**Ameren Illinois Company**
**Docket No. 12-0001**
**CUB Exhibit 1.3**
**Copies of Applicant's Responses to Discovery Requests**
**Referenced in the Direct Testimony and Schedules of**
**Ralph C. Smith**

****Confidential Information has been Redacted****

| Discovery Request | Subject | Confidential | No. of Pages | Page No. |
|---|---|---|---|---|
| AG 2-10 | Ameren does not take into account Deferred Compensation or Vacation Pay in the determination of rate base | No | 1 | 2 |
| AG 2.15 | Monthly Vacation Pay accrual for 2010 | No | 1 | 3 |
| AG 3.02 | Vacation Pay has been excluded from Ameren's cash working capital study | No | 1 | 4 |
| AG 2.14 | Ameren accures and expenses vacation pay in the year prior to the employee receiving payment | No | 1 | 5 |
| AG 2.16 | Total cost of vacation pay accrued in 2010 by Ameren | No | 1 | 6 |
| AG 3.03 | Amount of each reserve element for FIN 48 by audit cycle (with confidential attachment) | Yes | 2 | 7 - 8 |
| AG 2.17 | Details of FIN 48 liabilities and the actual payment made on the liabilities for the 2005-2006 audit cycle | Yes | 2 | 9 - 10 |
| AG 3.05 | Description of each item in the calculation of FIN 48 reserve subject to interest for 2012 | No | 1 | 11 |
| AG 2.18 | Accrued interest of FIN 48 liabilities for 2011 | No | 1 | 12 |
| AG 2.19 | Ameren's forecasted interest expense on FIN 48 liabilities for 2012 | No | 2 | 13 - 14 |
| AG 3.06 | Explanation of FIN 48 reserve elements that are not expected to accure interest expense for 2012 | No | 1 | 15 |
| | FERC provided guidance regarding accounting and financial reporting for uncertain taxes - FERC Docket No. AI07-2-000, dated May 25, 2007 (Accession No. 20070525-4017) | No | 7 | 16 - 22 |
| | Indiana Michigan Power response to SDI 4-7 from IURC Cause No. 44075 regarding how the company treated its FIN 48 amounts for purposes of its rate case filings (without attachments) | No | 1 | 23 |
| AG 2.08 | Explanation of Ameren's deferred Investment Tax Credit and its amortization as a reduction to income tax expense | No | 1 | 24 |
| ST 2.07 | Ameren's expense for corporate branding and corporate sponsorships (with excerpts from Attachment 1) | No | 7 | 25 - 31 |
| ST 2.06 | Ameren 2010 athletic event expenditures (with confidential Attachment 1) | Yes | 2 | 32 - 33 |
| AG 4.01 | Ameren's jurisdictional portion of EEI dues allocated for lobbying (without attachments) | No | 2 | 34 - 35 |
| | | | | |
| | Total Pages Including this Page | | 35 | |

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.10

Referring to Schedule B-9, pages 1 and 2, please explain the extent to which the accrued liabilities or reserves associated with the following items are taken into account in the determination of rate base: Deferred Compensation (Lines 19 and 20) and Vacation Pay Adjustment (Lines 43 and 44).

**RESPONSE**

**Prepared By: Ronald D. Stafford**
**Title: Manager, Regulatory Accounting**
**Phone Number: 314-206-0584**

Deferred Compensation is not taken into account in the determination of rate base. After consideration of the source for the AIC's deferred compensation liability explained in response to AG 2.11, the Company no longer considers the deferred compensation ADIT to be applicable to the current cost of providing service to electric distribution customers, and intends to remove the ADIT balance from jurisdictional rate base in its Rebuttal Filing. The Company continues to review the extent to which the Vacation Pay Adjustment is taken into account in the Cash Working calculation. The Vacation Pay Adjustment is not otherwise taken into account in the determination of rate base.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.15

Please provide the balance of accrued Vacation Pay as of the end of each month of 2010.

**RESPONSE**

**Prepared By: Ronald D. Stafford**
**Title: Manager, Regulatory Accounting**
**Phone Number: 314-206-0584**

| | End of Month Balance |
|---|---|
| Jan-10 | (18,809,880.73) |
| Feb-10 | (18,912,761.73) |
| Mar-10 | (19,015,642.73) |
| Apr-10 | (19,118,523.73) |
| May-10 | (19,221,404.73) |
| Jun-10 | (19,324,285.73) |
| Jul-10 | (19,427,166.73) |
| Aug-10 | (19,632,928.73) |
| Sep-10 | (19,735,809.87) |
| Oct-10 | (19,735,809.73) |
| Nov-10 | (19,838,690.53) |
| Dec-10 | (19,941,571.73) |

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/22/2012**

AG 3.02

Referring to the response to AG Data Request 2.10, please describe the extent to which the Vacation Pay Adjustment is taken into account in the Cash Working calculation when the review is complete.

**RESPONSE**

**Prepared By: Ronald D. Stafford**
**Title: Manager, Regulatory Accounting**
**Phone Number: 314-206-0584**

As stated on page 3 of Ameren Exhibit 4.0, the cash working capital requirement represents the amount of cash the Company needs to keep on hand to meet its cash operating expenses. The vacation accrual is a liability without a defined payout period; therefore, the vacation accrual has been properly excluded from the cash working capital study.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.14

Please describe when Vacation Pay is paid in relation to when it is earned and accrued.

**RESPONSE**

**Prepared By: Ronald D. Stafford**
**Title: Supervisor, Regulatory Accounting**
**Phone Number: 314-206-0584**

Vacation pay is accrued and expensed by the company in the year prior to the employee receiving payment.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.16

Please provide the cost of Vacation Pay accrued in 2010.

**RESPONSE**

**Prepared By: Ronald D. Stafford**
**Title: Manager, Regulatory Accounting**
**Phone Number: 314-206-0584**

Total cost of AIC Vacation Pay accrued in 2010 was $1,234,572.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/22/2012**

AG 3.03

Referring to the response to AG Data Request 2.17, please provide the amount of each element of the reserve for uncertain deferred tax positions by audit cycle.

**RESPONSE**

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

See AG 3.03 Attach for details of each element of the reserve for uncertain tax positions by audit cycle. This schedule is designated **CONFIDENTIAL and PROPRIETARY**.

# PAGE 8 IS CONFIDENTIAL AND HAS BEEN REDACTED

**Ameren Illinois Company's**
**Response to AG Data Requests**
**Docket No. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Revised Response Date: 7/24/2012**

AG 2.17R

Referring to Electric Schedule B-9, page 2, please provide a complete description of the deferred tax liabilities that have been reclassified to FIN 48 liabilities (Lines 60 and 61) related to uncertain tax positions. The response should also explain why the reclassification was necessary and when the expected payments on these liabilities are expected to occur.

**RESPONSE**

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

See both the public (redacted-pdf) and confidential (Excel) versions of AG 2.17R Attach for details of amounts that make up the FIN 48 liabilities shown on lines 60 and 61 on page 2 of the Electric Schedule B-9. These reclassifications are necessary because they meet criteria to be classified as a noncurrent liability under the rules of ASC 740. They are not considered deferred tax liabilities.

The payments on these liabilities relate to three separate audit cycles. The 2005-2006 audit cycle settled in June 2011. The actual payment related to this cycle was $3,212,359, compared to a FIN 48 liability of $8,899,243 at 12/31/10.

The 2007-2009 audit cycle is expected to be completed at some time in 2012.

The 2010 audit cycle is expected to be completed at some point before the end of 2013.

The information in the attachment contains details of Ameren Illinois' reserve for uncertain tax positions, including the amount of reserve for each issue. While the uncertain tax positions are known by the taxing authorities, the company's risk analysis is not. This is considered confidential and proprietary because, if the risk analysis is known, it could jeopardize the effectiveness of strategies that Ameren Illinois may use at IRS Appeals, through the courts or separately in informal or formal negotiations with various branches of the National office of the IRS.

**Company:** AIC
**Analysis:** ASC 740-10 Accounting for Uncertainties in Income Taxes
**Period:** 12/31/2010

DR / CR True Balance Sheet

**FIN 48 Reserve for Uncertain Tax Positions**

| **Description** | **Ties to WPB - 9a** | **Plant Allocator** | **Ties to B-9** | |
|---|---|---|---|---|
| 282-F48 | | | | |
| [redacted] | [redacted] | | | |
| | 43,072,751 | 82.89% | 35,701,186 | Line 60 |
| 282-S48 | | | | |
| [redacted] | [redacted] | | | |
| | 9,644,802 | 82.89% | 7,994,169 | Line 61 |
| **Reserve for Uncertain Tax Postions - Deferred Tax** | **52,717,553** | | | |
| By audit cycle | | | | |
| 2005-2006 | 10,736,755 | 82.89% | 8,899,243 | |
| 2007-2009 | 14,906,629 | 82.89% | 12,355,476 | |
| 2010 | 27,074,169 | 82.89% | 22,440,636 | |
| | 52,717,553 | 82.89% | 43,695,355 | |

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/22/2012**

AG 3.05

Referring to the response to AG Data Request 2.19, please explain each line item in the calculation of the reserve for uncertain deferred tax positions subject to interest. The response should include an explanation of how the line items relate to the elements of the reserve for uncertain deferred tax positions shown in the response to AG Data Request 2.17.

**RESPONSE**

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

Each line item in the calculation of the reserve for uncertain deferred tax positions subject to interest for 2012 is explained as follows:

Casualty Loss Deduction – The uncertain tax positions reserve balance includes the casualty loss reserve for 2010 offset by the depreciation deduction that will be allowed upon disallowance of the casualty loss deduction.

T&D Repairs – The uncertain tax positions reserve balance includes the T&D repairs reserve for 2010, offset by the depreciation deduction that will be allowed upon disallowance of the T&D repairs deduction.

Net Operating Loss – a net operating loss (NOL) carry forward from 2008-2009 is available to apply against the increase in taxable income related to disallowance of the casualty loss and T&D repairs deductions referenced above.

The blended federal and state tax rate is applied to the expected net increase in taxable income to determine the reserve balance subject to the interest calculation.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.18

What was the interest accrued on the FIN 48 liabilities in 2011?

**RESPONSE**

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

Interest on FIN 48 liabilities was accrued as a credit to the income statement for the amount of $1,029,527 for the year 2011. This decrease to interest expense was a net of the accrual of interest expense for 2011, along with a reversal of interest accrued but not paid related to the 2005-2006 audit cycle, and a change in methodology in the interest calculation related to prior year net operating losses.

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/3/2012**

AG 2.19

What is the forecasted interest expense on the FIN 48 liabilities in 2012? The response should include supporting calculations, including the assumed interest rate used.

**RESPONSE**

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

Forecasted interest expense on the FIN 48 liabilities for 2012 is $351,719 using a rate of 4%. See “Attachment to AG 2.19” for supporting calculations.

Taxpayer: AIC
Jurisdiction: FED - Federal (U.S.) Calc Thru Date: 12/31/12

Amount(s) Entered

| Date | Amount |
|---|---|
| 03/15/11 | 8,351,919.00 |

| Date(s) | Amount(s) | Interest | Balance | Rate | Method |
|---|---|---|---|---|---|
| 03/15/11 | 8,351,919.00 | | 8,351,919.00 | | |
| 03/16/11-03/31/11 | | 10,990.11 | 8,362,909.11 | 3 | DAI |
| 04/01/11-12/31/11 | | 255,854.84 | 8,618,763.95 | 4 | DAI |
| 01/01/12-12/31/12 | | 351,718.82 | 8,970,482.77 | 4 | DAI |

Total Interest 618,563.77
Total Amounts Due = 8,351,919.00

| 2010 | |
|---|---|
| casualty issue | 744,224 |
| T&D repairs - 481(a) | ~~(53,294,768)~~ |
| T&D repairs - yearly deduct | (16,164,441) |
| income increase before NOL | ~~(68,714,985)~~ |
| NOL available | 47,856,046 |
| income increase after NOL | ~~(20,858,939)~~ |
| AIC tax rate | ~~40.04%~~ |
| FIN 48 taxable inc for interest calc | (8,351,919) |

(See interest calculation at left)

Current interest rate is 4%.

Taxpayer: AIC
Jurisdiction: FED - Federal (U.S.) Calc Thru Date: 12/31/11

Amount(s) Entered

| Date | Amount |
|---|---|
| 03/15/11 | 8,351,919.00 |

| Date(s) | Amount(s) | Interest | Balance | Rate | Method |
|---|---|---|---|---|---|
| 03/15/11 | 8,351,919.00 | | 8,351,919.00 | | |
| 03/16/11-03/31/11 | | 10,990.11 | 8,362,909.11 | 3 | DAI |
| 04/01/11-12/31/11 | | 255,854.84 | 8,618,763.95 | 4 | DAI |

Total Interest 266,844.95
Total Amounts Due = 8,351,919.00

| | |
|---|---|
| Reserve balance 12/31/12 | 618,564 |
| Reserve balance 12/31/11 | 266,845 |
| **2012 interest expense** | **351,719** |

**Ameren Illinois Company**
**Response to AG Data Requests**
**Docket Nos. 12-0001**
**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing**
**Data Request Response Date: 2/22/2012**

AG 3.06

Referring to the response to AG Data Request 2.19, to the extent interest expense is not accrued in 2012 on any element of the reserve for uncertain deferred tax positions shown in the response to AG Data Request 2.17 please explain why no interest is accrued on that element.

**RESPONSE**

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

Interest expense was not expected to be accrued in 2012 on the following elements of the reserve for uncertain tax positions:

The reserve for uncertain tax positions for the audit cycle 2005 – 2006 resulted in zero interest liability for the year 2012 because the audit cycle was settled in 2011.

The reserve for uncertain tax positions for the audit cycle 2007 resulted in zero interest liability forecast for the year 2012 because the issues were expected to be settled prior to 2012.

The reserve for uncertain tax positions for the audit cycle 2008 – 2009 resulted in zero interest liability for the year 2012 because available net operating losses will be utilized to offset the additional income.

The reserve for uncertain tax positions for the audit cycle 2010 resulted in zero interest liability calculated for the Mixed Service Costs issue for the year 2012 because the amount of the issue was considered immaterial.

FEDERAL ENERGY REGULATORY COMMISSION 119 FERC ¶ 62,167
Office of Enforcement
Washington, D.C. 20426

In Reply Refer To:
OE
Docket No. AI07-2-000
May 25, 2007

TO ALL JURISDICTIONAL PUBLIC UTILITIES AND LICENSEES, NATURAL GAS COMPANIES, OIL PIPELINE COMPANIES AND CENTRALIZED SERVICE COMPANIES

Subject: Accounting and Financial Reporting for Uncertainty in Income Taxes

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, *Accounting for Income Taxes* (FIN 48 or the Interpretation). FIN 48, as amended by FASB Staff Position No. FIN 48-1,[1] clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109. The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under FIN 48, an entity must evaluate all tax positions using a two-step process. The first step is recognition: The entity determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the entity should presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The

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[1] On May 2, 2007 FASB issued FASB Staff Position No. 48-1, Definition of *settlement* in FASB Interpretation No. 48, an amendment to FIN 48. FIN 48-1 clarifies how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits.

tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

The FASB states it issued FIN 48 because the absence of more definitive guidance in this area resulted in diversity in how entities recognize, derecognize, and measure potential tax benefits associated with tax positions. The FASB's stated objective in issuing the Interpretation is to increase comparability in financial reporting of income taxes.

Commission jurisdictional entities recognize income taxes in accordance with FASB Statement No. 109 for Commission accounting and reporting purposes. As previously noted, FIN 48 is an interpretation of FASB Statement No. 109. Although increasing the comparability in reporting of income taxes is generally desirable, it is also essential that the Commission and others have available to them financial information about jurisdictional entities' costs and revenues that is useful for the development and monitoring of rates charged for services provided. Certain aspects of FIN 48, if not implemented in accordance with the guidance contained herein, could reduce the usefulness of income tax data for ratemaking purposes and or otherwise be inconsistent with existing Commission accounting re uirements. Therefore, Commission jurisdictional entities should implement FIN 48 for Commission accounting and reporting purposes, but in doing so should comply with the guidance set forth below.

The guidance is being provided to all jurisdictional entities to ensure proper and consistent implementation of FIN 48 for Commission financial reporting purposes beginning with the 2007 FERC Form Nos. 1, 1-F, 2, 2-A, 6, and 60 due to be filed in 2008. Earlier implementation is encouraged.

This guidance is for Commission financial accounting and reporting purposes only and is without prejudice to the ratemaking practice or treatment that should be afforded the items addressed herein. Neither FIN 48 nor the guidance contained in this letter for implementing the Interpretation for Commission financial accounting and reporting purposes relieves entities from the re uirements of Section 154. 05, Tax normalization for interstate pipelines , or Section 5.24, Tax normalization for public utilities, of the Commission s regulations.

## **1** ACCOUNTING FOR AND REPORTING TA POSITIONS

FIN 48 applies to all tax positions accounted for in accordance with FASB Statement No. 109. The term *tax position* as used in FIN 48 refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. As a result of applying the recognition and measurement provisions of this Interpretation, the amount of benefit recognized on the balance sheet may differ from the amount taken or expected to be taken in a tax return for the current year. These differences represent unrecognized tax benefits, which are the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the Interpretation. A liability is created (or the amount of a net operating loss carryforward or amount refundable is reduced) for an unrecognized tax benefit because it represents an entity's potential future obligation to the taxing authority for a tax position that was not recognized pursuant to the Interpretation. The Interpretation re uires the liability to be reported as current to the extent the entity anticipates payment of cash within one year, or the operating cycle, if longer, and does not permit the liability for unrecognized tax benefits to be combined with deferred tax liabilities or assets.

**1** ow should jurisdictional entities account for unrecognized tax benefits related to temporary differences for Commission accounting and reporting purposes (Forms 1, 1-F, 2, 2-A, - , 6, 6- and 60)

Under existing Commission re uirements, entities measure and recognize current and deferred tax liabilities (and assets) based on the positions taken or expected to be taken in a filed tax return and recognize uncertainties regarding those positions by recording a separate liability for the potential future payment of taxes when the criteria for recognition of a liability contained in FASB Statement No. 5, *Accounting for Contingencies*, are met, generally as part of the accrual for current payment of income tax. Where uncertainties exist with respect to tax positions involving temporary differences, the amounts recorded in the accounts established for accumulated deferred income taxes are based on the positions taken in the tax returns filed or expected to be filed. Recognition of a separate liability for any uncertainty related to temporary differences is therefore not necessary because the entity has already recorded a deferred tax liability for the item or would be entitled to record a deferred tax asset for the item if a separate liability for the uncertainty was recognized.

This practice results in the accumulated deferred income tax accounts reflecting an accurate measurement of the cash available to the entity as a result of temporary differences. This is an important measurement objective of the Commission's Uniform

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Temporary difference as used here means a difference between the tax basis of an asset or liability as reflected or expected to be reflected in a tax return and its reported amount in the financial statements.

Systems of Account because accumulated deferred income tax balances, which are significant in amount for most Commission jurisdictional entities, reduce the base on which cost-based, rate-regulated entities are permitted to earn a return. FIN 48, which does not permit a liability for uncertain tax positions related to temporary differences to be classified as a deferred tax liability, frustrates this important measurement objective. Therefore, entities should continue to recognize deferred income taxes for Commission accounting and reporting purposes based on the difference between positions taken in tax returns filed or expected to be filed and amounts reported in the financial statements. Also, consistent with the direction provided in Docket No. AI9 -5 regarding the implementation of FASB Statement No. 109, public utilities and licensees, natural gas companies and centralized service companies should not remove from accumulated deferred income taxes and reclassify as a current liability the amount of deferred income taxes payable within 12 months of the balance sheet date.

## ACCOUNTING FOR AND REPORTING PENALTIES AND INTEREST

When the tax law re uires interest to be paid on an underpayment of income taxes, paragraph 15 of FIN 48 re uires an entity to begin recognizing interest expense in the first period the interest would begin accruing according to the provision of the relevant tax laws. Also, if a tax position does not meet the minimum statutory threshold to avoid payment of penalties, paragraph 16 of FIN 48 re uires an entity to recognize an expense for the amount of the statutory penalty in the period in which the enterprise claims or expects to claim the position in the tax return. Paragraph 19 of the Interpretation allows interest recognized in accordance with paragraph 15 to be classified

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*See* 18 C.F.R. Part 101, *Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act* (2006) 18 C.F.R. Part 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act* (2006) 18 C.F.R. Part 52, *Uniform System of Accounts Prescribed for the Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act* (2006) 18 C.F.R. 66.22, *Accounts and records of service companies* (2006) and 18 C.F.R. Part 67, *Uniform System of Accounts for Centralized Service Companies Subject to the Provisions of the Public Utility Holding Company Act of 2005*, Order No. 684, issued October 19, 2006, *Financial Accounting, Reporting and Records Retention Requirements Under the Public Utility Holding Company Act of 2005*, FERC Stats. Regs. ¶ 1,229 (2006).

*Accounting for Income Taxes*, Letter Order to Public Utilities, Licensees and Natural Gas Companies, Docket No. AI9 -5 (April 2 , 199 ) (unpublished letter order).

in the financial statements as either income taxes or interest based on the accounting policy election of the entity. Similarly, penalties recognized in accordance with paragraph 16 of the Interpretation may be classified in the financial statements as either income taxes or another expense classification, based on the accounting policy election of the entity.

What FERC accounts should jurisdictional entities use to record and report interest expense and penalties applicable to underpayment of income taxes

The Commission's Uniform Systems of Account Prescribed for Public Utilities and Licensees, Natural Gas Companies and Centralized Service Companies re uire interest and penalties on tax deficiencies to be charged to Account 4 1, Interest Expense and Account 426. , Penalties, respectively. Therefore, public utilities and licensees, natural gas companies and centralized service companies should comply with these re uirements for Commission accounting and reporting purposes. Classification of interest and penalties on tax deficiencies as income taxes is not permitted. Although not explicitly addressed in the Uniform System of Accounts Prescribed for Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act, oil pipeline companies should charge interest expense and penalties on tax deficiencies to Account 660, Miscellaneous Income Charges, to similarly exclude such amounts from classification as income taxes for Commission accounting and reporting purposes.

ADJUSTMENTS TO RETAINED EARNINGS

Paragraph 2 of FIN 48 re uires the cumulative effect of applying the provisions of the Interpretation to be reported as an adjustment to the opening balance of retained earnings.

ow should FERC jurisdictional entities recognize any re uired adjustment to the opening balance of retained earnings Is a separate filing re uesting Commission approval of that accounting re uired

Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies should use the accounts shown below to record any adjustment to the opening balance of retained earnings re uired in connection with

*See* Account No. 2 6, Taxes Accrued and Account No. 426. , Penalties. 18 C.F.R Parts 101, 201 and 67.

implementing FIN 48 for Commission accounting and reporting purposes. This guidance letter constitutes the re uired Commission approval for use of these accounts for this purpose and a separate filing with the Commission re uesting such approval is not needed. Public utilities and licensees, natural gas companies and oil pipeline companies should report any amounts recorded in the accounts listed below on the lines designated for these accounts in the Statement of Retained Earnings contained in the FERC Form Nos. 1, 1-F, 2, 2-A, - , 6 and 6- .

| | |
|---|---|
| Public utilities and licensees (Major and Nonmajor) | Account 4 9, Adjustments to retained earnings |
| Natural gas companies | Account 4 9, Adjustments to retained earnings |
| Oil pipeline companies | Account 705, Prior period adjustments to beginning retained income account |
| Centralized service companies<br>□ Periods prior to January 1, 2008<br><br>□ January 1, 2008 and subse uent periods | <br>Account 216, Unappropriated retained earnings<br><br>Account 4 9, Adjustments to retained earnings |

COST-OF-SERVICE TARIFFS FORMULA RATE

Jurisdictional entities may have cost-of-service tariffs or formula rates under which amounts billed each month will change based on amounts recorded pursuant to a Commission prescribed Uniform System of Accounts. Under the tariff or formula rate, only amounts recorded in certain specified accounts affect the monthly billings.

May jurisdictional entities include in their monthly billings any amounts recognized or reclassified in connection with the implementation of FIN 48 for FERC reporting purposes

No. Adoption of the accounting guidance contained in this letter is for Commission accounting and reporting purposes only, and may not affect the measurement or periods in which amounts are included in jurisdictional entities billing determinations without prior regulatory approval. If an entity s billing determinations are affected by the adoption of the guidance contained in this letter, the entity shall make a filing with the proper rate regulatory authorities before implementing the accounting change for billing purposes.

The Commission delegated authority to act on this matter to the Chief Accountant under 18 C.F.R. 75. 0 (2006). This guidance letter constitutes final agency action. Your company may file a re uest for rehearing with the Commission within 0 days of the date of this order under 18 C.F.R. 85.71 (2006).

Anna V. Cochrane
Acting Chief Accountant

INDIANA MICHIGAN POWER COMPANY
STEEL DYNAMICS, INC.
DATA REQUEST SET NO. 4
IURC CAUSE NO. 44075

DATA REQUEST NO Q-4-7

REQUEST

Accumulated Deferred Income Taxes.

a. Please identify all amounts, by year, from 2007 through 2011 that the Company has reflected in ADIT for each of the following:
   i) Repairs deductions
   ii) Bonus tax depreciation
   iii) Uncertain tax positions
b. Please provide all FIN 48 amounts by account for each period: 2008, 2009, 2010, 2011 and the test year. Include both FIN 48 balance sheet accounts and expense accounts for any FIN 48 interest accruals.
c. How has the Company treated FIN 48 amounts for purposes of its rate case filing? Please explain fully and provide references to where such treatment is reflected in the Company's filing.
d. Has the Company attempted to not reflect any tax savings related to repairs deductions or any other tax deductions taken on an income tax return because of uncertainty?

RESPONSE

a. See SDI 4-7, Attachment 1, for the Schedule M deductions for Repairs and Bonus Depreciation that have been included in the Federal Income Tax accruals for the requested years. These deductions net of the related book depreciation have been included in the ADFIT accounts of the Company. The FIN-48 ADIT balances (related to Uncertain tax positions) have not been included as discussed below.

b. See SDI 4-7, Attachment 2.

c. For purposes of the Company's filing, the FIN-48 ADIT balances have not been taken into consideration. The Company adheres to the guidance pursuant to FERC Docket No. AI07-2-000 which summarizes the accounting for uncertain tax positions. The accounting for uncertain tax positions represents accruals and recordation's of income taxes which will be ultimately resolved at a future unspecified time. Therefore, in the Company's rate filing, there are no amounts related to uncertain tax positions in rate base or income tax expense.

d. No.

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AG 2.08

Referring to Schedule B-9, page 1, please explain what the deferred taxes on the Unamortized Investment Tax Credit (Line 8) represent and why it is appropriate to include this item in the Company's rate base.

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This line represents the electric distribution portion of accumulated deferred income taxes on federal investment tax credits. Since the underlying assets giving rise to the tax deferral are included in rate base and amortization of investment tax credits is flowed to ratepayers as a benefit in the calculation of income tax expense, the Company believes it is appropriate to include the jurisdictional portion of this deferred tax in the Company s rate base.

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ST 2.07

Referring to Schedule WPC-8, please provide the following:

a) Copies of all advertisements and scripts included in the test year operating expense, listing the production costs for each ad, the publication schedule and costs for each ad
b) Copies of all advertisements included in the test year operating expense purchased on a cooperative basis with manufacturers, developers or others and the company s cost for each ad and
c) All expenses incurred by the utility included in the test year operating expense for ads or scripts produced by a trade association. Include all monies paid to the association for advertising purposes, either in the form of dues, assessments or subscriptions.

a) In 2010, Ameren Illinois continued to communicate with customers regarding the delivery-only utility model and educating customers about safety, choice, rate making and energy efficiency. The Ameren Illinois Utilities (AmerenCILCO, AmerenCIPS, and AmerenIP) were merged in October 2010 becoming Ameren Illinois Company d b a Ameren Illinois. Transitioning the company name to Ameren Illinois started in October and continues.

Advertising was tracked by project and will be reported here following that format. These projects were matched to the Communication and Public Relations Strategy and Plan for 2010 and the department budget.

Ameren Illinois advertising purchases are primarily managed by its Department for Community and Public Relations. Communications efforts are reported in the workbook, ST 2.07 Attach 1, by project. (Attachments ST 2.07 Attach 2 through ST 2.07 Attach 9 provide copies of advertisements and scripts and cost support for the workbook.) These expenses have been charged to the 909 account. Each project has a separate worksheet:

1) includes all printed messaging inserted in bills, and pamphlets.
2) included the web site development and maintenance, telephone directory listings, video development for web sites and WeatherLine.
 ) includes educational materials for presentations, meetings, libraries, and events in classrooms, communities, and customer groups (i.e. seniors, rotaries)
4) includes all radio, TV, internet, and newspaper messaging.
5) includes outreach efforts for customers re uiring help paying their bills or help with reducing their usage.
6) includes corporate efforts for Ameren branded products and communications.
7) include those messaging efforts and support for community events and programs. These items are charged to the 9 0 account.

b) Not applicable. Ameren Illinois works in a cooperative manner with many community organizations however advertisements are not purchased on a cooperative basis.

c) Not applicable. Ameren Illinois is a member of several trade organizations. Dues are paid to the organization to be used to support its mission. No advertisements were produced for which AIC incurred specific expenses.

Invoices are designated .

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## Ameren Illinois - Corporate Branding
## ST 2.07  Provide advertising documentation for the year 2010

**Branding - includes all efforts and items with Ameren Illinois logo and/or company name.**

**Study of the Ameren Brand**

Because the company names of Ameren Illinois and Ameren Missouri went through major transition in 2010, there was a significant effort to examine the Ameren name and logo.  This effort was managed through the Corporate Communications group and applicable costs allocated to Ameren Illinois and Ameren Missouri.
The brand-related expenses in the 909 account (PO# 487737, vendor Simantel) allocated to Ameren Illinois was about $717,625.
Work directly related to transitioning to the Ameren Illinois name by Community and Public Relations is included in the projects of this workbook on tabs 1-5.

**E-store**

Corporate branded products are available for employees to purchase through an on-line store.
Branded items, Clothing (shirts, jackets, sweaters, caps and other wearable's)  and small items like cups, portfolios, folders were purchased for the E-store.

A part of the total costs for the E-store was allocated to Ameren Illinois.  The cost for 2010 and charged to 909 was $157,721.
Includes all vouchers to Swift Incentives, Grimco Inc, and Dogwood Promotions.

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**Ameren Illinois - Corporate Sponsorships**
**ST 2.07 Provide advertising documentation for the year 2010**

| Project Description | Sponsorship Amount | Schedule | Attachments |
|---|---|---|---|
| IHSA-High Schools Boys Basketball tournament | $8,500 | March | **ST 2.07 Attach 33** |
| games and Girls and Boys Cross Country | $12,750 | | **ST 2.07 Attach 34** |
| | $21,250 | | |
| State Farm Classic - golf tournament sponsor | $20,000 | June | |
| Central Illinois Business Publishers: | | | |
| InterBusiness Issues - Monthly ads for business to business communications. | $15,000 | monthly ad | **ST 2.07 Attach 35** |
| Arts and Society-quarterly communications for community happenings in central Illinois | | every other month | **ST 2.07 Attach 36** |
| Peoria Chiefs - Season Tickets | $4,760 | spring--fall | |
| Pekin Main Street - Eagle Census Festival Sponsor | $1,000 | | |
| Pilot Club Of Peoria - PARC in Bloom Style Show | $100 | | |
| Murphysboro Chamber of Commerce - St Patrick's Day Celebration | $500 | | |
| Special Olympics Illinois - Southern IL Area 15 Silver | $2,000 | | |
| Pekin Area Chamber of Commerce - Marigold Festival Showcase Stage | $2,500 | | |
| Decatur Park District - Singers and First Tee | $12,000 | | |
| Peoria Officials Asc - IHSA Hospitality for Coaches, Athletic Directors and Officials | $500 | | |
| Normal Cornbelters - Video Board, 4 Season Tickets | $5,800 | spring-fall | |
| Pekin Area Chamber of Commerce - Annual Meeting Sponsor | $250 | | |
| Herrin Fiesta Italiana - Sponsor | $2,500 | | **ST 2.07 Attach 37** |
| American Lung Asc- Springfield Golf Classic Sponsor | $1,500 | | |

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**Ameren Illinois - Corporate Sponsorships**
**ST 2.07 Provide advertising documentation for the year 2010**

| Project Description | Sponsorship Amount | Schedule | Attachments |
|---|---|---|---|
| American Cancer Society - Relay for Life (Franklin County) | $500 | | |
| Decatur Futures Charity Golf Classic | $8,250 | | |
| Decatur Celebration - Sponsorship | $10,000 | | |
| WCBU Public Radio - Africa in Peoria Sponsorship | $1,000 | | |
| Peoria Civic Center - Broadway Theatre Series | $27,000 | | |
| Pekin Park District - Pekin Park Band Concert | $1,000 | | |
| WYCA of Peoria - 2010 Leader Luncheon Award Sponsor | $3,000 | | |
| Washington Chamber of Commerce - Cherry Festival | $800 | | |
| Pekin Area Chamber of Commerce - Fireworks Celebration | $250 | | |
| PR Newswire - Corp News - Ameren Subsidiary Announce Reductions in Response to Continuing Declines in Power Market | $774 | | |
| Peoria Civic Center - World Fest | $4,000 | | |
| Jay Goldberg Events - Pekin Balloons in the Park | $2,000 | | |
| City of Hillsboro - Lighting for Sports Complex | $4,000 | | |
| Jay Goldberg Events - IL Blues Festival | $1,000 | | |
| IL Dept of Agriculture - IL State Fair | $5,000 | | |
| | $3,000 | | |
| | $2,000 | | |
| Peoria Civic Center - World Fest | $4,000 | | |
| Better Business Bureau of Central IL - Torch Sponsorship | $1,000 | | |
| Heart of Illinois Fair - Peoria | $5,000 | | |
| MB Thomas Winnebago RV Safes (rental) St Jude St. Louis Run Sponsorship | $1,500 | | |

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## Ameren Illinois - Corporate Sponsorships
## ST 2.07  Provide advertising documentation for the year 2010

| Project Description | Sponsorship Amount | Schedule | Attachments |
|---|---|---|---|
| IL State Black Chamber of Commerce - Bronze Sponsorship | $2,500 | | **ST 2.07 Attach 38** |
| Tornado Open - Taylorville - | $500 | | |
| City of East Peoria - Festival of Lights - Dinosaur Float Sponsorship | $2,000 | | |
| Jay Goldberg Events - Universal Rhythm Assembly | $2,000 | | |
| IL Central College - Athletic Fund | $1,000 | | |
| PR Newswire - Corp News - Ameren Announces Creation of Separate Transmission Business | $1,896 | | |
| Peoria Citizens for Economic Opportunity - Mitchell JJ Anderson Basketball Camp | $10,000 | | |
| Colleen Callahan Communication - Marshall Putnam Fair Tractor Pull | $2,500 | | |
| Ameren Illinois Booklets - Legacy Company History | $1,898 | | **ST 2.07 Attach 39** |
| IL Central College  Education Foundation - Community Event | $1,000 | | |
| Decatur Public Schools District 81 - Turkey Tournament | $5,000 | | |
| Peoria Symphony Orchestra - season tickets | $562 | | |
| NAACP of Peoria - Freedom Fund Banquet | $1,000 | | |
| Tri County Urban League (golf tourney) Hole Sponsor | $250 | | |
| Peoria Area Chamber of Commerce - Heartland Partnership Annual Meeting | $1,250 | | |
| Bradley University - Athletics - Men's Basketball | $10,000 | | |
| Ameren Laminated Presentation Folders | $8,055 | | |
| Peoria Area Community Events - Yule Like Peoria Streetlight Pole holiday decorations | $210 | | |
| Central IL Black Expo | $1,000 | | |

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## Ameren Illinois - Corporate Sponsorships
## ST 2.07 Provide advertising documentation for the year 2010

| Project Description | Sponsorship Amount | Schedule | Attachments |
|---|---|---|---|
| Ameren Transmission Pocket Folder | $2,794 | | |
| CSS Audio - Economic Development | $1,850 | | |
| **Total Corporate Sponsorship** | **$253,249** | | |

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ST 2.06

Please identify all expenses incurred during 2010 for athletic events, tickets, sky boxes and all sporting activities. In addition, please:

a) Specifically identify the activity and dollar amount.
b) Indicate to which FERC Form 1 account these expenditures have been charged.
c) Provide copies of paid vouchers and invoices supporting these expenditures.

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a) See ST 2.06 Attach 1.
b) See response to subpart a).
c) See ST 2.06 Attach 2 and for copies of disbursement vouchers paid through Accounts Payable.

All attachments are designated .

# PAGE 33 IS CONFIDENTIAL AND HAS BEEN REDACTED

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AG 4.01

**1 11** Please provide the following additional information regarding EEI dues expensed in 2010:

a) A copy of all invoices paid by Ameren Corporation for EEI dues for calendar 2010.
b) Describe how Ameren Corporation s overall payment of EEI dues are assigned or allocated between Ameren regulated and non-regulated business units and provide supporting calculations for such allocations.
c) What portion of EEI dues for 2010 are utilized to support the legislative monitoring and lobbying activities of EEI
d) What ratemaking adjustment would be re uired, if any, to record EEI legislative affairs costs below the line for ratemaking purposes
e) Provide copies of documentation and calculations to support your responses to parts (c) and (d).

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a) The only EEI dues Ameren Corporation paid during 2010 were in December 2010 for the 2011 membership. A copy of the invoice is attached (see AG 4.01 Attach 1).
b) The dues were allocated between Ameren Fuels, Ameren Energy Resources Generation, Ameren CILCO, Ameren CIPS, Genco, GMC, Ameren IP, Medina Valley and Ameren UE using the composite allocator 001A in the General Service Agreement. The allocator is based on total sales, customers and employees (see AG 4.01 Attach 2 for the calculation of the 001A composite allocator). The 2010 factors used and the portion of the dues paid in 2010 which were allocated to each company were as follows:

| Corp | Amount | Percent |
|---|---|---|
| CIL | $149,765.00 | 11.50% |
| CIP | $177,634.00 | 13.64% |
| IPC | $334,692.00 | 25.70% |
| Ameren Illinois | $662,091.00 | 50.84% |
| | | |
| AFS | $9,507.00 | 0.73% |
| ARG | $11,330.00 | 0.87% |
| GEN | $27,088.00 | 2.08% |
| GMC | $54,176.00 | 4.16% |
| MV1 | $651.00 | 0.05% |
| UEC | $537,459.00 | 41.27% |
| Ameren Total | $1,302,302.00 | 100.00% |

Of the $662,091 allocated to Ameren Illinois approximately 30% of the costs were allocated to gas leaving $463,464 charged to electric.

c) Per the footnote on the EEI invoice approximately 21% of the $1,152,093 dues for regular activities and 35% of the $115,209 dues for industry issues are related to influencing legislation.

d) Ameren Illinois was allocated 50.84% or $585,724 of the regular activities with 70% charged to electric. The 21% portion related to influencing legislation for this cost equals $86,101. Ameren Illinois was allocated 50.84% or $58,572 of the regular activities with 70% charged to electric. The 35% portion related to influencing legislation for this cost equals $14,350. The rate making adjustment to record the costs related to influencing legislation below the line for ratemaking purposes would be $93,832 (sum of $86,101 and $14,350 multiplied by the jurisdictional allocator of 93.41%).

e) No additional work papers were prepared. The calculations are fully described above.