on uncollectible costs associated with the change in revenues that result from this docket. The GRCF adjusts uncollectible expense for the change in revenues at present rates. The Staff proposed GRCF sponsored by

Staff witness Scott Struck, ICC Staff Exhibit 1.0, Schedule 1.06 for each rate zone incorporates the percentage of uncollectible revenues that I have calculated based upon the six-year average of net-write offs of account receivables.

Q. Provide the rationale for recommending that the Commission order the Company to prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in the determination of the amount to recover through its Riders EUA and GUA pursuant to Sections 16-111.8(a) and 19-145 of the Act..

A. The balance of Account 904, uncollectibles expense, fluctuates with changes to the allowance for doubtful accounts. The allowance for doubtful accounts is based on estimates of uncollectible accounts. A switch to the net write-off method would ensure that the calculation of incremental uncollectible expense recoverable through Rider EUA and Rider GUA is based on actual accounts written-off and recovered instead of estimated amounts. Actual information is preferable to estimates since it is more accurate and should be used whenever available.

Q. Do Sections 16-111.8(a) and 19-145 of the Act support Staff's proposal?

A. Yes they do. Section 16-111.8(a) of the Act, Automatic adjustment clause tariff; uncollectibles, states:

> The Commission may, in a proceeding to review a general rate case filed subsequent to the effective date of the tariff established under this Section, prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in such tariff, but only if net write-offs are also used to determine the utility's uncollectible amount in rates. In the event the Commission requires such a change, it shall be made effective at the beginning of the first full calendar year after the new rates approved in such proceeding are first placed in effect and an adjustment shall be made, if necessary, to ensure the change does not result in double-recovery or unrecovered uncollectible amounts for any year.

Section 19-145 of the Act, Automatic adjustment clause tariff; uncollectibles, states:

> The Commission may, in a proceeding to review a general rate case filed subsequent to the effective date of the tariff established under this Section, prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in such tariff, but only if net write-offs are also used to determine the utility's uncollectible amount in rates. In the event the Commission requires such a change, it shall be made effective at the beginning of the first full calendar year after the new rates approved in such proceeding are first placed in effect and an adjustment shall be made, if necessary, to ensure the change does not result in double-recovery or unrecovered uncollectible amounts for any year.

Q. If the Commission adopts your recommendation that the Company prospectively switch from using the actual uncollectible amount set forth in Account 904 to using net write-offs in the determination of the amount to recover through its Riders EUA and GUA, what should the Commission finding state?

A. I recommend the Commission include the following finding in the Order for this proceeding:

> According to the provisions of 220 ILCS 5/16-111.8(a) and 220 ILCS 5/19-145, Ameren Illinois Company is hereby directed to switch from using the actual uncollectible amount set forth in

Account 904 to using net write-offs in such tariff, and such net write-offs are also to be used to determine the utility's uncollectible amount in rates. This change shall be effective at the beginning of the first full calendar year after the new rates approved in this proceeding are first placed in effect and an adjustment shall be made, if necessary to ensure the change does not result in double-recovery or unrecovered uncollectible amount for any year.

<u>Adjustments to Reduce Salaries and Wages and Employee Benefits</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.03, Adjustment to Reduce Salaries and Wages and Schedule 3.04, Adjustment to Reduce Employee Benefits.

A. ICC Staff Exhibit 3.0, Schedule 3.03 and Schedule 3.04, reflect my adjustments to reduce the Company's forecasted 2012 salaries and employee benefits by six percent, which is the amount of assumed labor benefits to be realized through employee attrition and redeployment, according to the Merger Integration and Process Optimization ("MIPO") study attached to the direct testimony of Company witness Mr. James M. Mazurek. (Ameren Ex. 12.1E, page 4)

Q. Please explain.

A. These adjustments are necessary because the Company's forecasted labor expense, exclusive of the MIPO impact, contains projected increases in the number of employees, wages and benefits. For example, AIC – E Schedule C-11.1 reflects a projected 2012 total electric distribution payroll of $236,977,000 compared with $207,791,000 for 2009, an overall increase of 14 percent. On the gas side, AIC-G

Schedule C-11.1 reflects a projected 2012 total natural gas payroll of $99,844,000 compared with $88,285,000 for 2009, an increase of 13 percent. These projections are in direct conflict with the assumptions of labor dependency reductions described in the MIPO. Moreover, it is unclear that the savings described in the MIPO have been reflected in the 2012 test year labor and benefits projections. For example, Schedule G-5, page 9, sponsored by Company witness Mr. Michael Getz, includes the following description of labor costs in the Company's 2012 test year forecast:

1) the number of employees is projected to increase by 2% or 69 employees in calendar year 2012, as compared to 2011;
2) union employee wage increases were based on existing union contracts which cover the forecast period. The contract stipulates an average 3.25% increase, the majority of which is effective in July of each year; and,
3) non-union wages were forecast to increase 4.0% annually, for calendar year 2011 and 2012, over 2010 levels. Non-union wages are primarily effective in April of each year.

It would be improper to reflect estimated wage and salary increases for 2012 without also considering potential decreases that should occur as a result of efficiencies created by the merger of the former legacy utilities CIPS, CILCO and IP into the present AIC.

Regarding employee benefits, the Company provided a combined electric and gas Schedule C-11.3 revised to properly reflect expense vs. capital and electric vs. gas amounts in response to ICC Staff DR BAP-8.01 for the years 2009 and 2010. The Company provided a similar revised schedule for 2012 in response to ICC Staff DR BAP-10.01. The Company's response to ICC Staff DR BAP-8.01 reflects combined electric and gas employee benefits for 2009 at $86,996,538 and for 2010 at $80,122,547 (a decline of $6,873,991, or nearly eight percent from 2009). The combined electric and gas employee benefits for 2012 of $92,140,529, as reflected in the response to BAP-10.01, represents an overall increase of $5,143,991, or nearly 6 percent over 2009 and $12,017,982, or nearly 15 percent over 2010. Within the category of employee benefits, two of the most significant items are pension and OPEB expenses. The Company's 2012 cost projection for these items is based on Ameren Ex. 8.1, sponsored by Company witness Randall K. Lynn of Towers Watson. Page 1 of 2 of this exhibit contains footnote 2 that states the following:

> "Participant count is assumed to increase gradually from 2011 to 2015."

Again, this assumption appears to conflict with the results of the MIPO that assumes labor benefits (for both represented and non-represented employees) will be realized through six percent employee attrition and redeployment.

<u>Adjustment to Reduce Rate Base for Previously Disallowed Incentive Compensation</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.05, Adjustment to Reduce Rate Base for Previously Disallowed Incentive Compensation.

A. ICC Staff Exhibit 3.0, Schedule 3.05, reflects my adjustment to reduce rate base for the amount of incentive compensation that was disallowed in the previous rate case, Docket Nos. 09-0306 through 09-0311 (Cons.), based on the Company's response to ICC Staff DR DLH-22.02, Attach 1.

<u>Adjustment to Remove Merger Costs</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.06, Adjustment to Remove Merger Costs.

A. ICC Staff Exhibit 3.0, Schedule 3.06, Adjustment to Reduce Merger Costs removes costs of the MIPO from the test year revenue requirement. The merger of the former legacy utilities into the current AIC was subject to the provision of Subsections 16-111(g) and 16-111(l) of the Act. Subsections 16-111(g) and 16-111(l) provide that, even if the MIPO costs were reasonable and prudent, the costs would only be recoverable to the extent they produce a greater amount of savings.

Section 16-111(l) states in relevant part:

> No merger transaction costs, such as fees paid to attorneys, investment bankers, and other consultants, incurred in connection with a merger pursuant to this subsection (l) shall be recoverable in any subsequent rate proceeding. Approval of a merger pursuant to

> this subsection (l) shall not constitute approval of, or otherwise require, rate recovery of other costs incurred in connection with, or to implement the merger, such as the cost of structuring, combining, or integrating debt, assets, or systems. ***Such other costs may be recovered only to the extent that the surviving utility can demonstrate that the cost savings produced by such restructuring, combination, or integration, exceed the associated costs.*** (emphasis added)

Q. Has the Company shown that cost savings produced by such restructuring, combination, or integration, exceed the associated costs?

A. No. Based on the Company's own testimony, the costs exceed the savings. Company witness Stafford states:

> As discussed by Ameren witness Mr. Nelson, AIC has included in the test year approximately $4 million of O & M savings and $2.3 million of O & M costs related to the merger integration/process optimization study. In addition, AIC has included in test year rate base approximately $1.4 million of capital cost savings and $3.3 million of capital costs related to the merger integration/process optimization study. (AIC Ex. 2.0E, p. 43, lines 933 – 937)

Thus, it appears that test year savings do not exceed test year costs, since the combined O & M savings of $4 million plus the $1.4 million of capital cost savings equals $5.4 million total savings versus the combined costs of $2.3 million O & M plus $3.3 million capital costs which equals $5.6 million total costs.

Q. Did any other Company witnesses address merger costs and savings?

A. As noted by Mr. Stafford, Company witness Mr. Nelson cited the same amounts of test year costs and savings as detailed in Mr. Stafford's testimony cited above. (Ameren Ex. 1.0E, p. 19, lines 396 – 405) Additionally, Mr. Mazurek of the Accenture Management Consulting firm, addressed merger costs and savings over a multi-year period. Specifically, Mr. Mazurek asserted:

> Over the time period from 2011 – 2015, Merger Study initiatives will enable AIC to achieve approximately $36.7 million in gross O & M benefits and $25.0 million in gross capital benefits. These estimated values do not reflect tax or depreciation implications on the benefits (Ameren Ex. 12.0E, p. 7, lines 137 – 140).

With regard to costs, Mr. Mazurek noted:

> Over the time period from 2011 – 2015, the Merger Study initiatives will cost AIC approximately $15.5 million in O & M expenditures and $11.5 million in capital expenditures (Ameren Ex. 12.0E, p. 7, lines 142 – 144).

Although the combined savings of $36.7 million plus $25.0 million equals $61.7 million, an amount that exceeds the combined costs of $15.5 million plus $11.5 million, a total of $27.0 million, these projections occur over the time period 2011 – 2015, not within the test year. As noted above, the impact on the 2012 test year is that costs exceed savings. Because ratepayers are only impacted by the amounts that are reflected in the test year revenue requirement, those amounts should form the basis for the Commission's decision regarding the treatment of merger costs and savings.

Q. Do you have other concerns beside the fact that merger costs exceed merger savings in the 2012 test year revenue requirement?

A. Yes. The Company's response to ICC Staff DR BAP-13.03 Attach indicates that $3.889 million of the total $9.315 million of merger costs consists of internal labor. The Company seeks to amortize the entire $9.315 million over four years, resulting in $2.329 million of merger costs in O & M. However, internal labor costs should not be included in the total merger costs that the Company seeks to recover in this proceeding. Internal labor costs would already be included in the Company's labor and benefit costs, thus internal labor costs would not be incremental costs associated with the merger. To include these costs as part of the total merger costs would result in double counting. Accordingly, even if the Company were allowed to recover some portion of merger costs, the portion that consists of internal labor should be removed. The $3.889 million of internal labor costs amortized over four years would produce a test year reduction of $972,000 to the $2.329 million of requested merger costs in the 2012 test year.

Q. Did the Company reflect merger savings in the test year revenue requirement?

A. According to the Company's response to ICC Staff DR BAP-13.01, Attach 2, merger savings are reflected in the 2012 test year revenue requirement, in the amounts of $4.0 million for O & M and $1.4 million for

capital. However, as noted previously, merger savings do not exceed merger costs as reflected in the test year filing. For this reason, I propose to disallow all merger costs in Schedule 3.06.

<u>Adjustment to Remove Performance Share Unit Program ("PSUP") Awards</u>

Q. Please describe ICC Staff Exhibit 3.0, Schedule 3.07, Adjustment to Remove PSUP Awards.

A. ICC Staff Exhibit 3.0, Schedule 3.07, presents my adjustment to remove 100% of the cost of the Performance Share Unit Program ("PSUP") awards from the 2012 test year because the program aligns the interests of employees with shareholders and there is no demonstrated benefit for ratepayers.

Based on the Company's response to ICC Staff DR BAP-15.01, Attach 3, p. 3 of 8, 2008 PSUP Design Specifications, a performance share unit is the right to receive a share of Ameren stock assuming certain performance criteria are achieved. The background information provided in the Company's response to ICC Staff DR BAP-15.01, Attach 3, p. 2 of 8, indicates that the PSUP aligns with shareholder interests; is competitive with market practice; promotes stock ownership; allows an employee to share in all success created for shareholders; measures Ameren against external peers; and creates long-term focus with its three-year vesting and performance period and an additional two-year vested holdback period. The Company's response to ICC Staff DR BAP-15.01, Attach 3, pp. 3 - 4

of 8, indicates that the actual number of shares earned will vary based on Ameren's 2008-2010 total shareholder return (TSR). TSR is a function of the stock price and dividends.

As this description indicates, the PSUP basically rewards the employee for the Company's financial performance and aligns the interests of employees with shareholders. Arguably, Ameren shareholders benefit from AIC rate increases. Additionally, the Company has not demonstrated that this incentive program provides any direct benefit to AIC ratepayers, beyond the incentive to stay with Ameren that is created by the relatively longer vesting period.

Q. Please explain.

A. Because the Company has not demonstrated that this incentive program provides any direct benefit to AIC ratepayers, these costs should be removed from the 2012 test year revenue requirement. Additionally, the PSUP is based on financial targets like EPS ("earnings per share"). According to the PSUP program concept described in the Company's response to ICC Staff DR BAP-15.01, Attach 3, p. 3 of 8, 2008 PSUP Design Specifications:

> The actual number of share units earned will vary from 0% to 200% of target, based on Ameren's 2008-2010 total shareholder return ("TSR") relative to a utility peer group and on continued employment during 2008-2010.

> If Ameren's EPS covers its current dividend of $2.54 during each of 2008, 2009 and 2010, a minimum of 30% of a target award will be earned, regardless of TSR performance versus the peer group. If EPS falls below the dividend as measured at the beginning of the cycle but TSR performance is above the 30th percentile, the program will pay out according to the scale. If TSR is negative over 2008-2010, the plan is capped at 100% of target of relative performance.
>
> Once earned, share units continue to rise and fall in value with Ameren stock price during 2011 and 2012, at which point they are paid out in Ameren stock. Participants cannot vote share units or transfer them until they are paid out. Final payment of earned and vested share units is made even if the participant has left Ameren unless there has been a termination for Cause.

Financial incentives like net income and EPS goals create a circular incentive in which rate increases help achieve the financial goals of the incentive program, thereby driving costs higher while providing little or no benefit to ratepayers.

Q. Has the Commission established a standard for assessing recovery of incentive compensation costs?

A. Yes. In Docket Nos. 09-0306 through 09-0311 (Cons.), the Company's 2008 rate case, the Commission reiterated the standard as follows:

> With regard to Staff's proposal to disallow costs that it believes have not been shown to result in net benefits to ratepayers, it is true that the Commission requires a finding that incentive compensation programs are beneficial to ratepayers before they can be reflected in rates. Whether one labels the benefit as a "tangible benefit" or a "net benefit" is immaterial. The bottom line is that ratepayers must receive an overall benefit from an incentive compensation plan if they are to be expected to pay for (a portion of) it. If no net benefit is realized by ratepayers upon the attainment of the plan goal, there is no reason for ratepayers to contribute funds encouraging AIU's employees to reach that goal.

(Docket Nos. 09-0306/09-0311 (Cons.), Order, April 29, 2010, p. 83)

Costs associated with the PSUP are not necessary for the provision of utility service, nor did the Company demonstrate that they provide direct ratepayer benefits.

<u>Rider PBR – Pension Benefits Rider</u>

Q. What is your position on the Company's proposed Rider PBR – Pension Benefits Rider as reflected on Ameren Exhibit 13.7E attached to the direct testimony of Company witness Leonard M. Jones?

A. The Company's proposal constitutes single-issue ratemaking and should be rejected by the Commission. The proposed Rider PBR would allow AIC to recover a portion of its annual pension costs in base natural gas and electric distribution rates, and an incremental portion through a factor that is updated annually for the difference between the amount included in the most recent rate case and the expense in the Company's most recent fiscal year.

Q. Please explain why you believe the proposed Rider PBR constitutes single-issue ratemaking.

A. The Company proposes to recover a pre-determined level of pension expense through natural gas base rates and electric distribution rates with

an adjustment factor that would be re-set annually. The adjustment factor would be based on the difference between the pension expense that was included in the most recent rate case and the pension expense that was recorded on the books of the Company during the most recent fiscal year. The Company claims that this would allow recovery of the full amount of actual pension expense, no more and no less. (Ameren Ex. 1.0E, p. 23, lines 492 - 493)

Pension expense should remain in the test year operating expense so it will be considered in the aggregate with the other components of the revenue requirement for the purpose of setting rates. Pension expense should not be separated out from other test year expenses and recovered through a separate rate that changes in-between rate cases without considering changes in other components of the revenue requirement formula. Therefore, the Commission should continue to include pension expense in the Company's test year operating expense.

Q. AIC argues that its pension expense should be recovered through the PBR because much of the pension expense is beyond the Company's control. (Ameren Ex. 1.0E, p. 22, lines 464 - 466) What is your response to this argument?

A. I do not believe special treatment is warranted for AIC pension expense in light of its relationship to the other operating expenses. The question is not whether a particular expense is beyond the Company's control. Other

expenses, for example storm damage, are beyond the Company's control. The proper question is: how do unexpected fluctuations in expense impact the ratemaking process? The answer, according to traditional ratemaking practice, is that the Company is allowed an opportunity to earn a specified return on rate base and recovery of operating expenses. At such time as management of the Company believes it is not able to earn a sufficient return on rate base and recovery of operating expenses, the Company requests a rate increase. Pension expense is but one of many expenses the Company includes in its revenue requirement. As the Appellate Court found in its recent decision:

> The rule against single-issue ratemaking makes it improper to consider in isolation changes in particular portions of a utility's revenue requirement. BPI II, 146 Ill. 2d at 244, 166 Ill.Dec. 10, 585 N.E.2d 1032. The rule ensures that the utility's revenue requirement is based on the utility's aggregate costs and the demand on the utility, rather than on certain specific costs related to a component of its operation BPI II, 146 Ill. 2d at 244, 166 Ill.Dec. 10, 585 N.E.2d 1032. Often a change in one item of the revenue requirement formula is offset by corresponding change in another component of the formula.
>
> Commonwealth Edison Co. v. Illinois Commerce Comm'n, 405 Ill.App.3d. 389, 410, 937 N.E.2d 685, 707 (2d Dist. 2010)

Q. AIC witness Mr. Craig Nelson argues that the Commission in AIC's last rate case observed pension expense is "an inherently unusual expense" subject to potential significant variations" "at best difficult to predict and generally beyond AIU's control." Therefore, he reasons, it is appropriate to allow for an annual adjustment so that the utility does not under-recover or over-recover its current level of

expense (Ameren Ex. 1.0E, p. 23, lines 499 – 502). What is your response?

A. AIC did not explicitly state, but implies through its request for Rider PBR, that pension expense on its own would require more frequent rate cases when rates would otherwise be just and reasonable. Generally, a utility files a rate case when earnings are insufficient to provide recovery of operating expenses and an adequate return on the utility's investment in rate base. The decision to file a rate case and the new rates that result from that rate case is based on the utility's overall cost to provide utility service. For a single expense item to warrant a rate case when the utility is otherwise recovering all of its other costs, that expense item would have to increase substantially above the other aggregate costs. If a rate case is required, it would be due to the increase in AIC's total costs, not just an increase in pension expense considered in isolation. This contention is supported by the table on page 5 of Mr. Nelson's direct testimony, entitled: Rate Relief Drivers (2012 test year vs. 2008 test year). Of the seven drivers Mr. Nelson identifies, pension/benefits is the least significant, with a $4 million *decrease* out of the $111 million total increase requested. (Ameren Ex. 1.0E, page 5, lines 93 – 95)

Further, AIC's rate case history is inconsistent with AIC's implied argument that pension expense would require more frequent rate cases. Since the beginning of 2006, the legacy utilities have filed the following rate cases:

Docket Nos. 06-0070 – 06-0072	Filed January 25, 2006
Docket Nos. 07-0585 – 07-0590	Filed December 5, 2007
Docket Nos. 09-0306 – 09-0311	Filed July 8, 2009
Docket Nos. 11-0279/-0282	Filed March 23, 2011

The risk that pension cost recovery would be inadequate is mitigated by the frequency of rate cases filed by the Company, as demonstrated by the table above.

Moreover, the Company has not indicated that the frequency of future rate cases will be any less if the proposed pension rider is approved. Accordingly, this proposal appears to be unnecessary, and a clear example of single-issue ratemaking.

Q. Did you base your recommendation that the Commission reject the proposed Rider PBR on any other evidence?

A. Yes, I also evaluated the Appellate Court decision (Commonwealth Edison Co. v. Illinois Commerce Comm'n, 405 Ill.App.3d. 389, 937 N.E.2d 685) in response to ICC Docket No. 07-0566 that addressed Commonwealth Edison Company's proposed Rider SMP: System Modernization Project.

Q. Please explain.

A. The Appellate Court noted the following in response to the appeal of ICC Docket No. 07-0566:

> Because a rider is a method of single-issue ratemaking, by nature, it is not allowed absent a showing of exceptional circumstances. Finkl, 250 Ill. App. 3d at 326, 189 Ill.Dec. 824, 620 N.E.2d 1141. The risk of single-issue ratemaking requires that all riders be closely scrutinized to prevent understatement or overstatement of the overall revenue requirement. City of Chicago II, 281 Ill. App. 3d at 627, 217 Ill.Dec. 274, 666 N.E.2d 1212. Commonwealth Edison v. Illinois Commerce Commission, 405 Ill.App.3d at 411, 937 N.E.2d at 708.

The Appellate Court further noted:

> "a guiding principle for testing a rider's validity: the Commission has discretion to approve a utility's proposed rider mechanism to recover a particular cost if (1) the cost is imposed upon the utility by an external circumstance over which the utility has no control and (2) the cost does not affect the utility's revenue requirement. In other words, a rider is appropriate only if the utility cannot influence the cost (Citizen's Utility Board, 166 Ill. 2d at 138, 209 Ill.Dec. 641, 651 N.E.2d 1089 ("a rider mechanism is effective and appropriate for cost recovery when a utility is faced with unexpected, volatile, or fluctuating expenses")) and the expense is a pass-through item that does not change other expenses or increase income (Citizen's Utility Board, 166 Ill. 2d at 138, 209 Ill.Dec. 641, 651 N.E.2d 1089 (a valid rider has no "direct impact on the utility's rate of return")). *Id*. at 414, 937 N.E.2d at 710,

Based on this guidance, the proposed Rider PBR fails the second test because pension expense clearly affects the revenue requirement.

Q. If the Commission were to approve AIC's proposed Pension Benefits ("PBR") Rider, do you have any recommendations for the PBR Rider?

A. Yes. For the reasons explained previously, I recommend the Commission reject Rider PBR. However, if the Commission determines it is appropriate for AIC to recover the cost of its pension benefits through a rider, I recommend the Commission adopt my revisions, reflected in Attachment B. The changes are 1) to clarify that the Actual Pension Accounting Cost ("APA") shall be based on the applicable actuarial valuation report for that fiscal year; 2) to require the submission of the supporting actuarial valuation with the annual reconciliation; and, 3) to require the Company to remove the entire amount of pension costs from base rates, thereby recovering all pension costs through Rider PBR.

Q. Please explain the reasons for your changes.

A. The tariff language should state that the Company shall base the APA on the actuarially determined amount of pension expense for the applicable period since that is the basis for the actual pension cost. This clarification of the language should avoid the possibility of confusion later.

Requiring the applicable actuarial valuation report to be provided to the Commission and its Staff with the supporting actuarial valuation for the APA cost enables ICC review of the APA.

Requiring pension costs to be recovered in full through the proposed Rider PBR, segregates the pension costs from costs recovered from base rates and guarantees full recovery of pension costs – no more and no

less. Allowing recovery of pension costs through both base rates and through Rider PBR makes the determination of the pension costs to be recovered through the rider an imprecise process because there are various methods that can be used to determine the amount of pension costs recovered through base rates. The Company might like to use the amount included as pension expense in the revenue requirement as the amount that is recovered in base rates each year, but this method does not guarantee full recovery of the pension expense. If full recovery of pension costs cannot be guaranteed by the method of determining the amount of costs recovered through base rates, then there is no purpose to have a rider and pension costs should be recovered through base rates.

Q. Do you have any final comments concerning Rider PBR?

A. Yes. I would like to make clear that my recommended language in Attachment A is intended to be adopted <u>only if</u> the Commission rejects my primary recommendation to reject Rider PBR in its entirety. My primary recommendation is that Rider PBR <u>not</u> be approved by the Commission.

If the Commission rejects my recommendation to not approve Rider PBR and also rejects my recommendation that all pension costs should be recovered through Rider PBR and allows recovery of pension costs through base rates and through Rider PBR, the Commission also needs to determine the methodology to establish the amount of pension costs

included in base rates. I disagree with the Company's proposed method of determining the amount of pensions costs included in base rates to be the dollar amount included in the revenue requirement schedules supporting the final order in this proceeding as indicated in the Company's response to ICC Staff DR BAP 2.04. The Company's method will not guarantee that no more and no less than the actual pension costs are recovered from base rates because actual usage will vary from the usage used to determine rates in this proceeding. I propose that the amount of pension costs included in base rates be based upon an amount per kWh sold for electric rates and per therm sold for gas rates based upon the final billing determinants approved by the Commission and be established within the final order in this proceeding.

<u>Conclusion</u>

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

Ameren Illinois Company - Electric
Adjustment to Reflect OPEB Liability
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Total Amount	Source
(a)	(b)	(c)	(d)
	Rate Base Adjustment:	Dr/(Cr)	
1	OPEB liability per Staff	$ (11,645)	ICC Staff Exhibit 3.0 and line 10 below
2	OPEB liability per AIC electric	-	AIC Exhibit 2.0E, p. 42, lines 925 - 929.
3	Staff Adjustment to Reduce Rate Base - OPEB liability for AIC electric	$ (11,645)	Line 1 minus line 2
4	Accumulated Deferred Income Taxes Per Staff	$ 4,795	ICC Staff Exhibit 3.0 and line 13 below.
5	Accumulated Deferred Income Taxes Per Company	-	AIC Exhibit 2.0E, p. 42, lines 925 - 929.
6	Staff Adjustment to Reflect Associated Accumulated Deferred Income Taxes ("ADIT")	$ 4,795	Line 4 minus line 5
7	Combined Rate Base Reduction Per Staff - AIC electric OPEB liability, net of ADIT	$ (6,850)	Line 3 plus line 6
	Note 1. OPEB liability calculated as:		
8	Average 2012 OPEB liability for Ameren Illinois Electric	$ (12,455)	Response to AG-DJE 3.19, Attach, line 9, column (d)
9	Percentage allocated to electric distribution	93.50%	Ameren Ex. 2.4, Schedule 1, page 1, line 5, column (d)
10	Portion of OPEB liability to be allocated to AIC electric distribution	$ (11,645)	Line 8 multiplied by line 9
	Note 2. ADIT related to OPEB liability calculated as:		
11	Average OPEB liability balance for 2012	$ 11,645	Balance from line 10 above
12	Applicable tax rate	41.17%	Ameren Ex. 2.4, line 7 divided by line 6 = ADIT rate used
13	Staff calculated ADIT for AIC electric OPEB	$ 4,795	Line 11 multiplied by line 12
	Note 3. Apportionment of 2012 OPEB liability among legacy utlities:		
14	2010 OPEB liability for CIPS	$ 11,032	Ameren Ex. 2.4, pp. 1 - 3.
15	2010 OPEB liability for CILCO	63,976	Ameren Ex. 2.4, pp. 1 - 3.
16	2010 OPEB liability for IP	45,507	Ameren Ex. 2.4, pp. 1 - 3.
17	Total OPEB liability as of September 30, 2010	$ 120,515	Ameren Ex. 2.4, pp. 1 - 3.
	Note 4. Proportional 2012 OPEB liability of legacy utlities:		
18	Portion allocable to CIPS, based on relative balance at September 30, 2010	9.15%	Line 14 divided by line 17
19	Portion allocable to CILCO, based on relative balance at September 30, 2010	53.09%	Line 15 divided by line 17
20	Portion allocable to IP, based on relative balance at September 30, 2010	37.76%	Line 16 divided by line 17
21	Total	100.00%	Sum of lines 18 through 20.
	Note 5. Allocation of 2012 OPEB liability to legacy utlities:		
22	2012 OPEB liability for CIPS	$ (1,066)	Line 10 multiplied by line 18.
23	2012 OPEB liability for CILCO	(6,182)	Line 10 multiplied by line 19.
24	2012 OPEB liability for IP	(4,397)	Line 10 multiplied by line 20.
25	Total OPEB liability as of September 30, 2012	$ (11,645)	Sum of lines 22 through 24.
	Note 6. Allocation of 2012 OPEB ADIT to legacy utlities:		
26	2012 OPEB ADIT for CIPS	$ 439	Line 13 multiplied by line 18.
27	2012 OPEB ADIT for CILCO	2,545	Line 13 multiplied by line 19.
28	2012 OPEB ADIT for IP	1,811	Line 13 multiplied by line 20.
29	Total OPEB ADIT as of September 30, 2012	$ 4,795	Sum of lines 26 through 28.

Ameren Illinois Company - Gas
Adjustment to Reflect OPEB Liability
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Total Amount	Source
(a)	(b)	(c)	(d)
	Rate Base Adjustment:	Dr/(Cr)	
1	OPEB liability per Staff	$ (5,206)	ICC Staff Exhibit 3.0 and line 10 below
2	OPEB liability per AIC gas	-	AIC Exhibit 2.0G, p. 42, lines 925 - 929.
3	Staff Adjustment to Reduce Rate Base - OPEB liability for AIC gas	$ (5,206)	Line 1 minus line 2
4	Accumulated Deferred Income Taxes Per Staff	$ 2,144	ICC Staff Exhibit 3.0 and line 13 below
5	Accumulated Deferred Income Taxes Per Company	-	AIC Exhibit 2.0G, p. 42, lines 925 - 929.
6	Staff Adjustment to Reflect Associated Accumulated Deferred Income Taxes ("ADIT")	$ 2,144	Line 4 minus line 5
7	Combined Rate Base Reduction Per Staff - CIPS gas OPEB liability, net of ADIT	$ (3,062)	Line 3 plus line 6
	Note 1. OPEB liability calculated as:		
8	Average 2012 OPEB liability for Ameren Illinois Gas	$ (5,206)	Response to AG-DJE 3.19, Attach, line 9, column (d)
9	Percentage allocated to gas distribution	100.00%	Ameren Ex. 2.4, Schedule 1, page 1, line 5, column (d)
10	Portion of OPEB liability to be allocated to AIC gas operations	(5,206)	Line 8 multiplied by line 9
	Note 2. ADIT related to OPEB liability calculated as:		
11	Average OPEB liability balance for 2012	$ 5,206	Balance from line 10 above
12	Applicable tax rate	41.18%	Ameren Ex. 2.4, line 7 divided by line 6 = ADIT rate used
13	Staff calculated ADIT for AIC gas OPEB	$ 2,144	Line 11 multiplied by line 12
	Note 3. Apportionment of 2012 OPEB liability among legacy utlities:		
14	2010 OPEB liability for CIPS	$ 11,032	Ameren Ex. 2.4, pp. 1 - 3.
15	2010 OPEB liability for CILCO	63,976	Ameren Ex. 2.4, pp. 1 - 3.
16	2010 OPEB liability for IP	45,507	Ameren Ex. 2.4, pp. 1 - 3.
17	Total OPEB liability as of September 30,2010	$ 120,515	Ameren Ex. 2.4, pp. 1 - 3.
	Note 4. Proportional 2012 OPEB liability of legacy utlities:		
18	Portion allocable to CIPS, based on relative balance at September 30, 2010	9.15%	Line 14 divided by line 17
19	Portion allocable to CILCO, based on relative balance at September 30, 2010	53.09%	Line 15 divided by line 17
20	Portion allocable to IP, based on relative balance at September 30, 2010	37.76%	Line 16 divided by line 17
21	Total	100.00%	Sum of lines 18 through 20
	Note 5. Allocation of 2012 OPEB liability to legacy utlities:		
22	2012 OPEB liability for CIPS	$ (477)	Line 10 multiplied by line 18.
23	2012 OPEB liability for CILCO	(2,764)	Line 10 multiplied by line 19.
24	2012 OPEB liability for IP	(1,966)	Line 10 multiplied by line 20.
25	Total OPEB liability as of September 30, 2012	$ (5,206)	Sum of lines 22 through 24.
	Note 6. Allocation of 2012 OPEB ADIT to legacy utlities:		
26	2012 OPEB ADIT for CIPS	$ 196	Line 13 multiplied by line 18.
27	2012 OPEB ADIT for CILCO	1,138	Line 13 multiplied by line 19.
28	2012 OPEB ADIT for IP	809	Line 13 multiplied by line 20.
29	Total OPEB ADIT as of September 30, 2012	$ 2,144	Sum of lines 26 through 28.

Ameren Illinois Company - CIPS Electric
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 1,739	Note 1., line 6
2	Adjusted Uncollectibles Expense Per CIPS Electric	3,502	Schedule C-2.5 RZ-I (CIPS), line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (1,763)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 242,894	Schedule C-1, RZ-1 (CIPS), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	0.7160%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 1,739	Line 4 multiplied by line 5

Ameren Illinois Company - CILCO Electric
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 790	Note 1., line 6
2	Adjusted Uncollectibles Expense Per CILCO Electric	1,598	Schedule C-2.5 RZ-II (CILCO), line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (808)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 127,395	Schedule C-1, RZ-II (CILCO), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	0.6204%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 790	Line 4 multiplied by line 5

Ameren Illinois Company - IP Electric
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 3,534	Note 1., line 6
2	Adjusted Uncollectibles Expense Per IP Electric	4,176	Schedule C-2.5 RZ-III, line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (642)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 481,220	Schedule C-1, RZ-III (IP), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	0.7344%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 3,534	Line 4 multiplied by line 5

Ameren Illinois Company - CIPS Gas
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 801	Note 1., line 6
2	Adjusted Uncollectibles Expense Per CIPS Gas	853	Schedule C-2.7 RZ-I (CIPS), line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (52)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 70,527	Schedule C-1, RZ-1 (CIPS), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	1.1359%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 801	Line 4 multiplied by line 5

Ameren Illinois Company - CILCO Gas
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 778	Note 1., line 6
2	Adjusted Uncollectibles Expense Per CILCO Gas	1,379	Schedule C-2.7 RZ-II (CILCO), line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (601)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 68,252	Schedule C-1, RZ-II (CILCO), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	1.1406%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 778	Line 4 multiplied by line 5

Ameren Illinois Company - IP Gas
Adjustment To Reduce Uncollectibles Expense
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Adjusted Uncollectibles Expense Per Staff	$ 2,168	Note 1., line 6
2	Adjusted Uncollectibles Expense Per IP Gas	2,764	Schedule C-2.7 RZ-III, line 2
3	Staff Adjustment to Reduce Uncollectibles Expense	$ (596)	Line 1 minus line 2
Note 1.	Staff calculation of uncollectibles expense for 2012:		
4	Base Rate Revenues After Adjustments	$ 161,880	Schedule C-1, RZ-III (IP), line 1, col. (E)
5	Uncollectibles percentage based on 6-year average of net write-offs	1.3394%	ICC Staff Ex. 3.0, Att. A
6	Uncollectibles expense for 2012 per Staff	$ 2,168	Line 4 multiplied by line 5

Ameren Illinois Company - Electric
Adjustment To Reduce Salaries and Wages
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Projected 2012 Electric Distribution Payroll Charged to Expense per Staff	$ 155,925	ICC Staff Exhibit 3.0 and Line 2 minus line 9
2	Projected 2012 Electric Distribution Payroll Charged to Expense per Company	165,878	Schedule C-11.1, line 17, column (E).
3	Total Staff Adjustment to Reduce 2012 Salaries and Wages Expense - Electric	$ (9,953)	Line 1 minus line 2 (See allocation in Note 5.)
	Rate Base Adjustment:		
4	Projected 2012 Electric Distribution Payroll Charged to Construction and Other Per Staff	$ 66,833	ICC Staff Exhibit 3.0 and Line 5 minus line 12
5	Projected 2012 Electric Distribution Payroll Charged to Construction and Other Per Company	71,099	Schedule C-11.1, line 19, column (E).
6	Total Staff Adjustment to Reduce 2012 Salaries and Wages Capitalized - Electric	$ (4,266)	Line 4 minus line 5 (See allocation in Note 6.)
	Note 1. Calculation of Projected 2012 Salaries and Wages Expense per Staff:		
7	Electric Distribution Payroll Charged to Expense - 2012 forecast	$ 165,878	Schedule C-11.1, line 17, col. (E)
8	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
9	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 9,953	Line 7 multiplied by line 8
	Note 2. Calculation of Projected 2012 Salaries and Wages Capitalized per Staff:		
10	Electric Distribution Payroll Charged to Construction and Other - 2012 forecast	71,099	Schedule C-11.1, line 18, col. (E)
11	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
12	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 4,266	Line 10 multiplied by line 11
	Note 3. 2009 Direct Payroll of Legacy Utilities - Electric:		
13	CIPS	$ 73,726	WPC-11.1 RZ, p. 1 of 2, col. (C), line 19
14	CILCO	39,591	WPC-11.1 RZ, p. 1 of 2, col. (B), line 19
15	IP	94,473	WPC-11.1 RZ, p. 1 of 2, col. (D), line 19
16	Total	$ 207,790	WPC-11.1 RZ, p. 1 of 2, col. (E), line 19
	Note 4. 2009 Proportional Direct Payroll of Legacy Utilities - Electric:		
17	CIPS	35.48%	Line 13 divided by line 16.
18	CILCO	19.05%	Line 14 divided by line 16.
19	IP	45.47%	Line 15 divided by line 16.
20	Total	100.00%	Sum of lines 17 through 19
	Note 5. Allocation of Expense Adjustment to Direct Payroll of Legacy Utilities - Electric:		
21	CIPS	$ (3,531)	Line 3 multiplied by line 17.
22	CILCO	(1,896)	Line 3 multiplied by line 18.
23	IP	(4,525)	Line 3 multiplied by line 19.
24	Total Staff Reduction to Direct Payroll Expense of Legacy Utilities - Electric	$ (9,953)	Sum of lines 21 through 23.
	Note 6. Allocation of Rate Base Adjustment to Direct Payroll of Legacy Utilities - Electric:		
25	CIPS	$ (1,514)	Line 6 multiplied by line 17.
26	CILCO	(813)	Line 6 multiplied by line 18.
27	IP	(1,940)	Line 6 multiplied by line 19.
28	Total Staff Reduction to Capitalized Direct Payroll of Legacy Utilities - Electric	$ (4,266)	Sum of lines 25 through 27.

Ameren Illinois Company - Gas
Adjustment To Reduce Salaries and Wages
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Projected 2012 Natural Gas Payroll Charged to Expense per Staff	$ 65,182	ICC Staff Exhibit 3.0 and Line 2 minus line 9
2	Projected 2012 Natural Gas Payroll Charged to Expense per Company	69,343	Schedule C-11.1, line 15, column (E).
3	Total Staff Adjustment to Reduce 2012 Salaries and Wages Expense - Gas	$ (4,161)	Line 1 minus line 2 (See allocation in Note 5.)
	Rate Base Adjustment:		
4	Projected 2012 Natural Gas Payroll Charged to Construction and Other Per Staff	$ 28,670	ICC Staff Exhibit 3.0 and Line 5 minus line 12
5	Projected 2012 Natural Gas Payroll Charged to Construction and Other Per Company	30,500	Schedule C-11.1, line 16, column (E).
6	Total Staff Adjustment to Reduce 2012 Salaries and Wages Capitalized - Gas	$ (1,830)	Line 4 minus line 5 (See allocation in Note 6.)
	Note 1. Calculation of Projected 2012 Salaries and Wages Expense per Staff:		
7	Natural Gas Payroll Charged to Expense - 2012 forecast	$ 69,343	Schedule C-11.1, line 15, col. (E)
8	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
9	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 4,161	Line 7 multiplied by line 8
	Note 2. Calculation of Projected 2012 Salaries and Wages Capitalized per Staff:		
10	Natural Gas Payroll Charged to Construction and Other - 2012 forecast	30,500	Schedule C-11.1, line 16, col. (E)
11	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
12	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 1,830	Line 10 multiplied by line 11
	Note 3. 2009 Natural Gas Direct Payroll of Legacy Utilities:		
13	CIPS	$ 21,886	WPC-11.1 RZ, p. 1 of 2, col. (C), line 17
14	CILCO	21,210	WPC-11.1 RZ, p. 1 of 2, col. (B), line 17
15	IP	45,190	WPC-11.1 RZ, p. 1 of 2, col. (D), line 17
16	Total	$ 88,286	WPC-11.1 RZ, p. 1 of 2, col. (E), line 17
	Note 4. 2009 Proportional Natural Gas Direct Payroll of Legacy Utilities:		
17	CIPS	24.79%	Line 13 divided by line 16.
18	CILCO	24.02%	Line 14 divided by line 16.
19	IP	51.19%	Line 15 divided by line 16.
20	Total	100.00%	Sum of lines 17 through 19
	Note 5. Allocation of Expense Adjustment to Direct Payroll of Legacy Utilities - Gas:		
21	CIPS	$ (1,031)	Line 3 multiplied by line 17.
22	CILCO	(1,000)	Line 3 multiplied by line 18.
23	IP	(2,130)	Line 3 multiplied by line 19.
24	Total Staff Reduction to Direct Payroll Expense of Legacy Utilities - Gas	$ (4,161)	Sum of lines 21 through 23.
	Note 6. Allocation of Rate Base Adjustment to Direct Payroll of Legacy Utilities - Gas:		
25	CIPS	$ (454)	Line 6 multiplied by line 17.
26	CILCO	(440)	Line 6 multiplied by line 18.
27	IP	(937)	Line 6 multiplied by line 19.
28	Total Staff Reduction to Capitalized Direct Payroll of Legacy Utilities - Gas	$ (1,830)	Sum of lines 25 through 27.

Ameren Illinois Company - AIC Electric
Adjustment To Reduce Employee Benefits
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Projected 2012 Electric Distribution Benefits Charged to Expense per Staff	$ 39,161	ICC Staff Exhibit 3.0 and Line 2 minus line 11
2	Projected 2012 Electric Benefits Charged to Expense per Company	41,661	Line 9
3	Total Staff Adjustment to Reduce 2012 Employee Benefits Expense - Electric	$ (2,500)	Line 1 minus line 2 (See allocation in Note 5.)
	Rate Base Adjustment:		
4	Projected 2012 Electric Distribution Benefits Charged to Construction and Other Per Staff	$ 22,819	ICC Staff Exhibit 3.0 and Line 5 minus line 16
5	Projected 2012 Electric Distribution Benefits Charged to Construction and Other Per Company	24,275	Line 14
6	Total Staff Adjustment to Reduce 2012 Employee Benefits Capitalized - Electric	$ (1,457)	Line 4 minus line 5 (See allocation in Note 6.)
	Note 1. Calculation of Projected 2012 Salaries and Wages Expense per Staff:		
7	Electric Employee Benefits Charged to Expense - 2012 forecast	$ 44,557	Attach. to ICC Staff DR Response BAP 10.01, line 16, col. (H)
8	Percentage allocated to electric distribution	93.5000%	
9	Electric Distribution - Employee Benefits Charged to Expense - 2012 forecast	$ 41,661	Line 7 multiplied by line 8
10	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
11	Estimated Benefits savings using Management Integration and Process Optimization ("MIPO")	$ 2,500	Line 9 multiplied by line 10
	Note 2. Calculation of Projected 2012 Salaries and Wages Capitalized per Staff:		
12	Electric Employee Benefits Charged to Construction and Other - 2012 forecast	$ 25,963	Attach. to ICC Staff DR Response BAP 10.01, line 16, col. (I)
13	Percentage allocated to electric distribution	93.5000%	
14	Electric Distribution - Employee Benefits Capitalized - 2012 forecast	$ 24,275	Line 12 multiplied by line 13
15	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
16	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 1,457	Line 14 multiplied by line 15
	Note 3. 2009 Direct Payroll of Legacy Utilities - Electric:		
17	CIPS	$ 73,726	WPC-11.1 RZ, p. 1 of 2, col. (C), line 19
18	CILCO	39,591	WPC-11.1 RZ, p. 1 of 2, col. (B), line 19
19	IP	94,473	WPC-11.1 RZ, p. 1 of 2, col. (D), line 19
20	Total	$ 207,790	WPC-11.1 RZ, p. 1 of 2, col. (E), line 19
	Note 4. 2009 Proportional Direct Payroll of Legacy Utilities - Electric:		
21	CIPS	35.48%	Line 17 divided by line 20.
22	CILCO	19.05%	Line 18 divided by line 20.
23	IP	45.47%	Line 19 divided by line 20.
24	Total	100.00%	Sum of lines 21 through 23
	Note 5. Allocation of Expense Adjustment to Employee Benefits of Legacy Utilities - Electric:		
25	CIPS	$ (887)	Line 3 multiplied by line 21.
26	CILCO	(476)	Line 3 multiplied by line 22.
27	IP	(1,136)	Line 3 multiplied by line 23.
28	Total Staff Reduction to Employee Benefits Expense of Legacy Utilities - Electric	$ (2,500)	Sum of lines 25 through 27.
	Note 6. Allocation of Rate Base Adjustment to Employee Benefits of Legacy Utilities - Electric:		
29	CIPS	$ (517)	Line 6 multiplied by line 21.
30	CILCO	(278)	Line 6 multiplied by line 22.
31	IP	(662)	Line 6 multiplied by line 23.
32	Total Staff Reduction to Capitalized Employee Benefits of Legacy Utilities - Electric	$ (1,457)	Sum of lines 29 through 31.

Ameren Illinois Company - AIC Gas
Adjustment To Reduce Employee Benefits
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Operating Statement Adjustment:		
1	Projected 2012 Natural Gas Benefits Charged to Expense per Staff	$ 16,102	ICC Staff Exhibit 3.0 and Line 2 minus line 9
2	Projected 2012 Natural Gas Benefits Charged to Expense per Company	17,130	Line 7
3	Total Staff Adjustment to Reduce 2012 Employee Benefits Expense - Gas	$ (1,028)	Line 1 minus line 2 (See allocation in Note 5.)
	Rate Base Adjustment:		
4	Projected 2012 Natural Gas Benefits Charged to Construction and Other Per Staff	$ 4,222	ICC Staff Exhibit 3.0 and Line 5 minus line 12
5	Projected 2012 Natural Gas Benefits Charged to Construction and Other Per Company	4,491	Line 10
6	Total Staff Adjustment to Reduce 2012 Employee Benefits Capitalized - Gas	$ (269)	Line 4 minus line 5 (See allocation in Note 6.)
	Note 1. Calculation of Projected 2012 Employee Benefits Expense per Staff:		
7	Natural Gas Benefits Charged to Expense - 2012 forecast	$ 17,130	Attach. to ICC Staff DR Response BAP 10.01, line 16, col. (E)
8	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
9	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 1,028	Line 7 multiplied by line 8
	Note 2. Calculation of Projected 2012 Salaries and Wages Capitalized per Staff:		
10	Natural Gas Benefits Charged to Construction and Other - 2012 forecast	4,491	Attach. to ICC Staff DR Response BAP 10.01, line 16, col. (F)
11	Assumed labor benefits (for both represented and non-represented employees)	6.00%	Ameren Exhibit 12.1, page 4 of 18.
12	Estimated labor savings using Management Integration and Process Optimization ("MIPO")	$ 269	Line 10 multiplied by line 11
	Note 3. 2009 Natural Gas Direct Payroll of Legacy Utilities:		
13	CIPS	$ 21,886	WPC-11.1 RZ, p. 1 of 2, col. (C), line 17
14	CILCO	21,210	WPC-11.1 RZ, p. 1 of 2, col. (B), line 17
15	IP	45,190	WPC-11.1 RZ, p. 1 of 2, col. (D), line 17
16	Total	$ 88,286	WPC-11.1 RZ, p. 1 of 2, col. (E), line 17
	Note 4. 2009 Proportional Natural Gas Direct Payroll of Legacy Utilities:		
17	CIPS	24.79%	Line 13 divided by line 16.
18	CILCO	24.02%	Line 14 divided by line 16.
19	IP	51.19%	Line 15 divided by line 16.
20	Total	100.00%	Sum of lines 17 through 19
	Note 5. Allocation of Expense Adjustment to Benefits of Legacy Utilities - Gas:		
21	CIPS	$ (255)	Line 3 multiplied by line 17.
22	CILCO	(247)	Line 3 multiplied by line 18.
23	IP	(526)	Line 3 multiplied by line 19.
24	Total Staff Reduction to Employee Benefits Expense of Legacy Utilities - Gas	$ (1,028)	Sum of lines 21 through 23.
	Note 6. Allocation of Rate Base Adjustment to Benefits of Legacy Utilities - Gas:		
25	CIPS	$ (67)	Line 6 multiplied by line 17.
26	CILCO	(65)	Line 6 multiplied by line 18.
27	IP	(138)	Line 6 multiplied by line 19.
28	Total Staff Reduction to Capitalized Employee Benefits of Legacy Utilities - Gas	$ (269)	Sum of lines 25 through 27.

Ameren Illinois Company
Adjustment to Reduce Rate Base For Previously Disallowed Incentive Compensation
For the Test Year Ending December 31, 2012
(In Thousands)

Docket Nos. 11-0279/-0282 (Cons.)
ICC Staff Exhibit 3.0
Schedule 3.05

Line No.	Description	RZ I CIPS Electric	RZ II CILCO Electric	RZ III IP Electric	RZ I CIPS Gas	RZ II CILCO Gas	RZ III IP Gas	Source
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Capitalized Costs Disallowed in Docket Nos. 09-0306 - 09-0311 (Cons.):							
1	Plant in Service	$ (655)	$ (474)	$ (845)	$ (312)	$ (375)	$ (609)	See Note 1.

Notes:

1. Source: AIC response to ICC Staff Data Request DLH 22.02, Attach 1.

Ameren Illinois Company - Electric
Adjustment To Remove Merger Costs
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	CIPS	CILCO	IP	Total	Source
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Operating Statement Adjustment:					
1	Projected 2012 Electric Distribution Merger O & M Costs per Staff	$ -	$ -	$ -	$ -	ICC Staff Exhibit 3.0
2	Projected 2012 Electric Distribution Merger O & M Costs per Company	498	314	813	1,625	WPC-4d RZ, p. 2 of 2, line 37, and line 11 rounded to 000's.
3	Total Staff Adjustment to Reduce 2012 Electric Distribution Merger O & M Costs	$ (498)	$ (314)	$ (813)	$ (1,625)	Line 1 minus line 2
	Rate Base Adjustment:					
4	Merger costs included in electric plant per Staff	$ -	$ -	$ -	$ -	ICC Staff Exhibit 3.0
5	Merger costs included in electric plant per AIC	449	247	716	1,413	Line 14 multiplied by respective allocation factor in Note 3.
6	Total Staff Adjustment to Reduce 2012 Electric Distribution Merger Capitalized Costs	$ (449)	$ (247)	$ (716)	$ (1,413)	Line 4 minus line 5
	Note 1. Projected 2012 O & M Merger Costs per Company (whole dollars):					
7	MIPO costs included in the forecast per AIC				$ 9,315,286	AIC Exhibit 2.0E, p. 43, line 942
8	Period of amortization for MIPO costs (in years)				4	AIC Exhibit 2.0E, page 43, lines 947 - 948.
9	Staff reduction of annual MIPO costs for 2012 test year				$ 2,328,822	Line 7 divided by line 8
10	Electric allocation percentage per AIC				69.79%	WPC-4d RZ, p. 2, line 37
11	Merger O & M costs allocated to electric service (whole dollars)				$ 1,625,285	Line 9 multiplied by line 10
	Note 2. Capitalized 2012 Merger Costs per Company - Electric:					
12	2011 capitalized merger costs included in the test year per AIC				$ 560	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
13	2012 capitalized merger costs included in the test year per AIC				853	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
14	2011 and 2012 capitalized merger costs included in the test year per AIC				$ 1,413	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
	Note 3. 9/30/10 Electric Plant Rate Zone allocation factors:					
15	CIPS				31.79%	ICC Staff Data Request BAP-14.02 Attach, p. 3 of 4, line 14, col (H).
16	CILCO				17.51%	ICC Staff Data Request BAP-14.02 Attach, p. 3 of 4, line 14, col (G).
17	IP				50.70%	ICC Staff Data Request BAP-14.02 Attach, p. 3 of 4, line 14, col (I).
18	Total				100.00%	ICC Staff Data Request BAP-14.02 Attach, p. 3 of 4, line 14, col (J).

Ameren Illinois Company - Gas
Adjustment To Remove Merger Costs
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	CIPS	CILCO	IP	Total	Source
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Operating Statement Adjustment:					
1	Projected 2012 Natural Gas Merger O & M Costs per Staff	$ -	$ -	$ -	$ -	ICC Staff Exhibit 3.0
2	Projected 2012 Natural Gas Merger O & M Costs per Company	199	140	365	704	WPC-4d RZ, p. 4 of 4, line 37 and line 11, rounded to 000's
3	Total Staff Adjustment to Reduce 2012 Natural Gas Merger O & M Costs	$ (199)	$ (140)	$ (365)	$ (704)	Line 1 minus line 2
	Rate Base Adjustment:					
4	Merger costs included in natural gas plant per Staff	$ -	$ -	$ -	$ -	ICC Staff Exhibit 3.0
5	Merger costs included in natural gas plant per AIC	100	137	253	489	Line 14 multiplied by respective allocation factor in Note 3.
6	Total Staff Adjustment to Reduce 2012 Natural Gas Merger Capitalized Costs	$ (100)	$ (137)	$ (253)	$ (489)	Line 4 minus line 5
	Note 1. Projected 2012 O & M Merger Costs per Company (whole dollars):					
7	MIPO costs included in the forecast per AIC				$ 9,315,286	AIC Exhibit 2.0E, p. 43, line 942
8	Period of amortization for MIPO costs (in years)				4	AIC Exhibit 2.0E, page 43, lines 947 - 948.
9	Staff reduction of annual MIPO costs for 2012 test year				$ 2,328,822	Line 7 divided by line 8
10	Gas allocation percentage per AIC				30.21%	WPC-4d RZ, p. 2, line 37
11	Merger O & M costs allocated to natural gas service (whole dollars)				$ 703,537	Line 9 multiplied by line 10
	Note 2. Capitalized 2012 Merger Costs per Company - Natural Gas:					
12	2011 capitalized merger costs included in the test year per AIC				$ 180	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
13	2012 capitalized merger costs included in the test year per AIC				309	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
14	2011 and 2012 capitalized merger costs included in the test year per AIC				$ 489	ICC Staff Data Request BAP-9.05 Attach, lines 7 and 14.
	Note 3. 9/30/10 Natural Gas Plant Rate Zone allocation factors:					
15	CIPS				20.35%	ICC Staff Data Request BAP-14.02 Attach, p. 4 of 4, line 14, col (H).
16	CILCO				28.00%	ICC Staff Data Request BAP-14.02 Attach, p. 4 of 4, line 14, col (G).
17	IP				51.65%	ICC Staff Data Request BAP-14.02 Attach, p. 4 of 4, line 14, col (I).
18	Total				100.00%	ICC Staff Data Request BAP-14.02 Attach, p. 4 of 4, line 14, col (J).

Ameren Illinois Company
Adjustment To Remove Performance Share Unit Program ("PSUP") Awards from Perquisites and Awards
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(a)	(b)	(c)	(d)
	Staff Adjustment to Reduce Operating Expense (A/C 920 - Admin, & Gen'l Salaries):	Dr/(Cr)	
1	Rate Zone I - Electric (CIPS)	(323)	Response to BAP-14.01, Attach, p. 1, line 30
2	Rate Zone II - Electric (CILCO)	(546)	Response to BAP-14.01, Attach, p. 1, line 30
3	Rate Zone III - Electric (IP)	(867)	Response to BAP-14.01, Attach, p. 1, line 30
4	Rate Zone I - Gas (CIPS)	(152)	Response to BAP-14.01, Attach, p. 2, line 39
5	Rate Zone II - Gas (CILCO)	(474)	Response to BAP-14.01, Attach, p. 2, line 39
6	Rate Zone III - Gas (IP)	(414)	Response to BAP-14.01, Attach, p. 2, line 39
7	Total Staff Adjustment to Reduce Operating Expense	$ (2,776)	Sum of lines 1 through 6
	Staff Adjustment to Reduce Rate Base (Plant in Service):		
8	Rate Zone I - Electric (CIPS)	$ (406)	Response to BAP-14.01, Attach, p. 1, line 30
9	Rate Zone II - Electric (CILCO)	(248)	Response to BAP-14.01, Attach, p. 1, line 30
10	Rate Zone III - Electric (IP)	(704)	Response to BAP-14.01, Attach, p. 1, line 30
11	Rate Zone I - Gas (CIPS)	(84)	Response to BAP-14.01, Attach, p. 2, line 39
12	Rate Zone II - Gas (CILCO)	(116)	Response to BAP-14.01, Attach, p. 2, line 39
13	Rate Zone III - Gas (IP)	(214)	Response to BAP-14.01, Attach, p. 2, line 39
14	Total Staff Adjustment to Reduce Rate Base	$ (1,772)	Sum of lines 8 through 13

AIC Rate Case
Staff Calculation of Uncollectibles Percentage Using Net Write-off Method
2012 ((in $000s)

Docket Nos. 11-0279/-0282 (Cons.)
ICC Staff Exhibit 3.0, Att. A

Line	Net Write-offs*	Forecast 2012	Forecast 2011	9 Act /3 Fore 2010	Actual Results 2009	Actual Results 2008	Actual Results 2007	Actual Results 2006	Actual Results 2005	Average 2005 - 2010
1	CIPS - Electric	7,501	6,994	4,779	5,266	8,229	5,544	2,539	4,562	5,153
2	CILCO - Electric	3,512	3,275	1,306	2,466	3,377	2,953	1,386	2,158	2,274
3	IP - Electric	12,514	11,668	7,730	8,786	12,994	9,568	6,099	2,557	7,956
4	Total AIC Electric	$ 23,527	$ 21,937	$ 13,815	$ 16,518	$ 24,600	$ 18,065	$ 10,024	$ 9,277	15,383
5	CIPS - Gas	2,555	2,382	1,730	2,508	3,772	1,749	2,872	2,972	2,601
6	CILCO - Gas	3,748	3,494	2,098	3,661	5,008	2,897	4,643	3,634	3,657
7	IP - Gas	8,058	7,512	5,568	8,184	11,462	5,548	7,805	4,546	7,186
8	Total AIC Gas	$ 14,361	$ 13,388	$ 9,396	$ 14,353	$ 20,242	$ 10,194	$ 15,320	$ 11,152	13,443

Line	Revenues*	Forecast 2012	Forecast 2011	9 Act /3 Fore 2010	Actual Results 2009	Actual Results 2008	Actual Results 2007	Actual Results 2006	Actual Results 2005	Average 2005 - 2010
9	CIPS - Electric	692,424	670,916	677,646	644,662	722,990	775,584	733,952	763,235	719,678
10	CILCO - Electric	346,064	335,314	344,631	322,193	417,034	387,202	365,947	362,701	366,618
11	IP - Electric	1,077,602	1,044,129	1,049,637	1,003,272	1,076,175	1,106,634	1,150,980	1,112,782	1,083,247
12	Total AIC Electric	$ 2,116,090	$ 2,050,359	$ 2,071,914	$ 1,970,127	$ 2,216,199	$ 2,269,420	$ 2,250,879	$ 2,238,718	2,169,543
13	CIPS - Gas	205,078	199,979	209,678	224,334	259,093	229,682	219,617	231,267	228,945
14	CILCO - Gas	252,874	246,586	250,147	276,618	376,391	331,025	333,512	356,027	320,620
15	IP - Gas	458,322	446,925	478,221	501,357	615,433	540,155	543,073	540,545	536,464
16	Total AIC Gas	$ 916,274	$ 893,490	$ 938,046	$ 1,002,309	$ 1,250,917	$ 1,100,862	$ 1,096,202	$ 1,127,839	1,086,029

Line	Net Write-offs As A % of Revenues*	Forecast 2012	Forecast 2011	9 Act /3 Fore 2010	Actual Results 2009	Actual Results 2008	Actual Results 2007	Actual Results 2006	Actual Results 2005	6 Year Average 2005 - 2010	Used In 2012 Rate Case: Sch C-1 Juris'l Revenue	Sch. C-2.5 Adj. Uncoll Exp	2012 Adj. Uncoll/Rev.	2012 Uncoll %/ 6 Year Avg %
9	CIPS - Electric	1.0833%	1.0425%	0.7052%	0.8169%	1.1382%	0.7148%	0.3459%	0.5977%	0.7160%	242894	3502	1.4418%	201.3555%
10	CILCO - Electric	1.0148%	0.9767%	0.3790%	0.7654%	0.8098%	0.7627%	0.3787%	0.5950%	0.6204%	127395	1598	1.2544%	202.2014%
11	IP - Electric	1.1613%	1.1175%	0.7364%	0.8757%	1.2074%	0.8646%	0.5299%	0.2298%	0.7344%	481220	4176	0.8678%	118.1592%
12	Total AIC Electric	1.1118%	1.0699%	0.6668%	0.8384%	1.1100%	0.7960%	0.4453%	0.4144%	0.7091%	851,509	9,276	1.0894%	153.6363%
13	CIPS - Gas	1.2459%	1.1911%	0.8251%	1.1180%	1.4558%	0.7615%	1.3077%	1.2851%	1.1359%	70527	853	1.2095%	106.4800%
14	CILCO - Gas	1.4822%	1.4169%	0.8387%	1.3235%	1.3305%	0.8752%	1.3922%	1.0207%	1.1406%	68252	1379	2.0205%	177.1472%
15	IP - Gas	1.7582%	1.6808%	1.1643%	1.6324%	1.8624%	1.0271%	1.4372%	0.8410%	1.3394%	161880	2764	1.7074%	127.4760%
16	Total AIC Gas	1.5673%	1.4984%	1.0017%	1.4320%	1.6182%	0.9260%	1.3976%	0.9888%	1.2378%	300,659	4,996	1.6617%	134.2452%

* Information taken from Schedule C-16 of Part 285 filing.

RIDER PBR – PENSION BENEFITS RIDER

APPLICABILITY

The Pension Benefits Rider ("Rider PBR") is applicable to Customers of Ameren Illinois Company d/b/a Ameren Illinois ("Ameren Illinois" or "the Company") receiving electric service under Rates DS-1, DS-2, DS-3, DS-4 and DS-5.

PURPOSE

The purpose of this Rider is to recover the annual accrued expense incurred by or for the Company, as recorded on the Company's books, associated with the provision of pension retirement benefits. Since the Company's annual accrued pension expense may differ from amounts previously allowed by Commission ~~and reflected in the Company's base rates,~~ this Rider will ~~track such changes from base rates and collect or credit the difference as an adjustment~~ remove pension cost from base rates entirely and set the actual pension cost to be recovered on an annual basis. As described below, the Company will calculate an adjustment factor to be applied to the expected kWh to be delivered for ~~specified base rate delivery service charges.~~ recovery through Rider PBR.

DEFINITIONS

Fiscal Year
Fiscal Year shall mean calendar year 2012, and each subsequent calendar year thereafter.

Effective Year
Effective Year shall mean the 12 month period during which a new Rider PBR adjustment factor shall apply. The first Effective Year shall be from April 2013 through March 2014, and each subsequent April through March period thereafter.

PBR ADJUSTMENT FACTOR CALCULATION

The first PBR adjustment factor shall be applied to bills issued for the April 2013 Billing Period. The Rider PBR adjustment factor for the Effective Year shall be applied as an adjustment to the ~~base rate~~ expected amounts of kWh delivered for each applicable delivery service Rate. The PBR adjustment factor shall be calculated at least once annually as set forth below:

$$PBR = \cancel{1 +} ((APA \cancel{- BRE} + ARA + ORA) / E\underline{kWh}\cancel{BRR})$$

RIDER PBR – PENSION BENEFITS RIDER

Where:

PBR = The PBR adjustment factor to be applied to the applicable kWh delivered for each applicable ~~base rate components associated with~~ Rate.

APA = Actual Pension Accounting Cost shall be the sum, for the most recent Fiscal Year, of the total amount of the accrued pension expense incurred by or for the Company, as recorded on the Company's books, net of amounts capitalized. The basis for the accrued pension expense shall be an actuarial valuation for the applicable period.

~~BRE = Base Rate Pension Expense shall be the s amount of accrued pension expense, net of amounts capitalized, reflected in the Company's base rates pursuant to a final rate case order of the Commission. In the event a subsequent final rate case order is issued during a Fiscal Year, there shall be a weighted averaging of the two rate orders for purposes of determining the value of factor BRE.~~

ARA = Automatic Reconciliation Adjustment shall be the amount of any over/(under) collection of the PBR adjustment for the Fiscal Year resulting from the variance, either positive or negative, between the PBR adjustment amounts actually billed and the PBR adjustment amounts projected to be billed for such period. The ARA factor shall be deemed to be zero for the initial Fiscal Year.

ORA = Ordered Reconciliation Adjustment shall be the amount, if any, to be refunded or collected, as specified by the Commission at the conclusion of a reconciliation proceeding. Such ordered amounts may include interest as determined by the Commission.

EkWh~~BRR~~ = Effective Year ~~Base Rate Revenue~~ kWh shall be the forecast annual kWh ~~revenue associated with applicable base rate components~~ to be ~~billed~~ delivered during the Effective Year. ~~Forecast annual revenue shall be computed at prices in effect at the time of filing.~~

RIDER PBR – PENSION BENEFITS RIDER

~~APPLICABLE MONTHLY CHARGES~~

~~The following table provides the applicable monthly charge components for each Rate class to be adjusted by this Rider:~~

~~Rate Class~~	~~Applicable Base Rate Components~~
~~DS-1 and DS-2~~	~~Customer Charge, Meter Charge and Distribution Delivery Charge~~
~~DS-3 and DS-4~~	~~Customer Charge, Meter Charge, Distribution Delivery Charge, Transformation Charge, and Reactive Demand Charge (DS-4 only)~~
~~DS-5 – Company Owned Fixtures~~	~~Fixture Charge and Distribution Delivery Charge~~
~~DS-5 – Company Owned Fixtures~~	~~Customer Charge, Meter Charge and Distribution Delivery Charge~~

INFORMATIONAL FILING

On or before the 20th day of March the Company shall file with the Commission an informational filing specifying the applicable Rider PBR adjustment factor, to be used for billing purposes during the forthcoming Effective Year. Such factor will be used for billing purposes for the Effective Year which begins with cycle 1 of the April Billing Period and continues through the last billing cycle of the following March Billing Period.

ANNUAL RECONCILIATION REPORT

After the end of each Effective Year, the Company shall prepare a report which summarizes the amounts of any over/(under) collection of a Rider PBR adjustment for the Fiscal Year as compared to the Rider PBR adjustment amounts projected to be billed for the same period. The report shall be filed with the Commission within 90 days of the end of the Effective Year. The report shall be supported by the actuarial valuation that supports the APA.

RIDER PBR – PENSION BENEFITS RIDER

INTERNAL AUDIT REPORT

The Company shall perform annual internal audits of costs and revenues recorded under this Rider and submit such reports to the Manager of the Commission's Accounting Department with a confidential copy to the Chief Clerk by June 30. The purpose of the internal audit will be to confirm that 1) this Rider is being properly billed to Customers; 2) Rider PBR revenues are recorded in appropriate accounts; and 3) calculations of PBR adjustments are appropriate. The above list of determinations does not limit the scope of the audit, as determined by the Company. The Company may include the Internal Audit Report as part of the Annual Reconciliation Report to the Commission.

TERMS AND CONDITIONS

The applicable Rider PBR adjustment factor to be used for billing purposes shall be published on Ameren.com.

RIDER PBR – PENSION BENEFITS RIDER

APPLICABILITY

The Pension Benefits Rider ("Rider PBR") is applicable to Customers of Ameren Illinois Company d/b/a Ameren Illinois ("Ameren Illinois" or "the Company") receiving natural gas service under Rates GDS-1, GDS-2, GDS-3, GDS-4 and GDS-5.

PURPOSE

The purpose of this Rider is to recover the annual accrued expense incurred by or for the Company, as recorded on the Company's books, associated with the provision of pension retirement benefits. Since the Company's annual accrued pension expense may differ from amounts previously allowed by Commission ~~and reflected in the Company's base rates,~~ this Rider will ~~track such changes from base rates and collect or credit the difference as an adjustment~~ remove pension cost from base rates entirely and set the actual pension cost to be recovered on an annual basis. As described below, the Company will calculate an adjustment factor to be applied to the ~~specified base rate delivery service charges.~~ expected therms to be delivered for recovery through Rider PBR.

DEFINITIONS

Fiscal Year
Fiscal Year shall mean calendar year 2012, and each subsequent calendar year thereafter.

Effective Year
Effective Year shall mean the 12 month period during which a new Rider PBR adjustment factor shall apply. The first Effective Year shall be from April 2013 through March 2014, and each subsequent April through March period thereafter.

PBR ADJUSTMENT FACTOR CALCULATION

The first PBR adjustment factor shall be applied to bills issued for the April 2013 Billing Period. The Rider PBR adjustment factor for the Effective Year shall be applied as an adjustment to the ~~base rate~~ expected amounts of therms delivered for each applicable delivery service Rate. The PBR adjustment factor shall be calculated at least once annually as set forth below:

$$PBR = \cancel{1 +} ((APA \cancel{- BRE} + ARA + ORA) / E\underline{therms}\cancel{BRR})$$

RIDER PBR – PENSION BENEFITS RIDER

Where:

PBR = The PBR adjustment factor to be applied to the applicable ~~base rate components~~ therms delivered for each applicable ~~associated with~~ Rate.

APA = Actual Pension Accounting Cost shall be the sum, for the most recent Fiscal Year, of the total amount of the accrued pension expense incurred by or for the Company, as recorded on the Company's books, net of amounts capitalized. The basis for the accrued pension expense shall be an actuarial valuation for the applicable period.

~~BRE = Base Rate Pension Expense shall be the set dollar amount of accrued pension expense, net of amounts capitalized, reflected in the Company's base rates pursuant to a final rate case order of the Commission. In the event a subsequent final rate case order is issued during a Fiscal Year, there shall be a weighted averaging of the two rate orders for purposes of determining the value of factor BRE.~~

ARA = Automatic Reconciliation Adjustment shall be the amount of any over/(under) collection of the PBR adjustment for the Fiscal Year resulting from the variance, either positive or negative, between the PBR adjustment amounts actually billed and the PBR adjustment amounts projected to be billed for such period. The ARA factor shall be deemed to be zero for the initial Fiscal Year.

ORA = Ordered Reconciliation Adjustment shall be the amount, if any, to be refunded or collected, as specified by the Commission at the conclusion of a reconciliation proceeding. Such ordered amounts may include interest as determined by the Commission.

Etherms~~BRR~~ = Effective Year ~~Base Rate Revenue~~ therms shall be the forecast annual therms ~~revenue associated with applicable base rate components~~ to be ~~billed~~ delivered during the Effective Year. ~~Forecast annual revenue shall be computed at prices in effect at the time of filing.~~

RIDER PBR – PENSION BENEFITS RIDER

~~APPLICABLE MONTHLY CHARGES~~

~~The following table provides the applicable monthly charge components for each Rate class to be adjusted by this Rider:~~

~~Rate Class~~	~~Applicable Base Rate Components~~
~~GDS-1, GDS-2, and GDS-3~~	~~Customer Charge and Distribution Delivery Charge~~
~~GDS-4 and GDS-5~~	~~Customer Charge, Distribution Delivery Charge, and Demand Charge~~

INFORMATIONAL FILING

On or before the 20th day of March the Company shall file with the Commission an informational filing specifying the applicable Rider PBR adjustment factor, to be used for billing purposes during the forthcoming Effective Year. Such factor will be used for billing purposes for the Effective Year which begins with cycle 1 of the April Billing Period and continues through the last billing cycle of the following March Billing Period.

ANNUAL RECONCILIATION REPORT

After the end of each Effective Year, the Company shall prepare a report which summarizes the amounts of any over/(under) collection of a Rider PBR adjustment for the Fiscal Year as compared to the Rider PBR adjustment amounts projected to be billed for the same period. The report shall be filed with the Commission within 90 days of the end of the Effective Year. <u>The report shall be supported by the actuarial valuation that supports the APA.</u>

RIDER PBR – PENSION BENEFITS RIDER

INTERNAL AUDIT REPORT

The Company shall perform annual internal audits of costs and revenues recorded under this Rider and submit such reports to the Manager of the Commission's Accounting Department with a confidential copy to the Chief Clerk by June 30. The purpose of the internal audit will be to confirm that 1) this Rider is being properly billed to Customers; 2) Rider PBR revenues are recorded in appropriate accounts; and 3) calculations of PBR adjustments are appropriate. The above list of determinations does not limit the scope of the audit, as determined by the Company. The Company may include the Internal Audit Report as part of the Annual Reconciliation Report to the Commission.

TERMS AND CONDITIONS

The applicable Rider PBR adjustment factor to be used for billing purposes shall be published on Ameren.com.

Docket Nos. 11-0279/-0282 (Cons.)
ICC Staff Exhibit 3.0, Attachment C

Ameren Illinois Company
For The Period Ending December 31, 2012
Schedule for Accrued OPEB liability balance
In Thousands

Line No. (a)	Description (b)	Ameren Illinois Total (c)	Ameren Illinois Electric (d)	Ameren Illinois Gas (d)	Source (e)
1	Allocation to Electric and Gas		70.52%	29.48%	Total Company Direct Labor O&M with A&G
2	Accrued OPEB Liability - December 2010	$ (120,361)	$ (84,879)	$ (35,482)	Per Company balance, December 2010
3	AIC OPEB Plan Expense for 2011	(17,700)	(12,482)	(5,218)	Ameren Exhibit 8.1, page 2
4	AIC Contribution to Plan	118,900	83,848	35,052	Ameren Exhibit 8.1, page 2
5	Accrued OPEB Liability - December 2011	$ (19,161)	$ (13,512)	$ (5,649)	Line 2 + Line 3 + Line 4
6	AIC OPEB Plan Expense for 2012	(11,800)	(8,321)	(3,479)	Ameren Exhibit 8.1, page 2
7	AIC Contribution to Plan	14,800	10,437	4,363	Ameren Exhibit 8.1, page 2
8	Accrued OPEB Liability - December 2012	$ (16,161)	$ (11,397)	$ (4,764)	Line 5 + Line 6 + Line 7
9	Average 2012 Accrued OPEB Liability	$ (17,661)	$ (12,455)	$ (5,206)	(Line 5 + Line 8)/2
10	Allocation to Distribution		93.50%	100.00%	Electric Direct Labor O&M without A&G
11	Average 2012 Electric Distribution and Gas Accrued OPEB Liability		$ (12,633)	$ (5,649)	Line 9 multiplied by Line 10