

REBUTTAL TESTIMONY

of

**Dianna Hathhorn
Accountant**

**Accounting Department
Financial Analysis Division
Illinois Commerce Commission**

Ameren Illinois Company

Proposed General Increase in Electric and Gas Rates

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

August 23, 2011

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SCHEDULES

Schedule 20.01	State Income Tax Regulatory Asset Amortization Adjustment
Schedule 20.02	Deferred or Cancelled Projects Adjustment (Electric Only)
Schedule 20.03	Deferred or Cancelled Projects Adjustment (Gas Only)
Schedule 20.04	Part 280 Proceeding Adjustment (Electric All Rate Zones; Gas Rate Zones II and III Only)

ATTACHMENTS

Attachment A	Company Responses to Staff Data Requests DLH- 16.01, DLH-16.02 and DLH-25.01
Attachment B	Company Response to Staff Data Request DLH-26.01

1 **Witness Identification**

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

3 A. My name is Dianna Hathhorn. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. Have you previously testified in this proceeding?**

7 A. Yes, my direct testimony is ICC Staff Exhibit 2.0.

8

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

10 A. The purpose of my testimony is to respond to Ameren Illinois Company's
11 ("AIC" or the "Company") testimony concerning my opposition to its
12 request for a state income tax regulatory asset. I also confirm that certain
13 other issues are resolved, and provide schedules for adjustments related
14 to Staff witness Rashid's testimony. Finally, I comment on Mr. Effron's
15 adjustment to accumulated deferred income taxes ("ADIT") for the People
16 of the State of Illinois and the Citizen's Utility Board ("AG/CUB") regarding
17 the application of Financial Accounting Standards Board ("FASB")
18 Interpretation No. 48 ("FIN 48"). (AG/CUB Exs. 1.0 and 1.1, Schedule
19 DJE-1)

20

21 **Q. Are you sponsoring any schedules as part of your rebuttal**
22 **testimony?**

23 A. Yes. I prepared (or supervised the preparation of) the following schedules
24 for the Company, which show data as of, or for the test year ending,
25 December 31, 2012:

26

27	Schedule 20.01	State Income Tax Regulatory Asset Amortization
28		Adjustment
29	Schedule 20.02	Deferred or Cancelled Projects Adjustment (Electric
30		Only)
31	Schedule 20.03	Deferred or Cancelled Projects Adjustment (Gas
32		Only)
33	Schedule 20.04	Part 280 Proceeding Adjustment (Electric All Rate
34		Zones; Gas Rate Zones II and III Only)

35

36 Unless identified with a specific rate zone, the following discussion of
37 schedules and issues applies to all rate zones. Issues that are specific to
38 only electric or gas operations are presented separately.

39

40 Attachments

41 **Q. Have you included any attachments as part of your rebuttal**
42 **testimony?**

43 A. Yes, I have included the following attachments:

44	Attachment A	Company Responses to Staff Data Requests
45		("DR") DLH-16.01, DLH-16.02 and DLH-25.01
46	Attachment B	Company Response to Staff DR DLH-26.01

47

48 **Uncontested Issues**

49 **Q. Did the Company accept any of your adjustments or**
50 **recommendations in your direct testimony, ICC Staff Ex. 2.0?**

51 A. Yes. The Company accepted the following adjustments I proposed in my
52 direct testimony and included them in its rebuttal revenue requirements;
53 therefore, no further adjustments are necessary:

54	Schedule 2.02	State Accumulated Deferred Income Tax Adjustment
55	Schedule 2.03	Federal Accumulated Deferred Income Tax Correction
56		Adjustment
57	Schedule 2.05	Substation Painting Normalization Adjustment (Electric
58		Only)
59	Schedule 2.06	Property Held for Future Use Adjustment (Electric Rate
60		Zone I Only)
61	Schedule 2.07	NESC Adjustment (Electric Only)
62		

63 Further, I agree with the Company (Ameren Ex. 22.0, p. 31) that my adjustment
64 in Schedule 2.10 Alton Propane Facility Retirement Adjustment (Gas Rate
65 Zone I Only) is no longer necessary. Finally, I agree with the Company's
66 corrections to my original cost determination recommendations, and that the
67 Illinois Commerce Commission ("Commission" or "ICC") findings that I
68 discussed in my direct testimony should be based upon the amounts in
69 Ameren Ex. 22.19.

70

71 **Q. Has your position changed regarding your Post Test Year Plant**
72 **Additions Adjustment (Electric Only), Schedule 2.04?**

73 A. Yes. Ameren's rebuttal testimony (Ameren Ex. 26, p. 3, lines 53-56)
74 clarified information Ameren had provided in discovery that I relied upon in
75 making my original adjustment. As the additions do not include post-test
76 year charges, my adjustment is unnecessary and, therefore, I will no
77 longer propose it.

78

79 **Q. Has the Company accepted any AG/CUB adjustments related to other**
80 **areas of your review?**

81 A. Yes. The Company accepted adjustments proposed by AG/CUB for
82 amortization of investment tax credits and for ADIT related to manufactured
83 gas plants. (Ameren Ex. 22.0, p. 7, lines 175-179) In addition, the Company
84 stated that the AG/CUB proposed adjustment for ADIT-Bonus Depreciation is
85 very similar to that in my Schedule 2.02 State Accumulated Deferred Income
86 Tax Adjustment, which was accepted by the Company and included in its
87 rebuttal revenue requirements. (Id., lines 179-182)

88

89 **Contested Issues**

90 **State Income Tax Regulatory Asset Amortization Adjustment**

91 **Q. Please describe ICC Staff Exhibit 20.0, Schedule 20.01, State Income**
92 **Tax ("SIT") Regulatory Asset Amortization Adjustment.**

93 A. Schedule 20.01 reflects my proposed rebuttal adjustments to reduce
94 AIC's electric and gas operating expenses for the Company's deferred

95 SIT from 2011. The amounts represent deferred expenses incurred
96 outside of the test year and are, therefore, unreasonable to include in the
97 2012 test year. My rebuttal adjustments include the additional
98 amortization expense amounts proposed by the Company in AIC Ex. 16.1,
99 Schedule 4 that the Company included in its rebuttal revenue
100 requirements.

101

102 **Q. The Company argues that it had no opportunity to alter utility rates**
103 **before the change in tax rate went into effect. (Ameren Ex. 21.0**
104 **(Rev.), p. 4, lines 77-78) Is the Company's argument correct?**

105 A. No. The Company's choice of test year for this case directly affects
106 whether or not the increased SIT liability for 2011 is allowable for recovery
107 in new utility rates. If the Company had selected a historical test year,
108 perhaps 2010, the additional 2011 operating expense would have been
109 allowable since it would be a known and measurable change incurred
110 within the test year period as defined in 83 Ill. Code 287.40. Under that
111 scenario, it would not have been considered outside the test year and an
112 improper deferral. As I discussed in my direct testimony, recovery of
113 deferred operating expense incurred outside the test year is
114 impermissible. (Staff Ex. 2.0, pp. 5-8)

115

116 **Q. The Company further argues that “[a]ll AIC is seeking here is**
117 **regulatory treatment that is symmetrical with the Commission’s prior**
118 **practice regarding a change in tax rates.” (Ameren Ex. 21.0 (Rev.), p.**
119 **4, lines 73-74) Is the Company’s argument correct?**

120 A. No. The Company is asking this Commission to not follow its established
121 test year rules. The Commission cannot simply look to its orders from the
122 regulatory treatment of the Tax Reform Act of 1986 (“TRA”) and use
123 symmetrical reasoning in order to determine the appropriate rate
124 treatment of the Company’s request. The court rulings and Commission
125 orders on the subject of rate recoverability of deferred operating expenses
126 that occurred post-TRA (Staff Ex. 2.0, pp. 5-8) are not new. They began
127 as far back as 1991, with ICC orders and decisions issued in 1994, 1995
128 and 2000 consistent with such court rulings. Therefore, the Company
129 should have been aware of the consequences of its test year choice on
130 the rate recoverability of its increased 2011 SIT expense.

131

132 **Q. Is the Company’s position symmetrical?**

133 A. No. The Company’s choice of a future test year allows it latitude with
134 regard to the amount of certainty about future projects and expense levels
135 that it must demonstrate for the record in this proceeding. Yet at the
136 same time, the Company attempts a ratemaking adjustment to include
137 costs that would be proper only in a test year based on an earlier period,

138 which, given the timing of the filing, would have been an historical test
139 year. The Company should be required to follow the rules of the test year
140 it chose, both the freedoms and constraints, on an equal basis.

141

142 **Q. The Company also argues that “one of the Commission’s important**
143 **roles is to assure that rates fairly reflect the interests of utilities and**
144 **customers alike” and that “[a] policy that always favors customers is**
145 **not symmetrical, fair or reasonable...”(Ameren Ex. 21.0 (Rev.), p. 4,**
146 **lines 81-84) Do you maintain that your testimony in this case is fairly**
147 **balanced?**

148 A. Yes. My direct testimony included a correction to the Company’s
149 accumulated deferred income taxes that increased the Company’s rate
150 base and, therefore, was a benefit to the Company, not ratepayers. (See
151 Staff Ex. 2.0, Schedule 2.03) My position on the Company’s request to
152 recover a deferred operating expense outside of the test year is not based
153 upon the result of the proposal, but rather the controlling guidance of the
154 test year rules and the aforementioned court rulings.

155

156 **Q Did any intervenors address the state income tax regulatory asset?**

157 A. Yes. AG/CUB witness Effron and IIEC witness Michael P. Gorman also
158 propose to remove the SIT Regulatory Asset amortization from operating
159 expenses. (AG/CUB Exhibit 1.0, pp. 25 – 26; IIEC Exhibit 3.0, pp. 71-72)

160

161 **Deferred or Cancelled Projects Adjustment (Electric Only)**

162 **Q. Please describe ICC Staff Exhibit 20.0, Schedule 20.02, Deferred or**
163 **Cancelled Projects Adjustment (Electric Only).**

164 A. Schedule 20.02 reflects the quantification of Staff witness Rashid's
165 recommendation to disallow electric additions to plant in service reflected
166 in Ameren Ex. 26.1. The calculations contained within Schedule 20.02
167 are computed the same as those presented in ICC Staff Ex. 2.0,
168 Schedules 2.08 and 2.09, which were not rebutted by the Company on a
169 computational basis. The amounts in my former Schedule 2.08, North
170 Champaign Addition Adjustment (Electric Only), are now subsumed into
171 Schedule 20.02. Staff witness Rashid presents the rebuttal rationale for
172 the adjustment in Schedule 20.02. (ICC Staff Ex. 28.0)

173

174 **Deferred or Cancelled Projects Adjustment (Gas Only)**

175 **Q. Please describe ICC Staff Exhibit 20.0, Schedule 20.03, Deferred or**
176 **Cancelled Projects Adjustment (Gas Only).**

177 A. Schedule 20.03 reflects the quantification of Staff witness Rashid's
178 recommendation to disallow gas additions to plant in service reflected in
179 Ameren Ex. 26.1. The calculations contained within Schedule 20.03 are
180 computed the same as those presented in ICC Staff Ex. 2.0, Schedules
181 2.08 and 2.09, which were not rebutted by the Company on a

182 computational basis. Staff witness Rashid presents the rebuttal rationale
183 for the adjustment in Schedule 20.03. (ICC Staff Ex. 28.0)

184

185 **Part 280 Proceeding Adjustment (Electric All Rate Zones; Gas Rate Zones II**
186 **and III Only)**

187 **Q. Please describe ICC Staff Exhibit 20.0, Schedule 20.04, Part 280**
188 **Proceeding Adjustment.**

189 A. Schedule 20.04 reflects the same quantification of Staff witness Rashid's
190 recommendation to disallow an addition to plant in service for electric and
191 gas additions for work order 26577, Part 280 proceeding addition, as was
192 reflected in ICC Staff Ex. 2.0, Schedule 2.09. Staff witness Rashid
193 presents the rebuttal rationale for the adjustment. (ICC Staff Ex. 28.0)

194

195 **ADIT-FIN 48 Adjustment**

196 **Q. Please describe AG/CUB witness Effron's FIN 48 adjustment.**

197 A. AG/CUB argues that ADIT that the Company reclassified to FIN 48
198 liabilities in the amount of \$34.467 million (electric only) is related to
199 uncertain tax positions and represent non-investor supplied funds that are
200 available to the Company. (AG/CUB Ex. 1.0, p. 8, lines 12-13) AG/CUB
201 states that the effect of the Company's position reduces the ADIT
202 deducted from plant in service in the determination of rate base. (Id., p. 7,
203 lines 12-14)

204

205 **Q. What is FIN 48?**

206 A. FIN 48 is an interpretation clarifying the accounting for uncertainty in
207 income taxes recognized in an enterprise's financial statements in
208 accordance with FASB Statement No. 109, Accounting for Income Taxes.
209 FIN 48 requires a two-step evaluation of tax positions. First, an enterprise
210 determines whether it is more likely than not that a tax position will be
211 sustained upon examination, including resolution of any related appeals or
212 litigation processes, based on the technical merits of the position.
213 Second, a tax position that meets the more-likely-than-not recognition
214 threshold is measured to determine the amount of benefits to recognize in
215 the financial statements. (Financial Accounting Series, FASB
216 Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an
217 Interpretation of FASB Statement No. 109, No. 281B -June 2006,
218 Summary)

219

220 **Q. How does the Company respond to the AG/CUB proposed**
221 **adjustment?**

222 A. The Company's rebuttal witness Warren (Ameren Ex. 37.0), after
223 explaining some basic principles about traditional ADIT versus ADIT
224 arising from uncertain tax positions in accordance with FIN 48 (Id., pp. 4-
225 6), states that the ADIT related to Mr. Effron's FIN 48 adjustment is not a
226 loan of funds to the Company in the traditional ADIT sense which requires

227 a rate base deduction, but rather represents the amount of tax that is
228 more likely than not to be paid to taxing authorities in connection with
229 uncertain tax positions and must be reflected by the Company on its
230 balance sheet as a tax liability, with interest. The Company states that the
231 FIN 48 amounts represent the incremental quantity of tax that the
232 Company and its auditors have concluded it will most likely owe with
233 respect to previously filed tax returns, and that the amounts will be
234 payable with interest when they are assessed. (*Id.*, p. 9, lines 172-174)
235 The Company argues that rate base should not be reduced for the FIN 48
236 amounts since the amounts are neither real nor sustainable as they are
237 likely to be paid to taxing authorities with interest. (*Id.*, p. 10, lines 194-
238 197) Finally, the Company states that Mr. Efron's position assumes, in
239 effect, that the Company will prevail on *every* uncertain tax position it has
240 taken -- even on those with respect to which the experts have determined
241 it is likely the Company will *not* prevail. (*Id.*, lines 208-210; emphasis in
242 original)

243

244 **Q. The Company states that one area of tax uncertainty that accounts**
245 **for the Company's FIN 48 amount is its recent change in determining**
246 **the way it determines whether an expenditure is for a repair or a**
247 **capital improvement ("accounting method change"). (Ameren Ex.**
248 **37.0, p. 14, lines 275-277) Has the Company reflected the impact of**

249 **the accounting method change in its electric revenue requirements**
250 **in this case?**

251 A. Yes. In discovery, the Company stated that it reflected the total increase
252 to electric ADIT of approximately \$81.9 million in its Schedules B-9.
253 (Attachment A) These increases to ADIT offset or reduce rate base
254 reflected in the Company's Schedules B-1. The uncertain tax positions
255 from FIN 48 offset these ADIT liabilities by approximately \$34.5 million.
256 Therefore, the Company's combined electric rate base still is
257 approximately \$47.4 million lower (\$81.9 - \$34.5) reflecting the net impact
258 of the accounting method change and the FIN 48 amounts.

259

260 **Q. Has the Company agreed to not seek recovery from its ratepayers if**
261 **the Internal Revenue Service ("IRS") ultimately requires any interest**
262 **or penalties on the FIN 48 amounts provided that the ICC, pending a**
263 **final IRS determination, makes no adjustment for rate-making**
264 **purposes to the Company's deferred taxes because of the FIN 48**
265 **amount?**

266 A. Yes. (Attachment B) I agree that this is a reasonable approach and,
267 therefore, do not recommend the Commission adopt the AG-CUB
268 adjustment; i.e., the AG-CUB ADIT adjustment is not reflected in Staff's
269 rebuttal revenue requirement schedules.

270

271 **Conclusion**

272 **Q. Does this question end your prepared rebuttal testimony?**

273 **A. Yes.**

Ameren Illinois Company
 State Income Tax Regulatory Asset Amortization Adjustment
 For the Test Year Ending December 31, 2012
 (In Thousands)

Line No.	Description (a)	Electric	Electric	Electric	Gas	Gas	Gas
		RZ I (b)	RZ II (c)	RZ III (d)	RZ I (e)	RZ II (f)	RZ III (g)
1	SIT Reg. Asset Amort. Exp. per Company Direct (1)	\$312	\$194	\$1,162	\$99	\$117	\$278
2	Additional SIT Reg. Asset Amort. Exp. per Company Rebuttal (2)	\$16	\$10	\$60	\$6	\$5	\$14
3	SIT Reg. Asset Amort. Exp. per Staff	-	-	-	-	-	-
4	Staff Proposed Adjustments to Regulatory Debits (3)	<u>(\$328)</u>	<u>(\$204)</u>	<u>(\$1,222)</u>	<u>(\$105)</u>	<u>(\$122)</u>	<u>(\$292)</u>

Sources

- (1) Company Schedules C-2.15 by Rate Zone in March 24, 2011 Deficiency Filing
- (2) Company Exs. 16.1 Schedule 4 and Ex. 22.0
- (3) Line 3 - line 1 - line 2

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Electric Only)
 (In Thousands)

Line No.	Description (a) (1)	WO # (b)	Capital \$000 per Ameren Ex. 26.1 (c)	Capital Adjustment per Staff (2) (d)=(c)/2	Depreciation Expense (3) (e)	Accumulated Depreciation (4) (f)	Deferred Taxes (5) (g)
1a	LaSalle 120 Three Phase Sondgroth	27463	\$111	(\$56)			
1b	LaSalle 161 Three Phase Rapp	27438	224	(112)			
1c	LaSalle 910 Three Phase Doyle	27450	358	(179)			
1d	Power House-Replace HS Fuses	26477	222	(111)			
1e	Stillwell Ethanol Inc. (Smurfit) Install/Reloc.	22642	52	(26)			
1f	Lebanon, IL-Belleville St. Govt. Relocation	27367	234	(117)			
1g	Bloomington Area-Add UVLS	20922	78	(39)			
1h	N. Champaign-Add two 69 kV Capacitor Banks (1)	26669	1015	(508)			
1i	Carrier Mills S-Upgrade Transformer	27317	743	(372)			
1j	Normal East-Line Term.	27350	514	(257)			
1k	Joppa-Revenue Grade Metering	25703	38	(19)			
1l	Meredosia-Revenue Grade Metering	25690	96	(48)			
1m	SB 1299-Phase 2 Purchase of Receivables	26575	160	(80)			
1	Total Electric Only Projects		\$3,845	(\$1,923)	(\$62)	\$62	\$158
2	Electric Rate Zone Allocation (6)						
3	Electric Rate Zone I	30.25%		(\$582)	(\$19)	\$19	\$48
4	Electric Rate Zone II	18.74%		(\$360)	(\$12)	\$12	\$30
5	Electric Rate Zone III	51.02%		(\$981)	(\$32)	\$32	\$81

Sources:

- (1) ICC Staff Exhibits 12.0 and 28.0, and Company Response to Staff Data Request YMR 1.01
- (2) 2012 Plant addition averaged to accommodate 2012 beginning vs. ending balances
- (3) Col. (e) * -1 3.2125%
- (4) Col. (d) * Composite Depreciation Rate from Schedule C-12, line 4, column M
- (5) Schedule 20.02, p. 2, Col (j) + Col (l)
- (6) Line 1 Allocated on 9/30/2010 Distribution Plant Balances, per Ameren Workpaper WPB-5Z

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Electric Only)
 (In Thousands)

Line No.	Description	Capital amount	Book Depr	State Tax Depr Rate (1)	Fed Tax Depr Rate (1)	State Tax Depr (f) = (b) * (d)	Fed Tax Depr (g) = (b) * (e)	State Tax Diff (h) = (f) - (c)	Fed Tax Diff (i) = (g) - (c)	State ADIT (3) (j)	Federal ADIT (4) (k)	Federal Proration (5) (l)	Adj Federal ADIT (m)=(k) + (l)
	(a)	(b) (2)	(c)	(d)	(e)	(d)	(e)	(c)	(c)	(j)	(k)	(l)	(m)=(k) + (l)
1	Total Electric Only Projects	\$1,923	\$62	7.219%	53.610%	\$139	\$1,031	\$77	\$969	\$7	\$312	(\$162)	\$151
2	State Income Tax Rate (1)			9.50%									
3	Federal Income Tax Rate (1)			35.00%									

Sources:

- (1) Depreciation and tax rates as reflected in Company Revised Response to Staff Data Request DLH-23.01
- (2) Schedule 20.02, p. 1, Col. (d)
- (3) Col. (h) * line 2 SIT rate
- (4) [Col. (i) - col. (h)] * line 3 FIT rate
- (5) Schedule 20.02, p. 3, line 17

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Electric Only)
 (In Thousands)

Line No.	Description (a)	Days (b) (1)	Ratio (c) (1)	Deferred Taxes	
				Per Books (d) (2)	Prorated (e) (3)
1	Balance 12/31/2011			0	0
2	January		1	13	13
3	January	336	95.455%	13	12
4	February	307	87.216%	26	23
5	March	276	78.409%	26	20
6	April	246	69.886%	26	18
7	May	215	61.080%	26	16
8	June	185	52.557%	26	14
9	July	154	43.750%	26	11
10	August	123	34.943%	26	9
11	September	93	26.420%	26	7
12	October	62	17.614%	26	5
13	November	32	9.091%	26	2
14	December	1	0.284%	26	0
15	Balance 12/31/2012 (4)			312	151
16	Total Days in Period	352			
17	Proration Adjustment (5)				<u>(\$162)</u>

Sources:

- (1) Per Company Schedule G-7
- (2) Schedule 20.02, p. 2, col. (k) / 12 / 2 for line 3; Schedule 20.02, p. 2, col. (k) / 12 for lines 4-14
- (3) Col. (c) * col. (d)
- (4) Sum of lines 1 through 14
- (5) Line 15, col. (e) - line 15, col. (d)

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Gas Only)
 (In Thousands)

Line No.	Description	WO #	Capital \$000 per Ameren Ex. 26.1	Capital Adjustment per Staff (2)	Depreciation Expense (3)	Accumulated Depreciation (4)	Deferred Taxes (5)
	(a) (1)	(b)	(c)	(d)=(c)/2	(e)	(f)	(g)
1a	Mt. Zion Flow Control Station Rebuild	27674	\$879	(\$440)			
1b	Glasford-Install new gathering line	26392	400	(200)			
1	Total Gas Only Projects		\$1,279	(\$640)	(\$21)	\$21	\$158
2	Gas Rate Zone Allocation (6)						
3	Gas Rate Zone I	29.55%		(\$189)	(\$6)	\$6	\$47
4	Gas Rate Zone II	20.73%		(\$133)	(\$4)	\$4	\$33
5	Gas Rate Zone III	49.73%		(\$318)	(\$10)	\$10	\$79

Sources:

- (1) ICC Staff Exhibits 12.0 and 28.0, and Company Response to Staff Data Request YMR 1.01
- (2) 2012 Plant addition averaged to accommodate 2012 beginning vs. ending balances
- (3) Col. (e) * -1 3.2125%
- (4) Col. (d) * Composite Depreciation Rate from Schedule C-12, line 4, column M
- (5) Schedule 20.03, p. 2, Col (j) + Col (l)
- (6) Line 1 Allocated on 9/30/2010 Distribution Plant Balances, per Ameren Workpaper WPB-5Z

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Gas Only)
 (In Thousands)

Line No.	Description	Capital amount	Book Depr	State Tax Depr Rate (1)	Fed Tax Depr Rate (1)	State Tax Depr (f) = (b) * (d)	Fed Tax Depr (g) = (b) * (e)	State Tax Diff (h) = (f) - (c)	Fed Tax Diff (i) = (g) - (c)	State ADIT (3) (j)	Federal ADIT (4) (k)	Federal Proration (5) (l)	Adj Federal ADIT (m)=(k) + (l)
1	Total Gas Only Projects	\$640	\$21	7.219%	53.610%	\$46	\$343	\$26	\$322	\$2	\$104	(\$56)	\$48
2	State Income Tax Rate (1)		9.50%										
3	Federal Income Tax Rate (1)		35.00%										

Sources:
 (1) Depreciation and tax rates as reflected in Company Revised Response to Staff Data Request DLH-23.01
 (2) Schedule 20.03, p. 1, Col. (d)
 (3) Col. (h) * line 2 SIT rate
 (4) [Col. (i) - col. (h)] * line 3 FIT rate
 (5) Schedule 20.03, p. 3, line 17

Ameren Illinois Company
 Deferred or Cancelled Projects Adjustment (Gas Only)
 (In Thousands)

Line No.	Description (a)	Days (b) (1)	Ratio (c) (1)	Deferred Taxes	
				Per Books (d) (2)	Prorated (e) (3)
1	Balance 12/31/2011			0	0
2	January		1	4	4
3	January	336	95.455%	4	4
4	February	307	87.216%	9	8
5	March	276	78.409%	9	7
6	April	246	69.886%	9	6
7	May	215	61.080%	9	5
8	June	185	52.557%	9	5
9	July	154	43.750%	9	4
10	August	123	34.943%	9	3
11	September	93	26.420%	9	2
12	October	62	17.614%	9	2
13	November	32	9.091%	9	1
14	December	1	0.284%	9	0
15	Balance 12/31/2012 (4)			107	51
16	Total Days in Period	352			
17	Proration Adjustment (5)				<u>(\$56)</u>

Sources:

- (1) Per Company Schedule G-7
- (2) Schedule 20.03, p. 2, col. (k) / 12 / 2 for line 3; Schedule 20.03, p. 2, col. (k) / 12 for lines 4-14
- (3) Col. (c) * col. (d)
- (4) Sum of lines 1 through 14
- (5) Line 15, col. (e) - line 15, col. (d)

Ameren Illinois Company
 Part 280 Proceeding Adjustment (Electric All Rate Zones; Gas Rate Zones II and III Only)
 (In Thousands)

Line No.	Description	WO #	Capital \$000 per YMR 1.01	Capital Adjustment per Staff (2)	Depreciation Expense (3)	Accumulated Depreciation (4)	Deferred Taxes (5)
	(a)	(b)	(c)	(d)=(c)/2	(e)	(f)	(g)
1	Part 280 Proceedings (1)	26577	\$2,123	(\$1,062)	(\$34)	\$34	\$87
2	Electric/Gas Allocation (6)						
3	Electric	73.87%		(\$784)	(\$25)	\$25	\$64
4	Gas	26.13%		(\$277)	(\$9)	\$9	\$23
5	Electric Rate Zone Allocation (7)						
6	Electric Rate Zone I	1.31%		(\$10)	(\$0)	\$0	\$1
7	Electric Rate Zone II	1.47%		(\$12)	(\$0)	\$0	\$1
8	Electric Rate Zone III	97.22%		(\$762)	(\$24)	\$24	\$63
9	Gas Rate Zone Allocation (7)						
10	Gas Rate Zone I	0.00%		\$0	\$0	\$0	\$0
11	Gas Rate Zone II	20.72%		(\$57)	(\$2)	\$2	\$5
12	Gas Rate Zone III	79.28%		(\$220)	(\$7)	\$7	\$18

Sources:

- (1) ICC Staff Exhibits 12.0 and 28.0, and Company Response to Staff Data Request YMR 1.01
- (2) 2012 Plant addition averaged to accommodate 2012 beginning vs. ending balances
- (3) Col. (d) * Composite Depreciation Rate from Schedule C-12, line 4, column M 3.2125%
- (4) Col. (e) * -1
- (5) Schedule 20.04, p. 2, Col (j) + Col (l)
- (6) Line 1 Allocated on Asset Separation Project Allocator OMGC, Workpaper to Ameren Ex. 2.3
- (7) Line 3 Allocated on Intangible Plant, Electric and Gas Workpapers WPA-5a RZ

Ameren Illinois Company
 Part 280 Proceeding Adjustment (Electric All Rate Zones; Gas Rate Zones II and III Only)
 (In Thousands)

Line No.	Description (a)	Capital amount (b) (2)	Book Depr (c)	State Tax Depr Rate (1) (d)	Fed Tax Depr Rate (1) (e)	State Tax Depr (f) = (b) *	Fed Tax Depr (g) = (b) * (e)	State Tax Diff (h) = (f) - (c)	Fed Tax Diff (i) = (g) - (c)	State ADIT (3) (j)	Federal ADIT (4) (k)	Federal Proration (5) (l)	Adj Federal ADIT (m)=(k) + (l)
1	Part 280 Proceedings (1)	\$1,062	\$34	7.219%	53.610%	\$77	\$569	\$43	\$535	\$4	\$172	(\$89)	\$83
2	State Income Tax Rate (1)			9.50%									
3	Federal Income Tax Rate (1)			35.00%									

Sources:

- (1) Depreciation and tax rates as reflected in Company Revised Response to Staff Data Request DLH-23.01
- (2) Schedule 20.04, p. 1, Col. (d)
- (3) Col. (h) * line 2 SIT rate
- (4) [Col. (i) - col. (h)] * line 3 FIT rate
- (5) Schedule 20.04, p. 3, line 17

Ameren Illinois Company
 Part 280 Proceeding Adjustment (Electric All Rate Zones; Gas Rate Zones II and III Only)
 (In Thousands)

Line No.	Description (a)	Days (b) (1)	Ratio (c) (1)	Deferred Taxes	
				Per Books (d) (2)	Prorated (e) (3)
1	Balance 12/31/2011			0	0
2	January		1	7	7
3	January	336	95.455%	7	7
4	February	307	87.216%	14	13
5	March	276	78.409%	14	11
6	April	246	69.886%	14	10
7	May	215	61.080%	14	9
8	June	185	52.557%	14	8
9	July	154	43.750%	14	6
10	August	123	34.943%	14	5
11	September	93	26.420%	14	4
12	October	62	17.614%	14	3
13	November	32	9.091%	14	1
14	December	1	0.284%	14	0
15	Balance 12/31/2012 (4)			172	83
16	Total Days in Period	352			
17	Proration Adjustment (5)				<u>(\$89)</u>

Sources:

- (1) Per Company Schedule G-7
- (2) Schedule 20.04, p. 2, col. (k) / 12 / 2 for line 3; Schedule 20.04, p. 2, col. (k) / 12 for lines 4-14
- (3) Col. (c) * col. (d)
- (4) Sum of lines 1 through 14
- (5) Line 15, col. (e) - line 15, col. (d)

**Ameren Illinois Company
d/b/a Ameren Illinois
Response to ICC Staff Data Requests
Docket Nos. 11-0279 and 11-0282 (Cons.)
Proposed General Increase in Electric and Gas Delivery Service Rates
Response Date: 4/15/2011**

DLH 16.01

Did the Company modify its accounting for the repair allowance deduction pursuant to proposed regulations issued by the Internal Revenue Service (“IRS”) in March 2008, or pursuant to Revenue Procedure 2009-39, regarding the deduction and capitalization of expenditures related to tangible property under Internal Revenue Code Section 263(a)? If the response is affirmative, provide the date of implementation of the change and fully explain how the change is reflected in the test year. If the response is negative, please explain why the Company’s accounting for the repair allowance deduction was not modified. Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

RESPONSE

**Prepared By: Brenda J. Menke
Title: Manager, Income Tax
Phone Number: 314-554-2938**

Ameren Illinois Company has modified its accounting for the repair allowance deduction pursuant to Revenue Procedure 2009-39. Form 3115, Application for Change in Accounting Method, was filed on September 13, 2010. The method change is applicable for the 2010 tax year, with a look-back period to 1998. The catch-up adjustment for prior tax years “the 481(a) adjustment” for the increased deduction was included as a reduction to taxable income in 2010. At the time of the filing of the test year rate case, we had not completed the calculation for the current year, 2010. Therefore, the deduction for 2009 was used as an estimate of the 2010 deduction and was included as a reduction to taxable income. The 2009 amount was also used as an estimate of the deduction for the test year. The 2009 deduction was reduced for 50% bonus depreciation, as were 2010 and 2012. Since 100% bonus depreciation will be in effect for all of 2011, forecast expenditures in the distribution business are expected to qualify for 100% bonus. Therefore, the repair deduction was reduced to zero for that year. Deferred tax liabilities were recorded for all deductions taken or expected to be taken up to and including the test year.

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DLH 16.02

Referring to the Company's response to Staff data request DLH-16.01, provide the amounts included in Schedules B-1 and C-1 by line and column reference, separately for gas, electric, and by rate zone, for the effect of such modification on the annual repair allowance deduction. Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

RESPONSE

**Prepared By: Brenda J. Menke
Title: Manager, Income Tax
Phone Number: 314-554-2938**

Schedule B-1 column D, line 19 includes (\$81,895) (amounts are in thousands) of accumulated deferred income taxes associated with the repair deduction as explained in DLH-16.01.

Schedule C-1 (as updated in DLH-8.01) includes the following amounts related to the repair deduction: column C, line 68, (\$9,296,612), column C, line 69, (\$2,788,250), and column C, line 70, \$12,084,862.

See DLH 16.02 Attach for the breakout of these amounts by rate zone.

The repair allowance deduction is only applicable to electric property. Amounts related to gas are not affected.

**Ameren Illinois Electric
Repair Allowance Deduction**

DLH 16.02 Attach

ADIT	A Amount	B Factor	C = A x B Affect on B-1	D CIL	E CIP	F IPC	C = G G = D + E + F Total
9/30/2010 Actual Deferred Balance	(59,693,292)	100%	(59,693,292)	(10,908,783)	(17,836,983)	(30,947,527)	(59,693,292)
Q4 2010 Activity from Forecast	(16,159,423)	100%	(16,159,423)	(2,953,089)	(4,828,605)	(8,377,728)	(16,159,423)
2011 Activity from Forecast	-	100%	-	-	-	-	-
2012 Activity from Forecast	(12,084,862)	50%	(6,042,431)	(1,104,237)	(1,805,542)	(3,132,652)	(6,042,431)
			<u>(81,895,146)</u>	<u>(14,966,109)</u>	<u>(24,471,130)</u>	<u>(42,457,906)</u>	<u>(81,895,146)</u>
 Income Tax Expense							
2012 Activity - Federal Portion	(9,296,612)			(1,082,622)	(1,738,564)	(6,475,426)	(9,296,612)
2012 Activity - State Portion	(2,788,250)			(324,701)	(521,432)	(1,942,117)	(2,788,250)
	<u>(12,084,862)</u>			<u>(1,407,323)</u>	<u>(2,259,997)</u>	<u>(8,417,543)</u>	<u>(12,084,862)</u>

Accumulated Deferred Income Taxes

Line No.	Account No.	Title of Plant Function	Plant Balances as of September 30, 2010				September 30, 2010 Percentages			
			AmerenCILCO	AmerenCIPS	AmerenIP	Total	AmerenCILCO	AmerenCIPS	AmerenIP	Total
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	
1		Total Electric Plant in Service	\$ 1,001,914	\$ 1,819,393	\$ 2,901,550	\$ 5,722,857				
2		Less: Electric Transmission Plant	109,186	359,691	368,938	837,815				
3		Electric Plant in Service less Transmission	<u>\$ 892,728</u>	<u>\$ 1,459,702</u>	<u>\$ 2,532,612</u>	<u>\$ 4,885,042</u>	<u>18.27%</u>	<u>29.88%</u>	<u>51.84%</u>	<u>100.00%</u>

Income Taxes

Line No.	Account No.	Account Description	2012				2012 Percentages			
			AmerenCILCO	AmerenCIPS	AmerenIP	Total	AmerenCILCO	AmerenCIPS	AmerenIP	Total
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	
1		Operating Income Before Income Taxes	<u>34,672</u>	<u>55,679</u>	<u>207,382</u>	<u>297,733</u>	<u>11.65%</u>	<u>18.70%</u>	<u>69.65%</u>	<u>100.00%</u>

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Proposed General Increase in Electric and Gas Delivery Service Rates
Data Request Response Date: 8/9/2011

DLH 25.01

Referring to the Company's response to Staff Data Request DLH-16.02, the Company's revenue requirement includes a rate base deduction of \$81,895,000 related to its change in accounting of its repair allowance deduction. Please reconcile this amount to the rate base deduction of \$34,465,000 referenced in Ameren Ex. 37.0, line 59. Further, please describe how the amount provided in the Company's response to Staff Data Request DLH-16.02 is either the same as or different from the amount questioned in Mr. Effron's adjustment. Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

RESPONSE

Prepared By: Brenda J. Menke
Title: Manager, Income Tax
Phone Number: 314-554-2938

The \$81,895,000 reflected in the Company's response to Staff data request DLH 16.02 (dated April 15) represents the total tax effect of the T&D repairs accounting method change. A portion of this amount has been determined to be uncertain. The uncertain amount has been included in the Company's total FIN 48 amount (\$34,467,000) and, consequently, has not been included in its deferred tax balance. The \$34,467,000 FIN 48 amount, as shown on Electric Schedule B-9, column I, rows 44-45, is composed of FIN 48 liabilities related to two uncertain tax positions, T&D repairs and casualty losses. Mr. Effron's proposed adjustment which was referred to in Exhibit 37.0, Line 59 includes FIN 48 liabilities for both issues (the \$2 million difference between his testimony and Electric Schedule B-9 is probably rounding).

**Ameren Illinois Company
d/b/a Ameren Illinois
Response to ICC Staff Data Requests
Docket Nos. 11-0279 and 11-0282 (Cons.)
Proposed General Increase in Electric and Gas Delivery Service Rates
Data Request Response Date: 8/10/2011**

DLH 26.01

Referring to Ameren Ex. 37.0, would the Company agree to not seek recovery from its ratepayers if the Internal Revenue Service (“IRS”) ultimately requires any interest or penalties on the FIN 48 amounts provided that the ICC, pending a final IRS determination, makes no adjustment for rate-making purposes to the Company’s deferred taxes because of the FIN 48 amount? If no, fully explain the Company’s objection.

RESPONSE

**Prepared By: Brenda J. Menke
Title: Manager, Income Tax
Phone Number: 314-554-2938**

If the ICC does not recognize the Company’s FIN 48 liability balance for rate-making purposes (*e.g.*, it is not included in any amount by which its rate base is reduced), the Company agrees not to seek recovery from its ratepayers of any interest or penalties assessed by the IRS with respect to its FIN 48 amount.