Ameren Illinois Company
Docket No. 12-0293
CUB Exhibit 2.1
Copies of Applicant's Responses to Discovery Requests
Referenced in the Rebuttal Testimony of
Ralph C. Smith

Discovery Request	Subject	Confidential	No. of Pages	Page No.
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Ameren Illinois Company's
Response to AG Data Requests
Docket No. 12-0293
Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing
Data Request Response Date: 8/22/2012

AG 6.17

Ref: ComEd Ex. 11.0, line 835 (Calculations of Regulatory Asset). At line 835 Mr. Stafford states, "Total costs of $4.137 million are being amortized over 5 years, with 1/5 of the cost included in operating expense in the amount of $827,000 and the remaining 4/5, or $3.310 million of the credit included in Rate Base, as further detailed in AIC Exhibit 1.1, App 7, line 29." Please provide the following information:

a. A reconciliation of this proposed revenue requirement treatment compared to the Company's recorded regulatory asset/liability balances, indicating amounts of amortization to be recorded in each year and the amounts of any deferred amounts that would be excluded from ratemaking income tax expenses in each year (if any).
b. Explain whether, in calendar 2012, a comparable deferral of state income tax rate change impacts will be deferred as a new regulatory asset/liability, subject to amortization over five subsequent years.
c. If your response to part (b) is negative, explain why any different accounting for state income tax rate changes is needed in years after 2011, when statutory tax rates remain at 9.3% but are scheduled to decline in years when property-related ADIT balances will reverse.
d. If your response to part (b) is affirmative, please provide an illustrative calculation showing how each of the vintages of regulatory asset/liability balances associated with the state income tax rate change phenomenon will be deferred and then amortized, indicating any deferred amounts that will not be fully credited to ratepayers through future year revenue requirement calculations.

RESPONSE

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

a. The $4.137 million amount is a credit, rather than a charge, and accordingly, represents a regulatory liability rather and a regulatory asset under Section 16-108.5(c)(4)(F). The Company has not recorded the $4.137 million credit as a regulatory liability on its financial statements. As discussed in Mr. Stafford's Rebuttal Testimony at page 39 of Ameren Exhibit 11.0R: *"Consistent with treatment of the incremental storm event discussed at pages 22-23 of my Direct*

Testimony, which no party opposed, since the tax rate change giving rise to the deferred income tax expense reduction occurred in the year prior to AIC's opt-in to formula rates and prior to the first calendar year reconciliation and true-up, the Company does not intend to continue the deferral and amortization of this credit in subsequent formula rate proceedings" (emphasis added). The adjustment made for ratemaking purposes is reflected in 2011 only revenue requirement, as described in Mr. Stafford's testimony again at page 39: "Total costs of $4.137 million are being amortized over 5 years, with 1/5 of the cost included in operating expense in the amount of $827,000 and the remaining 4/5, or $3.310 million of the credit included in Rate Base, as further detailed in AIC Exhibit 11.1, App 7, line 29." Accordingly, no reconciliation of proposed revenue requirements has been performed or applies for future year revenue requirement calculations.

b. The Company has not performed a similar calculation for 2012 or subsequent years, nor made an assessment of what impact, if any, state income tax rate change impacts will have on subsequent formula rate revenue requirement calculations.
c. The Company has not performed a similar calculation for years after 2011 nor made an assessment of what impact, if any, state income tax rate change impacts will have on subsequent formula rate revenue requirement calculations.
d. Not applicable.

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AG 6.18

Ref: ComEd Ex. 11.0, line 839 (Calculations of Regulatory Asset). At line 839 Mr. Stafford states, "Consistent with treatment of the incremental storm event discussed at pages 22-23 of my Direct Testimony, which no party opposed, since the tax rate change giving rise to the deferred income tax expense reduction occurred in the year prior to AIC's opt-in to formula rates and prior to the first calendar year reconciliation and true-up, the Company does not intend to continue the deferral and amortization of this credit in subsequent formula rate proceedings." Please provide the following additional information:

a. Explain what date Mr. Stafford is referencing as "the tax rate change giving rise to the deferred income tax expense reduction" which is said to have "occurred in the year prior to AIC's opt-in to formula rates."
b. Explain why this is the relevant date for the purpose of applying the tax rate change in calculating formula rates.
c. Why does it matter when the tax rate change occurred in connection with AIC's "opt-in" timing, for purposes of continuing the deferral and amortization?
d. Under the Company's proposed accounting, how would any future year differences between deferred tax provisions at lower scheduled future state income tax rates at the time of reversal and then current tax rates be addressed, if at all?
e. Does Mr. Stafford or AIC believe that the "income tax expense reduction" that was experienced in 2011 will not be a recurring phenomenon in 2012 and 2013?
f. Explain the basis for your response to part (e), providing copies of all supporting calculations and documentation.
g. Under the Company's proposed accounting, how would ratepayers be made "whole" for the differences between statutory income tax rates used in ratemaking and recorded provisions for state deferred income taxes at lower scheduled future tax rates?
h. Please explain and provide illustrative calculations for your response to part (g).

RESPONSE

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

a. 2011
b. See Mr. Stafford's Direct Testimony discussing the incremental storm event at pages 22-23 of Ameren Exhibit 1.0 and Mr. Stafford's Rebuttal Testimony at page 39 of Ameren Exhibit 11.0R.
c. As stated in the testimony referenced in response to subpart (b), 2011 is the year prior to AIC's opt-in to formula rates and prior to the first calendar year reconciliation and true-up. Therefore, Section 16-108.5(c)(4)(F) of the Act does not apply, for financial reporting, to AIC's establishment of regulatory assets, such as the incremental storm event, or regulatory liabilities, such as the deferred income tax expense reduction, but is a necessary component for establishment of 2011 rates under the formula rate legislation
d. The Company’s proposed treatment of the deferred income tax expense reduction as a regulatory liability under Section 16-108.5(c)(4)(F) of the Act is for the purposes of calculating 2011 revenue requirement only, and has no bearing on how any future year differences between deferred tax provisions and then current tax rates will be addressed. As indicated in response to AG 6.17, the Company has not made an assessment of what impact, if any, state income tax rate change impacts will have on subsequent formula rate revenue requirement calculations.
e. Neither Mr. Stafford nor AIC believes that the “income tax expense reduction” that was experienced in 2011 will not recur in 2012 and 2013. As indicated in response to AG 6.17, the Company has not made an assessment of what impact, if any, state income tax rate change impacts will have on subsequent formula rate revenue requirement calculations.
f. The basis for the response to subpart e. is explained in Mr. Stafford's rebuttal testimony.
g. As explained in response to subpart d., the Company’s proposed treatment of the deferred income tax expense reduction as a regulatory liability under Section 16-108.5(c)(4)(F) of the Act is for the purposes of calculating 2011 revenue requirement only, and has no bearing on how any future year differences between deferred tax provisions and then current tax rates will be addressed.
h. Not applicable. As indicated in response to AG 6.17, the Company has not made an assessment of what impact, if any, state income tax rate change impacts will have on subsequent formula rate revenue requirement calculations.

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AG 6.20

Ref: ComEd Response to AG 5.03(h) (Future Tax Rate Reductions Not Considered).
The Company's response states, "Future reductions in Illinois State income tax rates are not considered in the calculation of AIC's provision for deferred income taxes in Schedule C-5.3 for this proceeding." Please provide the following additional information:

a. Explain each reason why such effects are not considered.
b. Confirm that, on the Company's books, provisions for deferred taxes under Generally Accepted Accounting Principles would consider future reductions in Illinois State income tax rates, unless regulatory asset/liability accounting were required for such reductions, or explain any inability to provide such confirmation.
c. If the Commission determined that future reductions in Illinois State income tax rates should be considered in the calculation of AIC's provision for deferred income taxes in Schedule C-5.3 and in calculating income tax expenses for ratemaking purposes, what further adjustments to the Company's revenue requirement would be required?
d. Provide complete copies of all calculations and supporting workpapers for your response to part (c).

RESPONSE

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

a. Schedule C-5.3 is snapshot of book and tax depreciation for the current year. Current enacted statutory federal and state tax rates are considered. This includes the impact of the graduated change in the Illinois income tax rate in 2015 and 2025. The response to AG 5.03(h) spoke to future changes in the statutory tax rate, not what is in effect under current law.
b. The deferred tax balance provided for on the Company's balance sheet considers enacted future reductions in Illinois state income tax rates for all book-tax timing differences.
c. We are not able to determine what, if any, adjustments to the revenue requirement would be needed until a specific change to the calculation of deferred income taxes or income tax expense for ratemaking purposes is proposed.
d. N/A

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AG 6.19

Ref: Ameren Ex. 11.0, line 1080 (Incorrect Calculations). In the referenced testimony, Mr. Stafford states, "Staff and Intervenors have incorrectly calculated a number of other adjustments by either: (1) not applying a jurisdictional allocator; (2) misapplying a jurisdictional allocator; or (3) double counting an adjustment made by the Company." Aside from the AG/AARP EEI adjustment accepted by Mr. Stafford at line 1085, does Mr. Stafford or AIC believe that any other AG/AARP adjustments are incorrectly calculated? If affirmative, please identify each alleged error and provide corrective data for each alleged error.

RESPONSE

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

For clarification, Mr. Stafford's Rebuttal Testimony at lines 1083-1084 states that AG/AARP has correctly calculated the adjustment for EEI dues. Further, Mr. Stafford's response based on the statement at lines 1080-1082 should not be taken as an endorsement of other AG/AARP positions, but rather is narrowly focused on calculation errors, due to either: (1) not applying a jurisdictional allocator; (2) misapplying a jurisdictional allocator; or (3) double counting an adjustment made by the Company. As discussed below, only one such calculation error has been attributed to AG/AARP with regard to the statement, and that error is related to the double counting of an adjustment made by the Company related to corporate sponsorships.

To the extent there are calculation errors made by AG/AARP for reasons other than the above, and such errors have been identified prior to preparation of AIC's rebuttal filing, they would be addressed elsewhere in Mr. Stafford's Rebuttal Testimony. See, for example, AG/AARP's omission of the deduction of state for federal income tax expense in Section XII. Income Tax Expense Adjustments.

The AG/AARP account 930.1 corporate sponsorship adjustment shown at AG/AARP Exhibit 1.3, page 6, lines 6-8, incorrectly double counts the amounts included in Account 930.1 for the Athletic Events Sporting Tickets Adjustment that has been self-disallowed by the Company. See Ameren Exhibit 11.4 for AIC's Rebuttal Revenue Requirement adjustment to remove Account 930.1 Athletic Events Sporting Tickets. As indicated on Exhibit 11.4, the self-disallowance electric amount is $127,153, prior to application of the electric jurisdictional allocator. As indicated on both Exhibit 11.4 and AG 6.19 Attach, 93.07% of the self-disallowance is allocated to electric distribution operations. As further indicated on AG 6.19 Attach, the requested level of Account 930.1 expense has been reduced from $274,000, as shown on AG/AARP Exhibit 1.3, to $155,000. Accordingly, AG/AARP has overstated the corporate sponsorships portion of the adjustment shown on AG/AARP Exhibit 1.3 by $119,000, due to double counting an adjustment made by the Company.

AIC
Account 930.1
Correct Calculation of Corporate Sponsorship Adjustment
2011

Line #	Description	$ Amount	$000
1	Total Account 930.1	$ 294,133	$ 294
2	AIC Electric Self-disallowed (1)	$ (127,153)	$ (127)
3	Corporate Sponsorship Electric Adjustment	$ 166,980	$ 167
4	Electric Jurisdictional Factor	93.07%	93.07%
5	Corrected Electric Jurisdictional Exp	$ (155,416)	$ (155)
6	AG/AARP Exhibit 1.3 acct 930.1 adj		$ (274)
7	Correction to AG/AARP adjustment		$ 119

Notes:
(1) Source: Ameren Exhibit 11.4 Docket No 12-0293