

Ameren Illinois Company  
Return on Equity (ROE) Collar Computation

2010  
2011 & 2012

Sch FR A-3  
Actual Data  
Projected Additions

Ln	(A) Description	(B) Source	(C) Amt (\$ in 000s)
1	DS Rate Base	Sch FR B-1 Ln 36	
<b>Capital Structure</b>			
2	Common Equity %	Sch FR D-1 Ln 10	
3	Preferred Stock %	Sch FR D-1 Ln 11	
4	Short-Term Debt %	Sch FR D-1 Ln 13	
5	Long-Term Debt %	Sch FR D-1 Ln 12	
6	DS Common Equity Balance	(Ln 1) * (Ln 2)	
7	DS Preferred Stock Balance	(Ln 1) * (Ln 3)	
8	DS Equity Balance (Common and Preferred)	(Ln 6) + (Ln 7)	
9	DS Short-Term Debt Balance	(Ln 1) * (Ln 4)	
10	DS Long-Term Debt Balance	(Ln 1) * (Ln 5)	
11	Cost of Short-Term Debt (%)	Sch FR D-1 Ln 20	
12	Cost of Long-Term Debt (%)	Sch FR D-1 Ln 19	
13	Cost of Preferred Stock (%)	Sch FR D-1 Ln 18	
14	DS Operating Revenue	FERC Fm 1, p. 300, line 12, and Note (2')	
15	DS Collar Revenue	FERC Fm 1, p. 300, line 12, and Note (2')	
16	Reversal of Prior Yr Reserve (1')	FERC Fm 1, p. 300, line 12, and Note (2')	
17	Other Revenue	Sch FR A-1 - REC Ln 21	
18	DS Applicable Operating Revenue	(Ln 14) - (Ln 15) - (Ln 16) + (Ln 17)	
19	DS Operating Expenses	Sch FR A-1 - REC Ln 10	
20	DS Operating Income Before Interest and Taxes	(Ln 18) - (Ln 19)	
21	DS Short-Term Interest Expense	(Ln 9) * (Ln 11)	
22	DS Long-Term Interest Expense	(Ln 10) * (Ln 12)	
23	Credit Facilities Expense	(Ln 1) * FR D-1, Col C, Ln 23	
24	DS Operating Income before Taxes	(Ln 20) - (Ln 21) - (Ln 22) - (Ln 23)	
25	Income Tax Rate (%)	Sch FR C-4 Ln 4	
26	DS Income Taxes before ITCs	(Ln 24) * (Ln 25)	
27	Amortization of ITCs	Sch FR C-4 Ln 12	
28	DS Income Taxes	(Ln 26) + (Ln 27)	
29	DS Net Income before Preferred Stock Dividend	(Ln 24) - (Ln 28)	
30	DS Preferred Stock Dividend	(Ln 7) * (Ln 13)	
31	DS Net Income	(Ln 29) - (Ln 30)	
32	DS ROE (%)	(Ln 31) / (Ln 6)	
<b>ROE Collar</b>			
33	Allowed ROE (%)	Sch FR D-1 Col D Ln 17	
34	Maximum Allowed ROE (%)	(Ln 33) + (0.5%)	
35	Minimum Allowed ROE (%)	(Ln 33) - (0.5%)	
36	Percent Above Maximum Allowed ROE (%)	IF (Ln 32) > (Ln 34) THEN (Ln 32) - (Ln 34) ELSE (0.0%)	
37	Amount Above Allowed ROE Collar	(Ln 6) * (Ln 36) * (-1.0)	
38	Percent Below Minimum Allowed ROE (%)	IF (Ln 32) < (Ln 35) THEN (Ln 35) - (Ln 32) ELSE (0.0%)	
39	Amount Below Allowed ROE Collar	(Ln 6) * (Ln 38)	
40	ROE Collar Adj After Tax	(Ln 37) + (Ln 39)	
41	ROE Collar Tax Gross-up	(Ln 40) * ((1.0) - (Ln 25))	
42	ROE Collar Adj	(Ln 40) + (Ln 41)	
			To Sch FR A-1 - REC Ln 23

Notes:

- (1') Includes any changes in accrued revenues associated with the prior year formula rate true-up so that those accrued revenues do not artificially impact the collar calculation.
- (2') As footnoted in the FERC Form 1.

Response to Ameren Illinois Company's  
Fifth Set of Data Requests to Staff  
Docket No. 12-0001  
Response of Staff Witness Rochelle Phipps  
Response Date: June 12, 2012

ICC Person Responsible: Rochelle Phipps  
Title: Senior Financial Analyst  
Business Address: Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, IL 62701

Request AIC-Staff 5.03

In reference to Ms. Phipps statement at page 9, lines 118-120, please explain whether Standard & Poor's uses a monthly average of beginning and ending common equity balances, a simple average of beginning and ending common equity balances, or another methodology to measure average common equity. To the extent the methodology is something other than a simple average, please provide all documentation relied on by Ms. Phipps in support of her response.

Response

According to Standard & Poor's, the denominator in the return on equity calculation is a simple average of the beginning and end of year balances of common equity. See Standard & Poor's Ratings Direct Glossary, which defines "Return on common equity (%), adjusted," as  $(\text{Income from continuing Operations} - \text{Preferred Dividend}) / \text{AVERAGE (Common Equity CY, Common Equity PY)}$ , available at [www.RatingsDirect.com](http://www.RatingsDirect.com).