

STAFF CROSS EX (P)

**Ameren Illinois Company
Response to ICC Staff Data Requests
Docket Nos. 12-0001**

**Petition for approval of Rate MAP-P Modernization Action Plan - Pricing
Data Request Response Date: 2/22/2012**

OFFICIAL FILE

LL. C. C. DOCKET NO. 12-0293

Staff Cross Exhibit No. 6

Witness Stafford

9-13-12 Reporter CB

RMP 4.01

The Ameren Corporation 2005 Form 10-K, p. 35, presents a table summarizing the acquisition accounting impact on net income, which totals \$26 million in 2004 and \$39 million in 2005 for IP. AmerenIP Ex. 8.6, submitted in Docket Nos. 07-0585 through 07-0590 Cons. (attached and available on the Commission's E-Docket system), presented a reduction to retained earnings for ratemaking purposes following the acquisition of Illinois Power Company by Ameren Corp. totaling \$63,670,590, with a footnote (2) that states:

According to Lyons' testimony on 5/3/04, Exhibit 15.4, the income statement would be adjusted for ratemaking purposes. This entry adjust retained earnings for purchase accounting.

- A) Has Ameren subsequently reversed or written-off the \$63.7 million for financial reporting purposes in any financial reports, including but not limited to the ILCC Form 21 and FERC Form 1?
- B) If the response to subpart (A) is anything other than an unqualified, no, then please identify each financial report that discusses the reversal or write-off of the adjustment to retained earnings that is identified above and provide the associated journal entries.

RESPONSE

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

- A). No. Neither Ameren Illinois nor Illinois Power ever "reversed" or "wrote-off" the sum identified in the question above. Ameren Illinois issued dividends that reduced the retained earnings that resulted from purchase accounting and recorded the same in accordance with applicable accounting rules. A dividend results in credit to cash and a corresponding reduction to retained earnings, which is reported as a component of stockholder equity. Therefore, an issuance of a dividend results in an accounting entry that is not the same as what Mr. Stafford would consider a

“reversal” or “write-off;” as such terms that would typically be associated with the correction of an errant accounting entry or the recordation of uncollectible receivables or other losses.

- B) See (A). As explained above, the “no” is “unqualified.” Nonetheless, recognizing the explanation inherently elicited by the question, the following explanation is provided to assist Staff in addressing this matter:

The retained earnings adjustment was effectively eliminated through the payment of common dividends (\$61M in 2007 and \$60M in 2008) out of net income available to common shareholders. The elimination is reflected in information contained in financial reports. Various public documents such as ILCC Form 21 and FERC Form 1, show AmerenIP’s 2007 and 2008 common dividend payments totaling \$121M and the associated reduction in retained earnings resulting from such payments. This change from \$63,670,590 to \$0 was first documented in AmerenIP Exhibit 13.5 submitted in Docket Nos. 09-0306 through 09-0311 Cons., which is provided as RMP 4.01 Attach 1. As noted at line 11 of the attachment, \$0 was the adjustment to retained earnings with a reference to footnote (2), which stated:

This entry adjusts retained earnings for purchase accounting income statement items.

As background for the calculation and to further explain the reversal, in both Docket Nos. 07-0585 through 07-0590 Cons. and Docket Nos. 09-0306 through 09-0311 Cons., the Company calculated a ratemaking adjustment to retained earnings that calculated the change in retained earnings between sources (net income) and uses (common dividends) of such funds. The source for retained earnings (net income) was segregated between IP Purchase Accounting (“PA”) generated net income and IP non-PA generated net income. The use of, or reduction to, retained earnings (common dividends) was assigned directly or allocated between retained earnings generated by PA or non-PA sources. Utilizing this methodology of segregating total IP retained earnings into PA and non-PA sources and uses generated the ratemaking adjustment to retained earnings in both the 07 and 09 Dockets, and also allowed for reconciliation to remaining PA and non-PA retained earnings reported on AmerenIP Ex. 8.6 for the 07 Dockets and AmerenIP Exhibit 13.5 for the 09 Dockets.

RMP 4.01 Attach 2 presents the calculation of the ratemaking retained earnings adjustment in Docket Nos. 07-0585 through 07-0590 Cons. The calculation of PA related net income available to common shareholders from the time of the reorganization in 2004 through calendar year end 2006 was \$176,729,591 with PA contributing \$103,943,598 to total net income. After deducting 2004-2006 common dividends of \$76,000,000, allocated to PA and non-PA, the resulting ratemaking adjustment to retained earnings was \$63,670,590. As shown on AmerenIP Ex. 8.6 line 11, the adjustment had the effect of reducing total retained earnings from \$100,729,591 to \$37,059,091 after elimination of PA related retained earnings.

RMP 4.01 Attach 3 presents the calculation of the ratemaking retained earnings adjustment in 09-0306 through 09-0311 Cons. The calculation of PA related net income available to common shareholders from the time of the reorganization in 2004 extended through calendar year end 2008 was \$202,884,233 with PA contributing \$108,371,389 to total net income. After deducting 2004-2008 common dividends of \$197,000,000, allocated to PA and non-PA, the resulting ratemaking adjustment to retained earnings was \$0. As shown on AmerenIP Exhibit 13.5, the remaining \$5,884,233 of retained earnings was assigned to non-PA given the vast disparity, at the end of 2008, between PA and non-PA contributed net income.

If the same calculation was extended from year end 2008 to year end 2010, it would produce either a \$0 or negative adjustment to retained earnings due to the fact that IP PA has generated negative net income in both 2009, in the amount of negative \$4,942,378, and 2010, in the amount of negative \$2,504,103.

Please note, the Company is willing to discuss this response with Staff at a mutually convenient time.

	2008 Form 1 Balance sheet	Form 21 PA Adjustments	2008 Form 21 Balance sheet	Rate Making Adjustment
1 PROPRIETARY CAPITAL				
2 Common stock issued (201)	-	-	-	
3 Preferred stock issued (204)	45,633,750	-	45,633,750	
4 Capital stock subscribed (202,205)	-	-	-	
5 Stock liability for conversion (203,206)	-	-	-	
6 Premium on capital stock (207)	234,700	-	234,700	
7 Other paid in capital (208-211)	1,194,290,953	-	1,194,290,953	(160,816,595) (1)
8 Installments received on capital stock (212)	-	-	-	
9 (less) discount on capital stock (213)	81,505	-	81,505	
10 (less) capital stock expense (214)	-	-	-	
11 Retained earnings (215,215.1,216)	5,884,233	-	5,884,233	0 (2)
12 Unappropriated Undistributed Subsidiary earnings (216.1)	17,235	-	17,235	
13 (less) required capital stock (217)	-	-	-	
14 Noncorporate Proprietorship (Non-major only) (218)	-	-	-	
15 Accumulated Other comprehensive income (loss) (219)	3,840,231	(3,840,231)	(0)	(3)
16 TOTAL Proprietary Capital (Lines 2 through 15)	1,249,819,597	(3,840,231)	1,245,979,366	
17 LONG TERM DEBT				
18 Bonds (221)	1,409,975,610	(9,905,610)	1,400,070,000	
19 (Less) required bonds (222)	-	-	-	
20 Advance from associated companies (223)	-	-	-	
21 Other long-term debt (224)	6,436,007	-	6,436,007	
22 Unamortized premium on LTD (225)	-	-	-	
23 (Less) unamortized discount on LTD (226)	10,662,944	-	10,662,944	
24 TOTAL LONG TERM DEBT (lines 18 through 24)	1,405,748,673	(9,905,610)	1,395,843,063	
25 OTHER NONCURRENT LIABILITIES				
26 Obligations under Capital Leases - Noncurrent (227)	-	-	-	
27 Accumulated provision for property insurance (228.1)	-	-	-	
28 Accumulated provision for injuries and damages (228.2)	15,799,112	-	15,799,112	
29 Accumulated provision for Pension and benefits (228.3)	-	-	-	
30 Accumulated Miscellaneous operating provisions (228.4)	-	-	-	
31 Accumulated provision for Rate refunds (229)	22,649,093	-	22,649,093	
32 Long-Term Portion of Derivative Instrument Liabilities	-	-	-	
33 Long-Term Portion of Derivative Instrument Liabilities-Hedges	78,163,363	-	78,163,363	
32 Asset retirement obligations (230)	2,371,182	-	2,371,182	
33 TOTAL OTHER Noncurrent liabilities (lines 27 through 35)	118,982,750	-	118,982,750	
34 CURRENT AND ACCRUED LIABILITIES				
35 Current Portion of Long-Term Debt	-	-	-	
36 Notes payable (231)	-	-	-	
37 Accounts payable (232)	86,121,450	-	86,121,450	
38 Notes Payable to Associated companies (233)	-	-	-	
39 Accounts Payable to Associated companies (234)	105,355,681	-	105,355,681	
40 Customer deposits (235)	15,544,393	-	15,544,393	
41 Taxes accrued (236)	7,705,645	-	7,705,645	
42 Interest accrued (237)	21,469,705	-	21,469,705	
43 Dividends declared (238)	573,533	-	573,533	
44 Matured Long-Term Debt (239)	-	-	-	
45 Matured Interest (240)	-	-	-	
46 Tax collections payable (241)	2,702,720	-	2,702,720	
47 Miscellaneous Current and Accrued Liabilities (242)	11,299,400	-	11,299,400	
48 Obligations under Capital Leases - current (243)	-	-	-	
49 Derivative instrument liabilities (244)	-	-	-	
50 (Less) Long-Term Portion of Derivative Instrument Liabilities	-	-	-	
51 Derivative instrument liabilities Hedges (245)	134,414,683	-	134,414,683	
52 (Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges	78,163,363	-	78,163,363	
53 TOTAL Current & Accrued Liabilities	307,023,847	-	307,023,847	
54 DEFERRED CREDITS				
55 Customer Advances for construction (252)	34,532,966	-	34,532,966	
56 Accumulated Deferred Investment Tax credits (255)	-	-	-	
57 Deferred gains from disposition of Utility plant (256)	-	-	-	
58 Other deferred credits (253)	396,890,411	0	396,890,411	
59 Other regulatory liabilities (254)	(49,403,581)	(219,297)	(49,622,878)	
60 Unamortized gain on reacquired debt (257)	-	219,186	219,186	
61 Accumulated deferred income taxes- Accel. Amort (261)	-	-	-	
62 Accumulated deferred income taxes- Other Property (262)	198,396,842	-	198,396,842	
63 Accumulated deferred income taxes-Other (263)	(38,447,906)	23,312,469	(15,135,437)	
64 TOTAL deferred Credits	541,968,732	23,312,358	565,281,090	
65 TOTAL liabilities and Other credits	\$ 3,623,543,599	9,566,517	3,633,110,116	

(1) Transfer balance in Account 114 (represents net effect of goodwill adjustments) to Common Equity.

(2) This entry adjusts retained earnings for purchase accounting income statement items.

(3) OCI charge should not be included for rate making.

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45,633,750
-
234,700
1,033,474,358
-
81,505
-
5,884,233
17,235
-
(0)
<u>1,085,162,771</u>
1,400,070,000
-
6,436,007
-
10,662,944
<u>1,395,843,063</u>
-
15,799,112
-
22,649,093
-
78,163,363
2,371,182
<u>118,962,750</u>
-
88,121,450
-
105,355,681
15,544,393
7,705,645
21,489,705
573,533
-
2,702,720
11,299,400
-
-
134,414,683
78,163,363
<u>307,023,847</u>
34,532,966
-
396,890,411
(49,622,878)
219,186
-
196,396,842
(15,135,437)
<u>565,261,090</u>
<u>3,472,293,521</u>

Ratemaking Retained Earnings Adjustment

	Net to Com (1)	Dividends (1)	Net
2004	\$ 27,628,201	\$ -	\$ 27,628,201
2005	\$ 94,744,484	\$ 76,000,000	\$ 18,744,484
2006	\$ 54,356,906	\$ -	\$ 54,356,906
LTD	\$ 176,729,591	\$ 76,000,000	\$ 100,729,591

	Net to Com	Pur Actg (2)	Non-PA
2004	\$ 27,628,201	\$ 26,551,151	\$ 1,077,050
2005	\$ 94,744,484	\$ 34,299,208	\$ 60,445,276
2006	\$ 54,356,906	\$ 43,093,239	\$ 11,263,667
LTD	\$ 176,729,591	\$ 103,943,598	\$ 72,785,993

	Div Adjtd PA (3)	Div Adj Non-PA (3)	Total
2004	\$ 6,551,151	\$ 1,077,050	\$ 7,628,201
2005	\$ 14,026,200	\$ 24,718,284	\$ 38,744,484
2006	\$ 43,093,239	\$ 11,263,667	\$ 54,356,906
LTD	\$ 63,670,590	\$ 37,059,001	\$ 100,729,591

\$ 63,670,590 Ratemaking Adj to Retained Earnings

- (1) Form 1, Page 118
- (2) All P/A for 2004 - adds back portion previously estimated to have occurred on IPC's books if not eliminated in purchase accounting
- (3) 1st Quarter 2005 dividends assigned 100% to 4th Quarter 2004 P/A Income
Remaining 2005 dividends allocated between 2005 P/A and non-P/A

Ratemaking Retained Earnings Adjustment

	Net Inc to Com (1)	Dividends (1)	Net
2004	\$ 27,628,201	\$ -	\$ 27,628,201
2005	\$ 94,744,484	\$ 76,000,000	\$ 18,744,484
2006	\$ 54,356,906	\$ -	\$ 54,356,906
2007	\$ 23,485,453	\$ 61,000,000	\$ (37,514,547)
2008	\$ 2,669,189	\$ 60,000,000	\$ (57,330,811)
LTD	\$ 202,884,233	\$ 197,000,000	\$ 5,884,233

	Net to Com	Pur Actg (2)	Non-PA
2004	\$ 27,628,201	\$ 26,551,151	\$ 1,077,050
2005	\$ 94,744,484	\$ 34,299,208	\$ 60,445,276
2006	\$ 54,356,906	\$ 43,093,239	\$ 11,263,667
2007	\$ 23,485,453	\$ 678,269	\$ 22,807,184
2008	\$ 2,669,189	\$ 3,749,522	\$ (1,080,333)
LTD	\$ 202,884,233	\$ 108,371,389	\$ 94,512,844

	Div Adjtd PA (3)	Div Adj Non-PA (3)	Total
2004	\$ 6,551,151	\$ 1,077,050	\$ 7,628,201
2005	\$ 14,026,200	\$ 24,718,284	\$ 38,744,484
2006	\$ 43,093,239	\$ 11,263,667	\$ 54,356,906
2007 (4)	\$ (60,321,731)	\$ 22,807,184	\$ (37,514,547)
2008 (4)	\$ (3,348,859)	\$ (53,981,952)	\$ (57,330,811)
LTD	\$ 0	\$ 5,884,233	\$ 5,884,233

\$ 0 Ratemaking Adj to Retained Earnings

- (1) Form 1, Pages 117 and 118
- (2) All P/A for 2004 - adds back portion previously estimated to have occurred on IPC's books if not eliminated in purchase accounting
- (3) 1st Quarter 2005 dividends assigned 100% to 4th Quarter 2004 P/A Income
Remaining 2005 dividends allocated between 2005 P/A and non-P/A
- (4) 2007 & 2008 dividends assigned first to PA accumulated post dividend earnings