STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY d/b/a Ameren Illinois, Petitioner Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing	))))))	Docket No. 12-0293

INITIAL BRIEF OF THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

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STATE OF ILLINOIS

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AMEREN ILLINOIS COMPANY	)	
d/b/a Ameren Illinois,	)	
Petitioner	)	Docket No. 12-0293
	)	
Rate MAP-P Modernization Action Plan -	)	
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INITIAL BRIEF OF THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

NOW COME the Staff witnesses of the Illinois Commerce Commission ("Staff"), by and through their undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission's Rules of Practice (83 Ill. Adm. Code 200.800), and respectfully submit their Initial Brief in the instant proceeding.

I. INTRODUCTION/STATEMENT OF THE CASE

A. Procedural History

Section 16-108.5 of the Public Utilities Act ("PUA" or "Act") provides that an electric utility or combination utility (providing electric service to more than one million customers in Illinois and gas service to at least 500,000 customers in Illinois) may elect to become a "participating utility" and voluntarily undertake an infrastructure investment program as described in the Section. A participating utility is allowed to recover its expenditures made under the infrastructure investment program through the ratemaking process, including, but not limited to, the performance-based formula rate and process set forth in Section 16-108.5. (220 ILCS 5/16-108.5(b)) Section 16-108.5(d) of the Act requires a participating utility to file, on or before May 1 of each year, with the Chief

Clerk of the Commission its updated cost inputs to the performance-based formula rate for the applicable rate year and the corresponding new charges, based on final historical data reflected in the utility's most recently filed annual FERC Form 1, plus projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed. (220 ILCS 5/16-108.5(d))

On January 3, 2012, the Ameren Illinois Company d/b/a Ameren Illinois ("AIC") filed with the Illinois Commerce Commission ("Commission") its performance-based formula rate tariff, Rate MAP-P Modernization Action Plan—Pricing Tariff ("Rate MAP-P"). On April 20, 2012, AIC filed its updated cost inputs to the performance based formula rate for the applicable rate year and new corresponding charges.

The following Staff witnesses submitted testimony in this case: Theresa Ebrey (Staff Exs. 1.0 and 6.0 Confidential and Public), Daniel G. Kahle (Staff Exs. 2.0C and 7.0), Karen Chang (Staff Exs. 3.0R and 8.0R-C), Rochelle Phipps (Staff Exs. 4.0 and 9.0), William R. Johnson (Staff Ex. 5.0), and Mary H. Everson (Staff Ex. 10.0).

In addition to AIC, the following parties have submitted testimony in this case: the Citizens Utility Board ("CUB"), and the People of the State of Illinois ("AG") and AARP (collectively, "AG/AARP").

During the course of the proceeding, Staff proposed various adjustments and changes to AIC's proposed revenue requirement. AIC accepted some of Staff's adjustments and Staff withdrew others. A summary of Staff's final revenue requirement recommendations to the Commission in this proceeding is attached hereto as Appendix A.

Evidentiary hearings were held in this matter in Springfield on September 12-14, 2012.

B. Legal Framework and Standards

See Section I (A)

II. OVERALL REVENUE REQUIREMENT

III. RATE BASE

A. Overview

B. Uncontested or Resolved Issues

1. Gross Plant in Service

2. Accumulated Depreciation

3. Cash Working Capital

a. Employee Benefits Expense Lead Days

In direct testimony, Staff proposed using 15.97 expense lead days for employee benefits in the lead/lag study. (Staff Ex. 2.0, p. 5) AG/AARP witness Brosch made the same proposal. (AG/AARP Ex. 1.0, p. 3) The Company accepted this proposal. (Ameren Ex. 13.0, p. 10)

b. Base Payroll and Withholding Lead Days

In direct testimony, Staff proposed using 13.12 expense lead days for base payroll and withholdings in the lead/lag study. (Staff Ex. 2.0, p. 6) The Company proposed using 11.84 expense lead days which is based on 2011 data. (Ameren Ex. 13.0, p. 3) Staff accepted the Company's proposal. (Staff Ex. 7.0, p. 2)

4. Materials and Supplies

In direct testimony, Staff proposed using a 13-month average balance for the amount of Materials and Supplies included in the Company's rate base for ratemaking purposes. (Staff Ex. 2.0, p. 10) The Company accepted this proposal. (Ameren Ex. 11.0, p. 4)

5. ADIT -- Investment Tax Credits

Consistent with its conclusion in AIC Docket No. 12-0001, the Commission should adopt Staff's recommendation for treatment of the deferred tax asset associated with the unamortized investment tax credit ("ITC"). Staff proposed an adjustment to remove the deferred tax asset associated with the ITC from the balance of accumulated deferred income taxes ("ADIT") that reduces rate base. The deferred tax asset arises from the deferred credit balance of ITC that represents realized tax savings that have not yet been reflected in the Company's income statement. Since the deferred credit balance of ITC is not deducted from the Company's rate base, the directly related deferred tax debit balance should also not be included in rate base as a reduction to the ADIT balance. (Staff Ex. 1.0, p. 12, lines 255 – 263) Both AG/AARP and CUB support this same adjustment. (AG/AARP Ex. 2.1, Schedule DJE-1.1 and CUB Ex. 1.2, p. 7) AIC has subsequently indicated that they are no longer contesting this issue.

6. CWIP Not Subject to AFUDC

Consistent with its conclusion in AIC Docket No. 12-0001, the Commission should adopt Staff's recommendation to reduce Construction Work in Progress ("CWIP") by the amount of accounts payable outstanding at December 31, 2011. (Order, Docket No. 12-0001, September 19, 2012, pp. 72-73) Staff further recommends that since there is one project remaining in CWIP at year-end that was funded by the vendors rather than the shareholders the CWIP balance for that project should be reduced by the commensurate amount of vendor-financing or accounts payable. (Staff

Exhibit 10.0, p. 5-6, lines 90-101) The rates to be established in this case are based on year-end balances and at December 31, 2011, $37,000 of the CWIP amount was financed by AIC's vendors, not its shareholders. (*Id.*, p. 7, lines 120-137) The Commission should adopt the Staff adjustment to reduce CWIP by $37,000. AIC has subsequently indicated they are no longer contesting this issue.

C. Contested Issues

1. Accrued Vacation Pay

Consistent with its conclusion in AIC Docket No. 12-0001, the Commission should approve Staff's recommendation to reflect accrued vacation pay reserve as a reduction to rate base. (Order, Docket No. 12-0001, September 19, 2012, pp. 58-59) Staff recommends that the liability for accrued vacation pay should be deducted from rate base since the accrual is funded by ratepayers and the ADIT associated with the vacation accrual is included in the rate base. The Commission adopted a similar adjustment in the initial ComEd formula rate proceeding to reduce rate base by the amount of accrued vacation pay not already reflected in its cash working capital adjustment. (Order, Docket No. 11-0721, May 29, 2012, pp. 69-70) Likewise, the Commission's Final Order in the initial AIC formula rate case made the same finding, stating that there is no discernible difference in the facts between this case and Docket No. 11-0721 that would warrant a different regulatory treatment. (Order, Docket No. 12-0001, September 19, 2012, pp. 58-59) Since no additional or different evidence that would warrant a different regulatory treatment has been presented in this case, the Commission should reach the same conclusion.

Vacation is usually not paid until a year or more after it is earned. This lag between the accruals and the cash payments creates a constant non-investor source of funds which should be deducted from rate base similar to other operating reserves. As shown on the Company's responses to Staff data request ("DR") TEE 2.08 Attach (Attachment A) and AG DR AG 1.03 (Attachment B), there is a constant balance of funds held in reserve. While the total balance may go up or down over time, the reserve is never completely depleted. (Staff Ex. 1.0, p. 9, lines 190 – 197)

Although Company witness Stafford claims that the vacation reserve is completely depleted each year and is replaced with entirely new accruals (Ameren Ex. 11.0R, p. 14, lines 286 – 292; Tr., September 13, 2012, pp. 237-238), the Company response to DR AG 1.03 (Staff Ex 1.0, Attachment B) shows that an increasing balance is reflected as accrued vacation pay on the Company's books each month during 2011. Likewise, the Company response to Staff DR TEE 2.08 Attach (Staff Ex. 1.0, Attachment A) shows that the balance of accrued vacation pay for each year presented remains fairly consistent.

Company witness Stafford provided a misleading and overly simplistic view of how ratemaking functions. (Ameren Ex 11.0R, p. 15 Table) According to Mr. Stafford's table, for any year that was not the basis for the test year revenue requirement, the vacation paid in that year is never recovered from ratepayers. (Staff Ex. 6.0, pp. 9-10, lines 179 – 191) This is simply incorrect. To the extent that accrued vacation pay has been recorded to payroll expense and is not removed through a ratemaking adjustment, that vacation pay is funded by ratepayers. Upon cross-examination, Mr. Stafford admitted that the entry recorded by the Company to accrue vacation pay is a credit to the liability account and a credit to payroll expense (or capitalized payroll). (Tr., September 13, 2012, pp. 223-224) He also admitted that the Company did not make an adjustment to remove that accrual from payroll expense included in the formula rate schedule on Formula Rate Sch FR C-1 Line 1. (Staff Cross Exhibit 7) While Mr. Stafford makes a point of explaining that the liability for accrued vacation at any point in time is made up of vacation earned for different calendar years (Tr., September 13, 2012, pp. 241 – 242), that explanation does nothing to discount the fact that an almost constant amount for accrued vacation pay exists on the Company's books at any point in time.

For the foregoing reasons, the Commission should adopt Staff's recommendation that the liability for accrued vacation pay should be deducted from rate base.

2. ADIT – FIN 48[1]

The Commission should adopt Staff's recommendation that, for rate making purposes, FIN 48 balances should be included in the ADIT balance that is a deduction from rate base. The Final Order in Docket No. 12-0001 found that the FIN 48 balances represent a source of cost-free capital and thus, the FIN 48 balances should be included as a reduction to rate base through ADIT. (Order, Docket No. 12-0001, September 19, 2012, pp. 43-44) Since no new arguments have been presented in this case, the Commission should reach the same conclusion.

Staff's recommendation is the same recommendation as proposed by AG/AARP and CUB. (AG/AARP Ex. 2.1, Schedule DJE-1.2 and CUB Ex. 1.2, p. 6) The Company

[1] Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes; an interpretation of FASB Statement No. 109, *Accounting for Income Taxes.*

opines that since these balances represent uncertain tax positions which will only be determined upon the conclusion of an IRS audit, they should not be used to reduce rate base through ADIT. (Ameren Ex. 15.0, p. 4, lines 65-70) A review of the findings of IRS audit results from 2005 – 2007 audit cycles shows that of the FIN 48 amounts recorded by the Company, only 39.5% were actually found to be payable. (Staff Ex. 6.0, pp. 5-6, lines 101-112)

In its prior formula rate case, the Company acknowledged that: (1) the Company has in its possession a quantity of capital which it procured by means of filing income tax returns, which was clearly not supplied by shareholders; and (2) the capital at issue resulted from claiming tax deductions which experts have concluded the Company is more likely than not going to lose. When the Company loses the deductions, it will pay the capital back to the taxing authorities with interest. (Staff Ex. 1.0, pp. 7-8, lines 152 – 171)

For the foregoing reasons, the Commission should adopt Staff's recommendation that, for rate making purposes, FIN 48 balances should be included in the ADIT balance that is a deduction from rate base.

3. ADIT – Projected Additions

The Commission should accept the AG/AARP, CUB, and Staff adjustments to the balance of Accumulated Deferred Income Taxes ("ADIT") to recognize the growth in estimated ADIT directly related to the 2012 projected plant additions. (Staff Ex. 3.0, p. 4-7, lines 50-163 and 8.0R-C pp. 4-5, lines 42-63, AG/AARP Ex. 2.0, pp. 14-16, lines 305-368, and CUB Ex. 2.0, pp.16-19, lines 391-454) The Commission found, in Docket

No. 12-0001, that it was appropriate to update the ADIT balances as requested by Staff and Intervenors. (Order, Docket No. 12-0001, September 19, 2012, p. 53) The position advanced by Staff and Intervenors is the same in the instant proceeding and in Docket No. 12-0001; thus, the Commission should reach the same conclusion.

The Commission adopted a similar adjustment in Docket No. 11-0721, the ComEd formula rate proceeding. The Commission concluded that a failure to make this adjustment would allow the Company an interest-free loan at the ratepayers' expense for several months and would artificially increase rates until the time when a final order in the 2011 reconciliation docket takes place. (Order, Docket No. 11-0721, May 29, 2012, p. 59-60)

The Commission, in discussing its conclusion on this same issue, stated in Docket No. 11-0721:

> However, the statute is silent altogether with regard to ADIT and with regard to many other items that all agree must be included in, or deducted from, rates. If the Commission were to ignore ADIT on ComEd's plant investments, we would be ignoring basic accounting principles and appellate precedent. (Order, Docket No. 11-0721 citing *Ameren Illinois Co. v. Ill. Commerce Comm.,* 2012 IL. App. (4th) 100962 at 31, 2012 Ill. App. LEXIS 175 (4th Dist. 2012), determining, with regarding to an ADIT adjustment to Ameren's rate base, that Section 9-211 of the Public Utilities Act requires that rate base cannot exceed the investment value that a utility actually uses to provide utility services.). (*Id.*, p. 59)

The Company's sole argument is that the language of Section 16-108.5(c)(6) and 16-108.5(d)(1) of the Act does not expressly call for adjustments for the projected impact of ADIT to the FERC Form 1 data. (Ameren Ex. 19.0R, p. 16, lines 371-373) This argument is unavailing. AIC completely ignores the effect of bonus depreciation which will significantly increase ADIT. (Staff Ex. 3.0, p. 4, lines 58-61 and AG/AARP Ex. 2.0, p. 15, lines 333-336)

For the reasons discussed above, the Commission should find it is appropriate under the facts presented in this docket to update the ADIT balances as requested by Staff, AG/AARP, and CUB.

4. ADIT – Step-Up Basis Metro

Staff recommends that the Commission accept AIC's position that no adjustment to ADIT related to Central Illinois Public Service Company's ("CIPS") purchase of certain assets from Union Electric, referred to as "Metro East," is necessary in this proceeding. Staff agrees with AIC's assessment of the issue. This issue was addressed in Docket No. 12-0001 and in that case, the Commission found that no adjustment was necessary. (Order, Docket No. 12-0001, September 19, 2012, p. 69)

AG/AARP proposes an adjustment to ADIT related to CIPS' purchase of certain depreciable assets in the Metro East service area. AG/AARP posits that CIPS "stepped up" the tax basis of the assets to their book value which eliminated the deferred tax impact. (AG/AARP Exhibit 2.0, p. 7, l. 135-142) AG/AARP's position is that the ADIT should follow the assets, without any offset. (*Id.*, p. 8, l. 158-160) AG/AARP avers that the deferred tax debit balance is the other side of a gain on the CIPS-Union Electric asset transfer.

AIC responds that there was no net ADIT balance on the books at the time of the purchase of the property by CIPS and that the purchase was at an amount equal to Union Electric Company's net book value of the assets. Thus, for book purposes the accounting entries reflected the book value of the assets, depreciation reserve and ADIT as they were on Union Electric's records prior to the sale. (AIC Exhibit 11.0R, p. 26, l. 553-560)

Staff agrees that no adjustment to ADIT is necessary since the record evidence is consistent with that provided in Docket No. 12-0001. (Staff Exhibit 10.0, p. 4-5, l. 75-80)

5. Cash Working Capital

a. Pass Through Taxes Revenue Lag

The Commission found, in Docket No. 12-0001, that the revenue lag for pass-through taxes should be zero. (Order, Docket No. 12-0001, September 19, 2012, p. 14)

Staff recommends that the Commission disallow a revenue lag for pass-through taxes in this case as well. Cash Working Capital ("CWC") is the amount of funds needed from investors to fund day-to-day utility operations and utilities are allowed to earn a return on those funds; however, some funds used for daily operations are actually provided by ratepayers and no return should be provided on those funds. To ensure no return is earned on customer-provided funds, these dollars are subtracted from CWC. Pass-through taxes are an example of funds provided by ratepayers. Utilities are required to collect the pass-through taxes from ratepayers and remit the pass-through taxes to the taxing body within 20 to 30 days after collection from ratepayers. Because pass-through taxes are funded by ratepayers, the utility has no investment in pass-through taxes on which ratepayers should pay a return through increased cash working capital. (Staff Ex. 2.0, pp. 3 and 5)

Staff's position is also consistent with the Commission's Final Orders in both the Company's most recent electric rate case (Order, Docket Nos. 09-0306/0307/0308, April 29, 2010, p. 54) and the ComEd formula rate case, the only other formula rate case with a Final Order that has come before the Commission. (Order, Docket No. 11-

0721, May 29, 2012, p. 45) While Ameren and ComEd do not operate in the same service territories, they both operate under the same State statutes for Energy Assistance Charges ("EAC"). (Staff Ex. 2.0, p. 7) It would be unreasonable for a formula rate to incorporate a different lag for the same tax in a formula that should, for the most part, be consistent.

b. Revenue Collection Lag

Staff supports the collection lag days as proposed by the Company. (Staff Ex. 7.0, p. 6) Staff recommends that the Commission not set revenue lag at 21 days as proposed by AG/AARP witness Brosch. (AG/AARP Ex. 1.0, p. 21) Section 735.160(a)(2) of the Illinois Administrative Code (83 Ill. Adm. Code 735.160(a)(2)) establishes that the number of days between the date the utility customer receives the bill and the due date for payment of the bill must not be less than 21 days. This rule, however, does not reflect the actual collection lag which has been calculated by the Company in a lead/lag study in a manner consistently accepted by the Commission.

c. Income Tax Expense Lead and Lag

Both Staff's and the Company's treatment of deferred income taxes for CWC is consistent with Commission practice. (Staff Ex. 7.0, p. 7) Staff recommends that the Commission not set income tax lead and lag days to zero as proposed by AG/AARP witness Michael L. Brosch. (AG/AARP Ex. 1.0, p. 21) The Commission has a long standing practice of not considering current and deferred income taxes separately.

IV. OPERATING EXPENSES

A. Overview

B. Uncontested or Resolved Issues

1. Adjustment for Self-Disallowed Athletic Ticket/Event Expenses

In surrebuttal testimony, AIC witness Stafford states that AIC "self disallowed" $127,000 of Account 930.1 corporate sponsorship of community and athletic events from Ameren Ex. 11.4 ($118,348 after application of the electric jurisdictional allocator). The $127,000 disallowance is reflected on Ameren Ex. 11.1, page 24, line 16.

The "self disallowance" of Account 930.1 corporate sponsorship of community and athletic events is also discussed in the rebuttal testimony of AIC witnesses Stafford and Pagel. (Ameren Ex. 11.0R, p. 49, lines 1064-1077 and Ameren Ex. 14.0, pp. 23-24, lines 471-477) This testimony indicates that the Company had already removed the portion of athletic events sporting tickets recorded to Account 930.1 in its direct filing, but that some minor modifications to the electric/gas allocation of the costs had to be made on Ameren Ex. 11.4. AIC witness Stafford states that the correction modifies the overall reduction from $140,000 to $123,000 and that the adjustment is further delineated in WP 7 (page 10) filed in Ameren Ex. 11.2 in the amount of $127,000 on Ameren Ex.11.1, page 24, App 7 at line 16. (Ameren Ex. 11.0R, page 49, lines 1064-1077) While Staff agrees with AIC's removal of $127,000 for corporate sponsorship of athletic events, it only reflects a portion of the total amount of Ameren corporate sponsorships that Staff asserts should be disallowed for recovery as discussed in the Contested Issues section of this brief.

2. Adjustment for Self-Disallowed Regulatory Commission Expense – Docket No. 12-0079

3. Adjustment for EEI Memberships Dues Allocated to Lobbying

In direct testimony, AG/AARP witness Brosch (AG/AARP Ex. 1.0, pp. 35-36, lines 821-834) and Staff witness Chang (Staff Ex. 3.0, p. 11, lines 257-275) both proposed to disallow the portion of dues to the Edison Electrical Institute ("EEI") that were incurred for the purpose of influencing legislation. The Company responded to this proposal by removing $115,000 ($123,000 before jurisdictional allocations) of EEI dues. (Ameren Ex. 11.0R, p. 4, lines 75-80) In addition, AIC removed $59,000 ($64,000 before jurisdictional allocations) for the cost of labor for three employees with lobbying responsibilities. (Ameren Ex. 11.2, WP 7, lines 1-7) The adjustment is included in the $174,000 jurisdictional ($187,000 before allocations) adjustment for lobbying reflected on Ameren Ex. 11.1, p. 24, line 11 and is detailed on Ameren Ex. 11.2, WP 7, p. 7, line 10.

4. Account 909—E-store Costs

In both rebuttal and surrebuttal testimony, AIC witness Pagel claimed that branded merchandise from the Company's E-store was a reasonable and recoverable operating expense. The Company explained that these items were used at community outreach and assistance programs to allow customers to become more readily familiar with the new consolidated company name and to promote employee morale and pride (Ameren Ex. 14.0, p. 21, lines 414-425), Thus, that the rewarding of employees with AIC merchandise was a justifiable operating expense. (*Id*.)

Staff and Intervenors disagreed. AG/AARP witness Brosch recommended the expenses be disallowed as they were unreasonable or unnecessary for the provision of utility services. (AG/AARP Ex. 1.0, p. 36, lines 836-846) CUB witness Smith recommended disallowance based on the fact that the expenses promote the Ameren corporate image. (CUB Ex. 1.0, pp. 29-32, lines 701-778) Staff witness Chang disallowed the expenses because merchandise branded with the Company name represents institutional or promotional advertising. (Staff Ex. 8.0R-C, pp. 14-15, lines 289-308)

AIC has indicated by its proposed Briefing Outline that the removal of $8,473 for inventory of AIC branded products for the E-Store is uncontested or resolved, thus, this adjustment, which is supported by Staff, should be accepted.

5. Account 909—Self-Disallowed *Focused Energy.For Life.* Costs

In response to disallowances proposed by CUB witness Brosch, (CUB Ex. 2.0, pp. 30-32, lines 701 – 772) AIC agreed to remove $17,182 of costs associated with its campaign called "Focused Energy.For Life." (Ameren Ex. 24.0, p. 18, lines 353-358) While Staff agrees that amount should be removed, it only reflects a portion of the entire cost of the campaign with which Staff takes issue. The remaining cost is a contested issue and is discussed *infra*.

Further, AIC agreed to remove an additional $4,983 of jurisdictional electric distribution costs for a Corebrand consultant that should not have been included in this case as a cost to ratepayers since the research initiative led by Corebrand was aimed at determining a relationship to shareholder value. (Ameren 25.0 p. 7 lines 149–162) Staff agrees that this adjustment should be made.

6. Account 909—Employee Book Purchases

Staff proposed a disallowance for P-Card purchases for the books titled, Strength and Compassion, which AIC purchased for employees. (Staff Ex. 8.0R-C, p.13, lines 255-269) In surrebuttal testimony, AIC agreed to remove the $4,387 of P-Card expense incurred for these books. (Ameren Ex. 19.0R, p. 3, lines 44-48 and Ameren Ex. 24.0 p. 10, lines 203-204)

7. Account 909—Other Self-Disallowed Expenses

In rebuttal testimony, AIC removed $34,222 of costs for an additional nineteen items listed in Ameren Ex. 14.3 and unmatched vouchers that had not been included in the disallowance proposed by Staff witness Chang or any other intervenor witness in direct testimony. The costs that AIC removed include the cost of meals, coaching with Geralynn Lord for the ELT/SLT presentation on 12/17/2010, photography by Ferguson & Katzman of the Callaway Nuclear Plant and Bagnell Dam, executive messaging on Japan Tsunami effects on nuclear plants, customer service levels and Power Lunch format, and community related topics. (Ameren Ex. 14.3)

8. Adjustment for February 2011 Storm Event

C. Contested Issues

1. Account 909—Advertising Expense

a. *Focused Energy.For Life.* Initiative Costs

Staff and CUB recommended a disallowance of 100% of costs for AIC's campaign: Focused Energy.For Life. ("FEFL"). AG/AARP recommended in rebuttal that the Commission allow 50% of FEFL costs since some safety information is included in the FEFL campaign. (AG/AARP Ex.3.0, p. 17, lines 804-813) AG/AARP testimony explained that the basis for this change appears to rely on only a cursory review of voluminous information "produced shortly before this testimony was finalized." (AG/AARP Ex. 3.0, p. 38, lines 809-813) No additional rationale or explanation was provided by AG/AARP to explain its position.

Staff and CUB's proposed 100% disallowance is appropriate because the costs are for advertisements that promote the AIC corporate brand image. In 2011, Ameren introduced the corporation's campaign: Focused Energy.For Life. (Staff Ex. 8.0R-C, p. 14, lines 274-275) The precursor to the FEFL campaign was AIC's "Identity & Education Initiative" which was designed to "[c]reate stronger relationships with customers, communities, co-workers and other stakeholders" and to "[e]ducate and inform stakeholders on issues of importance." (*Id.*, lines 277-280)

A review of the materials AIC provided to support the FEFL campaign, such as pictures of the Ameren sign at Busch Stadium, contain absolutely no safety, energy conservation or reliability information. In fact, no information is provided other than the corporate brand and message "Ameren Focused Energy.For Life." (AG/AARP Ex.3.4 Confidential) Another document AIC provided to support the FEFL campaign discusses the benefits of corporate branding as demonstrated by the heading "Brand Investment Boosts Our Bottom Line." These items also do not provide safety or informational messages or instructional information, but only benefits corporate branding and image building. (AG/AARP Exhibit 3.4 Confidential, p. 17) The FEFL advertisements and documents that were presented by AIC to support the FEFL campaign costs demonstrate that the advertisements are institutional corporate image building, rather than informational and instructional. (CUB Ex. 1.0, p. 32) Similarly, other advertisements included in the FEFL campaign included “Powering a Strong Future” and “Employees bring ‘Focused Energy to Life’, which include corporate image building, but again, no specific information on energy conservation, safety or reliability. (CUB Ex. 2.0 Corrected, p. 31, lines 735-741)

In Docket No. 12-0001, regarding Focused Energy.For Life, the Commission found:

> Despite AIC’s arguments to the contrary, the Commission is not convinced that AIC’s brand related expenses are recoverable expenses. The types of activities that Staff and the intervenors describe are generally consistent with marketing efforts that fall under subsections (1)(c) and (1)(d) of Section 9-225. How, for example, having customers pay for the development of the phrase "Focused Energy. For Life.", which is used in both Missouri and Illinois, benefits customers as AIC contends is unclear to the Commission. Nor is it clear to the Commission why notice of the name change could not be handled through bill inserts, signage, websites, and call centers despite AIC's argument that such an effort could not be handled through such usual customer contacts. Moreover, the suggestion that such branding expenses are apt to continue in the future conflicts with AIC's assertion that the branding study was necessary in light of the legacy companies merger. For these and the reasons described by Staff and the intervenors, the Commission finds that AIC's brand related expenses should not be recovered from ratepayers. (Order, Docket No. 12-0001, September 19, 2012, p. 89)

As the Commission concluded in Docket No. 12-0001, the FEFL campaign is more of a marketing campaign that enhances the corporate image which does not provide benefits to customers. (Staff Ex.8.0R-C, p. 14, lines 281-283; see also, CUB Ex.1.0, p. 32, lines 780-795) A regulated utility has sufficient opportunity through normal communication channels, such as monthly billings, call center contacts, and its web site, to advise customers of corporate name changes and other factual information and does not need to enhance the public image of its brand. (AG/AARP Ex.3.0, p. 37, lines 787-790)

The FEFL campaign constitutes image building and corporate branding rather than safety, conservation or reliability. Therefore, the Commission should accept Staff's and CUB's recommended 100% disallowance.[2]

b. Strategic International Consulting Fees

The Commission should accept Staff's recommendation to disallow costs totaling $72,000 AIC paid to Strategic International Group LLC ("SIG") that were not supported as advertising costs. AIC's description of customer benefit from these costs was: "clear and effective communication of customer assistance programs" and the work performed was described as: "Consultation on communication method and message". (Staff Ex. 8.0R-C, pp. 11-12, lines 220-222) During cross-examination, AIC witness Pagel provided more information regarding the nature of payments to SIG. In response to the ALJ's question regarding SIG, Ms. Pagel indicated that the contact for AIC at SIG was Emil Jones and his staff. When asked what the Company service was provided "specifically for $15,000 a month for those several months", Ms. Pagel responded "Basically, his services were consulting service and just the ability to call him when we needed him; consulting services." (*Tr.*, September 12, 2012, pp. 146 – 147) Further, the scope of the project for SIG indicates that:

> Strategic International Group will provide consulting and management services specific to issues facing the Client in the areas of **government relations and issues management**. It is expressly understood that the

[2] In Surrebuttal testimony (Ameren Ex. No. 24.0, p. 18 and Ameren Ex. No. 25.0, p. 7, lines 149-162), AIC accepted an additional $5,000 disallowance. However, since Staff's revenue requirement starts with Ameren's rebuttal position, the adjustment in Staff's brief revenue requirement must include the $5,000 in its adjustment.

> Services under this contract shall not include any lobbying activities as defined by local, state and federal laws.
>
> (Staff Cross Ex. 3, page 23 of 23) (Emphasis added)

Nothing in these statements provides evidence of the categories of advertising that are allowable under Section 9-225 of the Act. Therefore, the Commission should accept Staff's adjustment disallowing the $72,000 of costs for SIG.

c. Purchase Card Expense

The Commission should accept Staff's adjustment to disallow approximately $31,500 for Purchase Card ("P-Card") Expense as not recoverable pursuant to Section 9-225 of the Act.[3] The charges to P-Cards were incurred primarily for meals, purchases at retail stores (Best Buy, Dollar-General, Office Max, Lands End Business, Bees and Blooms) lodging and gasoline. Of the total $102,000 total costs attributable to P-Card purchases, AIC provided brief descriptions to explain only $75,000 total costs. Therefore, Staff is disallowing the $27,000 that is not explained. (Staff Ex. 8.0R-C, p.12-13, lines 240-254)

In addition to the $27,000 in unexplained costs, Staff proposed to disallow $4,387 P-Card expense for books for employees, for a total of approximately $31,500. (*Id.*, lines 255 – 270) The Company accepted the book-related disallowance in surrebuttal testimony and is discussed *supra* in the uncontested section. (AIC Ex. 24.0, p. 10, lines 202 – 204)

[3] Of the total $31.5 thousand, the Company accepted the disallowance of $4,387 for books purchased for employees in surrebuttal testimony (AIC Ex. 24.0, p. 10, lines 202 – 204). However, since Staff's revenue requirement schedule starts with the Company's rebuttal position, the entire $31.5 thousand is necessary for Staff's adjustment.

On cross examination, AIC witness Pagel provided more information regarding P-Card expenditures. When asked by the ALJs how P-Card purchases are authorized, Ms. Pagel indicated that the criteria for the use of the card as well as any limitations are developed on a departmental basis, the details of which she was not aware. In fact, when asked about a spending cap, Ms. Pagel responded, "I don't think there's a defined limit." (*Tr.,* September 12, 2012, pp. 147 – 156 and pp. 165 - 166) When asked about certain questionable charges that caught the attention of the ALJs, Ms. Pagel's response was as follows:

> Without seeing the rest of the information, I would tend to agree with this because the supervisors approved it. There's a lot more information that you can see. This may be somewhat misleading like Von Maur, they may have bought, I don't know, socks for people doing storm restoration. It's kind of hard to tell, but because they're here and I know they've been approved, I would say that they are costs related to and should be recovered. (*Id.*, p. 157)

Further cross examination by the ALJs highlighted charges to Macy's, Von Maur, Triple A Trophies, Savvi Formalwear, Marriott Harbor Beach, ASCAP, Alaskan Airlines, ISU Bone Student Center, a number of florists, and Lands' End. (*Id.*, pp. 156 – 166) AIC appears to believe that simply because costs have been paid (and approved by a supervisor) they are reasonable for recovery as advertising expense.

Since AIC failed to provide an adequate explanation for certain P-Card expense items, the Commission should approve Staff's disallowance of the $31,500 charged to Account 909 for P-Card Expense. As noted earlier, of this total amount, AIC has agreed to remove $4,387 that are associated with purchases of books for employees.

2. Account 930.1—Corporate Sponsorships

The Commission should approve Staff's adjustment to disallow certain corporate sponsorships the Company includes for recovery in Account 930.1 – Miscellaneous expense because they are goodwill and promotional in nature. In rebuttal testimony, AIC removed certain corporate sponsorships totaling $127,000 which were for athletic events and tickets, but maintained that the remaining sponsorships were recoverable. (Ameren Ex. 14.0, p. 18, lines 373-376)

In its rebuttal testimony, Staff maintained its recommendation that amounts spent on a variety of organizations and events including local parades, festivals, plays, concerts, races, and the Illinois State Fair are not recoverable since they are goodwill and promotional advertising that should be removed from Account 930. (Staff Ex. 8.0R-C, p. 15, lines 310-322)

During cross-examination, AIC witness Pagel indicated that Company personnel attended a number of events which the Company sponsored (e.g., The Easter Seals Community Event, Lewis & Clark Community College Golf Classic, African American Hall of Fame). (*Tr.*, September 12, 2012, pp. 167 – 170) These types of events where Company personnel enjoy the benefits of the event are no different from the specific sponsorships the Company voluntarily removed from rate recovery. (Ameren Ex.14.0, p. 18, lines 373-376) A comparison of the line items disallowed by Staff (Staff Ex. 8.0R-C, Schedule 8.04) with Ameren Ex. 24.2 shows that 19 out of the 29 items listed were attended by AIC workers.

Staff agrees with the characterization of the AIC sponsorships offered by CUB witness Smith:

> The common feature underlying such sponsorships is that they put the Ameren corporate name before the public in a philanthropic light. While Ameren claims this is not the intention of its sponsorships, this is the meaning of goodwill and institutional advertising. Charging ratepayers for this cost would contravene Section 9-225. Ameren can continue to act as a good corporate citizen and enjoy the ensuing benefits, but it should not pass the cost of doing so onto Illinois ratepayers.
>
> (CUB Ex 2.0, pp. 32-33, lines 793 – 800)

Since the corporate sponsorships are goodwill and promotional in nature, and over 65% of the sponsorships Staff proposes to be disallowed were for events attended by AIC workers, the Commission should approve Staff's adjustment to disallow $54,000 as reflected in Staff Ex. 8.0R-C, Schedule 8.04.

3. Formula Rate Case Expense—Docket No. 12-0001

Amortization of rate case expense

The Commission should accept Staff's recommendation to amortize the supported rate case expense incurred in 2011 associated with the initial formula rate filing in Docket No. 12-0001, over three years, beginning in 2011. The Company proposes to record the costs incurred in 2011 as a regulatory asset to be deferred and amortized over a three-year period beginning in 2012. (Ameren Ex. 1.0, p. 30, lines 606 – 625) Staff's position is consistent with Section 16-108.5(c)(4)(E):

> (E) recovery of the expenses related to the Commission proceeding under this subsection (c) to approve this performance-based formula rate and initial rates or to subsequent proceedings related to the formula, provided that the recovery shall be amortized over a 3-year period…

Nothing in this subsection provides for the treatment proposed by AIC to defer the costs it incurred in 2011 to begin to be amortized in 2012. Since the instant case considers costs reported in the 2011 FERC Form 1, the costs incurred for rate case expense in 2011 should be considered for recovery in this proceeding. (Staff Ex. 1.0, p. 14, lines 306 – 310)

The Final Order in Docket No. 12-0001 adopted the agreement between Staff and AIC regarding rate case expense, incorporating the following language:

> Pursuant to Section 9-229, the Commission is required to expressly address in its final order the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. The costs included for recovery in this filing are amortization of costs approved in Docket No. 04-0294, 07-0585 et al (Cons.), and 09-0306 et al (Cons.) that were previously established as regulatory assets by the Commission in that order. The costs associated with this proceeding were not incurred in 2010 and as such, are not considered for recovery in this proceeding. **Costs incurred in 2011 and 2012 that are related to this proceeding will be considered as part of the proceedings related to the recovery of costs for those years.** Thus, there are no costs expended by the Company to compensate attorneys or technical experts to prepare and litigate a general rate case filing for the Commission to address in this proceeding. (Order, Docket No. 12-0001, September 19, 2012, p. 193) (Emphasis added)

Since the Company agreed during Docket No. 12-0001 that costs incurred in 2011 would be considered as part of the proceeding related to the recovery of costs for that year, the Commission should accept Staff's proposal regarding the amortization period of 2011 costs.

In surrebuttal testimony, however, the Company argues that it will not fully recover its costs under Staff's proposal to amortize 2011 costs over the three-year amortization period of 2011 – 2013. (Ameren Ex. 19.0, pp. 36-37, lines 775 – 779) This statement infers that individual components of the revenue requirement will be reconciled. A review of the formula rate schedule FR A-4 (Ameren Exhibit 11.1, page 6 of 34) reveals that the "Actual Revenue Requirement" on line 1 is compared to the "Prior Year Applicable Net Revenue Requirement" on line 2. Thus, it is the overall revenue requirements that determine over or under recovery and not the individual components.

Disallowed rate case expenses

Staff's adjustment provides for the recovery of $178,000 (1/3 of the total amount of $533,317 supported). Staff did not recommend recovery of outside legal fees which were redacted. Certain descriptions which were not redacted indicate charges for "performance metrics plan" which is the subject of a completely separate proceeding. In addition, charges referring to "Review of ALJPO Research regarding BOE" would not appear to be related to Docket No. 12-0001 since the case itself had not been filed by the 11/9/2011 date of those activities.

Staff also noted that meal costs for Concentric Energy Advisors were included in rate case expense for Docket No. 12-0001, which were discussed previously as a component of regulatory commission expense. (Staff Ex. 6.0, pp. 17-18, lines 329 -356) Based on the Company's agreement that these costs should not be included in rate case expense (Ameren Ex. 19.0, p. 3, lines 45 – 46), the Commission should make note that this type of cost from Concentric Energy Advisors will not be recoverable as rate case expense in subsequent formula rate cases.

4. Regulatory Commission Expense—Docket No. 11-0279

The Commission should accept Staff's proposed adjustment to disallow recovery from rate payers of the rate case costs incurred for the preparation and litigation of

Docket No. 11-0279, which was voluntarily withdrawn by the Company in January 2012. AIC spent substantial amounts of money in an attempt to obtain a rate increase and then abandoned the attempt. (Staff Ex. 1.0, pp. 11-12, lines 246 – 254) Contrary to the Company's position, this was not an action mandated by the Energy Infrastructure Modernization Act ("EIMA")—it was a decision made by the Company alone. AIC made a unilateral decision to file the rate case in February 2011 and made the unilateral decision to withdraw the case shortly before the Commission could issue its rate order in the case. The Company's shareholders, not ratepayers, should bear the burden of those costs.

The Company argues that the costs for Docket No. 11-0279 are recoverable in this formula rate proceeding for the following reasons:

1. They represent actual costs reflected on the 2011 FERC Form 1, and so are recoverable under the terms of the EIMA;

2. Nothing in the EIMA indicates that the utility must forego its rate case expense in the event the case is terminated as a result of opting to become a "participating utility";

3. The withdrawal requirement under the EIMA was mandatory, not voluntary (Ameren Ex. 9.0, pp. 13-15, lines 277-318); and

4. Since 50% of the costs incurred were approved for recovery in Docket No. 11-0282 (AIC's gas rate case), the 50% balance should be recovered in this proceeding. (Ameren Ex. 11.0R, pp. 41-42, lines 878 – 912)

Staff disagrees with each of these points. The mere reporting of a cost in the FERC Form 1 does not make it recoverable under the EIMA. Likewise, nothing in the Act provides guidance on the treatment of costs associated with an abandoned rate case, it simply directs that once a utility opts to become a "participating utility," any ongoing rate proceeding must be withdrawn. The mandate to withdraw the rate case is a consequence of the Company's voluntary decision to become a participating utility. Nothing in the Act mandated that Ameren become a participating utility. (Staff Ex. 6.0, pp. 12-13, lines 227 – 246)

In rebuttal testimony, Staff offered a proposal that, notwithstanding Staff's primary recommendation to disallow 100% of the regulatory asset for costs associated with Docket No. 11-0279, any amount approved for recovery should be limited to $2,293,000. Staff's proposed adjustments limit recoverable costs for the following providers:

1. SFIO Consulting – Staff disallows in total due to services that seem duplicative and redundant of Company management and legal counsel responsibilities. (Staff Ex. 6.0, p. 15, lines 292 – 299 and Tr., September 13, 2012, p. 442)
2. Legal fees for CW Flynn and Carpenter, Lipps & Leland – Staff disallows costs related to the withdrawal of the rate case in Docket No. 11-0279. (Staff Ex. 6.0, pp. 15-16, lines 302 – 307)
3. Accenture – Staff disallows in total due to lack of detail included on the invoices provided to support the requested costs. (*Id.*, p. 16, lines 309 – 312 and Tr., September 13, 2012, pp. 436 – 437, 441 - 442)
4. CCA – Staff disallows costs in total for training as duplicative of that provided by Company legal counsel as unnecessary for the Ameren witnesses with extensive experience and involvement in prior cases as an

expert witness before regulatory bodies. (Staff Ex. 6.0, pp. 16-17, lines 314 – 327 and Tr., September 12, 2012, pp. 53 - 56)

5. Concentric Energy Advisors – Staff disallows meal costs for consultant apparently not on travel status. Similar costs were previously considered and disallowed in Docket Nos. 07-0585 et al. (Cons.). (Staff Ex. 6.0, pp. 17 - 18, lines 329 – 356) The Company has agreed to this adjustment. (Ameren Ex. 19.0, p. 3, lines 45 – 46)
6. Winston & Strawn, LLP – Staff limits costs for witness James Warren to the more reasonable level granted in the Final Order in Docket No. 11-0767. (Staff Ex. 6.0, pp. 18-19, lines 359 – 3384 and Order, Docket No. 11-0767, September 19, 2012, p. 52)

While certain of these costs were considered in Docket No. 11-0279/11-0282 (Cons.), a portion of the costs were supported by original invoices for the first time in this case. (Staff Cross Exhibit No. 1 and Ameren Late Filed Exhibits 1 & 2) In addition, the Commission's position on what is expected regarding recovery of rate case expense has evolved since the filing of Docket No. 11-0282. The Order in Docket No. 10-0467, which required the initiation of the rate case expense rulemaking, specifically discussed the type of support needed for recovery of rate case expenses. (Order, Docket No. 10-0467, May 24, 2011, pp. 65-86) That type of support has not been provided for the costs Staff proposes should be disallowed. (Tr., September 13, 2012, pp. 436-437)

The Commission should accept Staff's recommendation to disallow total recovery of the rate case expenses associated with Docket No. 11-0279, or in the alternative, limit recovery to $2,293,000 as presented on Attachment A to Staff Ex. 6.0.

5. Deferred State Income Tax Expense

The Commission should adopt Staff's proposal for the treatment of the deferred income tax expense savings resulting from the state income tax rate change. In rebuttal testimony, Staff accepted the basis for the adjustment proposed by both the AG/AARP (AG/AARP Ex. 1.0, pp. 29 – 35, lines 684 – 815) and CUB (CUB Ex. 1.0, pp. 34 – 40, lines 810 – 989) witnesses to reflect the tax savings resulting from the state tax rate increase in 2011. (Staff Ex. 6.0, pp. 27-28, lines 558 – 574) Likewise, Company witness Stafford agreed that those savings should be reflected in the revenue requirement in this proceeding. (Ameren Ex. 11.0R, pp. 37-38, lines 782 – 803) Staff (Staff Ex. 6.0, Schedule 6.13), the AG/AARP (AG/AARP Ex. 3.0, p. 30, lines 625- 629) and CUB (CUB Ex. 2.0C, p. 21, lines 497 – 504) all accept the savings amounts calculated in Ameren Ex. 11.3. Thus, the only contested issue on this topic is how to appropriately present these savings in the approved revenue requirement.

Staff, the AG/AARP, and CUB all agree that the tax savings should be reflected as a net reduction to income tax expense in the operating statement of $4.137 million[4] rather than the amortized treatment reflected by the Company in Ameren Ex. 11.2, Workpaper 5. The Company opines that since the calculation of deferred tax expense ($4.137 million) is greater than the $3.7 million threshold, Section 16-108.5(c)(4)(F) of the Act requires the amount to be recognized as a deferral subject to amortization. (Ameren Ex. 11.0R, p. 39, lines 830 – 832)

Staff points out that this section of the Act provides for unusual significant costs (credits) that occur in a calendar year to be spread over a longer period for recovery,

[4] This is consistent with the presentation and treatment offered by ComEd and accepted by the parties in Docket No. 12-0321. (AG/AARP Ex. 1.0, pp. 30 – 32, lines 702 – 752)

such as storm expense. The tax credit resulting from the change in state income taxes is not a credit that occurs in a single calendar year 2011 but is rather the impact that will be realized in future periods as the taxes that were deferred at the higher rate will be paid out at a lower rate when the state tax rate decreases. (Staff Ex. 6.0, p. 29, lines 588 – 594)

Even if Section 16-108.5(c)(4)(F) is found to apply to this issue, AG/AARP witness Brosch explains that the Company's analysis does not consider the entire impact of the SIT rate change.

> The overall net impact of the SIT rate change, using the Company's numbers, is the combined increase of $1,813,717 less the reduction of $4,137,000 which nets to $2,323,283. This $2.3 million net impact arising from SIT rate change does not meet the criteria specified in the referenced section of the law. (AG/AARP Ex. 3.0, p. 33, lines 704 – 708)

The Commission should accept the treatment of the State Income Tax Rate change as presented by Staff which is agreed to by the Intervenors and is consistent with the treatment of the same issue in ComEd Docket No. 12-0321.

7. Section 9-227 Donations/Charitable Contributions

Staff proposed the disallowance of eleven charitable contributions in rebuttal testimony. Since then, AIC provided additional information for the contribution made to Southwest Illinois Jets (Staff Ex.8.0R-C, Schedule 8.02, p. 2, line 10) and the amount has been removed from Staff's proposed adjustment as reflected in Appendix A, Schedule 11 attached to this brief.

With respect to the remaining 10 contributions, Staff averred that membership fees to tourism commission and economic development organizations are not donations because AIC receives a corporate benefit from making these donations. (Staff Ex. 8.0R-C, p.7-8, lines 112-137) The corporate benefits Ameren received range from receiving member discounts to being involved in joint efforts to shape public policy and key issues affecting their businesses and their community (*Id.,* p. 8-9, lines 132-160). The membership benefits to Ameren are explicitly stated on the websites of the economic development organizations. (Staff Ex. 3.0R-C, p.9-10, lines 222-232).

In determining whether contributions are recoverable from rate payers the purpose of the gift, Staff considered the donees' status as a Section 501(c)(3) organization as one factor in its determination. In addition, Staff considered whether AIC received or expected to receive benefits from the donations. Staff concluded that if a donor benefited when making a gift/donation then, the donation should not be recoverable from ratepayers. This is a basic definition for a donation to be considered a charitable contribution. Ratepayers should not have to reimburse AIC for the cost of donations for which AIC received a benefit.

Although the Commission in its Order in Docket No. 12-0001 rejected the use of Section 501(c)(3) status as the sole filter for determining recoverability, the Commission's conclusion in that case did not address whether AIC received or expected to receive benefits from its donation. (Order, Docket No. 12-0001, September 19, 2012, p. 78-79)

In addition, the home page of many of the economic development organizations' web sites in which AIC is a member, prominently display advertisements of members' products, services and web page links. The information available on these web sites promotes benefits to members, encourages potential electronic commerce transactions and fosters business connections. This type of sales-related activity does not suggest that these organizations are primarily charitable or public welfare groups, but rather function as a forum to promote the business of its members. (Staff Ex. 8.0R-C, p.10, lines 181-191) Since AIC receives benefits such as member discounts, being involved in joint efforts to shape public policy and key issues affecting their businesses and their community, as well as the promotion of member products, the amounts paid to chambers of commerce or economic development organizations are not donations to charitable institutions and therefore they should not be recovered from ratepayers.

V. REVENUES

A. Uncontested or Resolved Issues

B. Contested Issues

1. Late Payment Revenues

Staff agrees with the adjustment proposed by AG/AARP that 100% of the Late Payment Revenue should be included as an offset in the determination of rates. This adjustment is consistent with the Commission's Order on this issue in Docket No. 12-0001. (Order, Docket No. 12-0001, September 19, 2012, pp. 105 – 106) Since none of the late payment revenues are included in any other rates charged to customers, limiting the amount reflected for delivery service under the formula rate would result in a windfall for Ameren shareholders. While Ameren agrees that the late payment revenue is not considered in any other rate structure charged to its customers, it offers a proposal to revise Rider PER tariffs to reflect those revenues at some future point in time. (Ameren Ex. 11.0R, p. 34, lines 717 – 726) Staff does not agree with this alternative, since it only allows the Company to continue to receive the windfall of revenues until some unspecified time down the road. (Staff Ex. 6.0, pp. 29-30, lines 600 – 620) The Commission's Order in Docket No. 12-0001 approved the AG/AARP adjustment and nothing in the record provides any new information that would justify straying from that same decision in this case.

VI. RATE OF RETURN

A. Overview

Pursuant to the provisions of Section 16-108.5 of the Public Utilities Act ("Act"), Staff recommends an 8.66% rate of return on rate base for Ameren Illinois Company's ("AIC" or "Company") electric delivery services, as summarized below.

Staff's Recommended Rate of Return on Rate Base – Average 2011

Capital Component	Weight	Cost	Weighted Cost
Short-Term Debt	0.00%	0.00%	0.00%
Long-Term Debt	47.36%	7.49%	3.55%
Preferred Stock	1.64%	4.98%	0.08%
Common Equity	51.00%	9.71%	4.95%
Bank Facility Fees			0.08%
Total Capital	100.00%		
Weighted Average Cost of Capital =			**8.66%**

Source: Staff Ex. 4.0, Sch. 4.01, p. 1

B. Uncontested or Resolved Issues – Capital Structure/Rate of Return

1. Rate of Return on Common Equity

AIC's rate of return on common equity is 9.71%, which equals the monthly average 3.91% 30-year U.S. Treasury bond yield, plus 580 basis points, as set forth in Section 16-108.5(c)(3) of the Act. (Staff Ex. 4.0, p. 12)

2. CWIP Accruing AFUDC Adjustment

Staff recommends an adjustment to the average balances of long-term debt, preferred stock and common equity to remove the portions that the Allowance for Funds used During Construction ("AFUDC") formula assumes is financing construction work in progress ("CWIP"). (*Id.*, pp. 3-5) AIC accepts Staff's position based on the Commission's Order in Docket No. 12-0001, which concluded:

> The Commission disagrees with AIC's position that the dollar values reflected in its capital structure are meaningless. While under current circumstances, Staff's adjustment will not alter the ratios or rate of return, the Commission finds merit in ensuring that the capital structure is measured accurately. Consistent with Docket No. 11-0721, the Commission adopts Staff's adjustment on this issue. (Order, Docket No. 12-0001, 9/19/2012, p. 111)

3. Cost of Short-Term Debt, Including Cost of Credit Facilities

Staff calculated the cost of credit facilities for AIC using the costs of the September 10, 2010 credit facility that the Commission authorized in Docket No. 11-0282, which were adjusted pursuant to Section 9-230 of the Act. To calculate the weighted cost of credit facility fees, Staff divided the Company's total bank commitment fees of $2,815,432, by total capitalization. Thus, Staff added 8 basis points to the Company's rate of return on rate base. (Staff Ex. 4.0, pp. 11-12) AIC accepts Staff's position based on the Commission's Order in Docket No. 12-0001, which concluded:

> Consistent with its past decision in Docket No. 11-0282, the Commission will adopt Staff's adjustment concerning credit facilities. As previously found by the Commission, AIC has failed to

> demonstrate that it is certain, or even likely, that the fee rate schedule for the Illinois credit facility would have been exactly the same if it had been negotiated totally independently from the other two credit facilities that Ameren and its subsidiaries entered into during July 2010. (Order, Docket No. 12-0001, 9/19/2012, p. 131)

C. Contested Issues

1. Average or Year-End Capital Structure

Staff calculated AIC's average 2011 capital structure as follows: 53.26% common equity, 45.10% long-term debt and 1.64% preferred stock. (Staff Ex. 4.0, p. 2)

Average capital structures are less sensitive to manipulation than capital structures measured on a single date and would produce a more accurate measure of a company's earned rate of return on common equity for a calendar year, which is required for the purpose of determining customer surcharges or refunds under Section 16-108.5(c)(5) of the Act. (*Id*.)

In Docket No. 12-0001, the Commission adopted Staff's proposed average capital structure methodology. The Commission's Order states:

> The Commission finds Staff's arguments for how to determine AIC's capital structure persuasive. Staff's method is consistent with Commission practice and law and mitigates the risk of manipulation. AIC's claim that Staff uses 2009 data is not well taken given that the December 31, 2009 balances used by Staff are identical to opening January 1, 2010 balances. AIC's argument is also disingenuous in light of its own use of December 31, 2009 data for calculating short-term debt balances. Accordingly, the Commission adopts Staff's proposed average capital structure methodology with the knowledge that it will more accurately reflect AIC's actual capital structure. (Order, Docket No. 12-0001, 9/19/2012, p. 110)

2. Common Equity Ratio

Capital structure affects the overall cost of capital because increasing the proportion of common equity in a utility's capital structure reduces financial risk, thereby lowering the cost of each source of capital. However, since common equity is the most costly source of capital, an excessive proportion of common equity unnecessarily raises the overall cost of capital. On the other hand, an inadequate proportion of common equity also unnecessarily raises the cost of capital, since reducing the proportion of common equity in a utility's capital structure increases financial risk, thereby raising the cost of each source of capital. In other words, above a certain common equity ratio, increasing the proportion of common equity increases the overall cost of capital despite reducing the individual component costs; below a certain common equity ratio, decreasing the proportion of common equity has a smaller effect on the overall cost of capital than the resulting increase in the cost of each source of capital.[5] (Staff Ex. 4.0, pp. 6-7)

Rates set in accordance with Section 16-108.5 ("formula rates plan") do not maintain the risk/return relationship discussed previously. The authorized rate of return on common equity under the formula rates plan is a function of only two factors: (1) the average yield on 30-year U.S. Treasury bond yields, plus 580 basis points; and (2) possible performance penalties. Consequently, the authorized rate of return on common equity would not respond to changes in the common equity ratio. That is, Section 16-108.5 severs the inherent link between the rate of return on common equity

[5] Unfortunately, determining the common equity ratio that minimizes cost of capital remains problematic because (1) the cost of capital is a continuous function of the capital structure, rendering its precise measurement along each segment of the range of possible capital structures problematic; and (2) the optimal capital structure is a function of dynamic operating risk and investor risk preferences.

and the level of financial risk associated with a utility's capital structure. Therefore, absent rigorous Commission oversight of the capital structure, Section 16-108.5 provides an incentive to utilities to increase their respective equity ratios. (*Id.*, p. 7)

Although the implementation of formula rates have affected AIC's credit quality favorably, Ms. Phipps evaluated AIC's current capital structure under the traditional regulatory framework under which it was developed.[6] The Company proposes using a December 31, 2011 capital structure, which comprises 54.85% common equity, as shown on Staff Ex. 4.0, Sch. 4.01, p. 1. Staff measured a 53.26% average 2011 common equity ratio. Neither of those capital structures would be appropriate for setting rates because both produce a rate of return that would violate Section 9-230 of the Act given AIC's parent company, Ameren Corp. ("Ameren"), had an average 2011 common equity ratio of 51.05% over the same measurement period. (Staff Ex. 4.0, pp. 7-9)

Section 9-230 of the Act states:

> In determining a reasonable rate of return upon which investment for any public utility in any proceeding to establish rates or charges, the Commission shall not include any (1) incremental risk, [or] (2) increased cost of capital…which is the direct or indirect result of the public utility's affiliation with unregulated or non-utility companies. (220 ILCS 5/9-230)

Because equity is more expensive than debt, a greater percentage of equity in a utility's capital structure often results in a higher rate of return to recover the cost of capital. *See Illinois Bell Tel. Co. v. Illinois Commerce Commission*, 283 Ill. App.3d 188, 205 (2nd Dist. 1996)) ("*IBT*"); *Citizens Utility Board v. Commerce Commission*, 276 Ill. App. 3d 730, 744 (1st Dist. 1995) ("*CUB*").

[6] Because formula rate procedure affects operating risk, a capital structure that is reasonable under the traditional regulatory framework might not be reasonable under formula rates. (Tr., 9/13/2012, pp. 350-351)

Moreover, Illinois courts have concluded that the mandatory directive in Section 9-230 means that the Commission is not allowed "to consider what portion of a utility's increased risk or cost of capital caused by affiliation is 'reasonable' and therefore should be born by the utility's ratepayers." (*IBT*, 283 Ill. App.3d 188, 205) Further, Section 9-230 mandates that the Commission not allow "one iota" of increased risk or "one dollar more for capital because of its affiliation with an unregulated company." (*Id*.)

The Illinois Appellate Court explained that:

> Section 9-230 *does not allow* the Commission to consider what portion of a utility's increased risk or cost of capital caused by affiliation is "reasonable" and therefore should be born by the utility's ratepayers; the legislature has determined that any increase whatsoever must be excluded from the ROR determination. *It is impermissible* for the Commission to *substitute its reasonableness standard* for the legislature's *absolute standard*. The Commission may not define a portion of the Act in a way that conflicts with a specific directive contained in the Act. We hold that if a utility's exposure to risk is one iota greater, or it pays *one dollar more* for capital because of its affiliation with an unregulated or nonutility company, the Commission must take steps to ensure that such increases do not enter in its ROR calculation.
>
> *(IBT*, 283 Ill. App. 3d at 207) (Emphasis added; citation omitted).

A few things are apparent from this holding. First, the Commission cannot consider the reasonableness of a proposed capital structure until it makes a threshold determination that the capital structure in question satisfies the requirements of Section 9-230. Second, Section 9-230 absolutely bars, as a matter of law, the adoption of a capital structure which, as a result of affiliation, results in increased risk or increased cost of capital. Section 9-230 is designed to preclude parent companies from realizing greater returns from ratepayers by proposing a capital structure with a greater percentage of common equity at the utility level. Finally, Ameren has a clear incentive to use a capital structure with an excessive amount of common equity for AIC, which would then allow

Ameren a greater return on its capital, while leaving ratepayers to shoulder the increased costs of capital for AIC.

The court in CUB explained that:

> When a larger corporation owns a utility, the corporation is generally not motivated to establish the optimal, lowest-cost capital structure for the utility, but to instead use a capital structure with a greater percentage of equity than is optimal, thereby allowing the parent corporation to realize a greater return. The assured profits from the regulated utility can then bolster the security of the corporation, allowing it to sell its own debt instruments at lower cost and use the debt capital to finance riskier, unregulated and competitive ventures. Thus, the corporation maintains an overall capital structure with a higher proportion of low-cost debt, while reporting the capital structure of the owned utility with a higher proportion of high cost equity.
>
> (*CUB*, 276 Ill. App. 3d 730, 744)

In other words, the capital structure of the regulated utility can be manipulated to include excessive common equity to inflate the rate of return. (*Id.)* Therefore, Staff proposes using an imputed capital structure that comprises 51.00% common equity,1.64% preferred stock and 47.36% long-term debt. (Staff Ex. 4.0, p. 9)

Staff's proposed imputed capital structure for AIC substitutes Ameren's average 2011 common equity ratio of 51.00% for AIC's average 2011 common equity ratio of 53.26%. Staff used the actual proportion of preferred stock in the Company's average 2011 capital structure. To calculate AIC's long-term debt ratio, Staff added AIC's average 2011 preferred stock ratio and the imputed 51.00% common equity ratio (1.64% + 51.00% = 52.64%) and then subtracted that from 100.00% to derive the long-term debt ratio of 47.36% (100.00% - 52.64% = 47.36%). (*Id.*, p. 10)

In addition to comparing AIC's capital structure to that of its parent company, Ameren (*Id.*), Staff compared AIC's capital structure to those of other electric companies. Moody's categorizes debt securities based on the risk that a company will default on its interest and principal payment obligations. The resulting credit rating reflects both the operating and financial risks of a utility. AIC has a Moody's corporate credit rating of Baa2. (*Id*., p. 11, citing Moody's Investors Service, "Credit Opinion: Ameren Illinois Company, June 13, 2012) Moody's states, "[o]bligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics." (*Id*., p. 11, citing Moody's Investors Service, "Rating Symbols and Definitions," March 2007, p. 8) Based on data from the S&P *Utility Compustat* database, the average common equity ratio equals 47.02% for utilities in the electric industry with an S&P credit rating in the BBB range. Staff's proposed common equity ratio of 51.00% indicates a lower degree of financial risk than the average BBB rated electric utility company. (*Id*., p. 11)

In Docket No. 12-0001, the Commission adopted Staff's proposed common equity ratio of 51.49% for AIC, stating:

> As for the competing common equity ratios presented by AIC and Staff, the Commission finds merit in Staff's arguments. As noted by Staff, S&P has concluded that although it continues to have concerns about the regulatory environment in Illinois, Moody's found that the regulatory environment has improved sufficiently to increase AIC's credit rating. Overall, for the reasons contained in the record, the Commission concurs and finds that AIC has lower operating risk than Ameren and now enjoys a more favorable regulatory environment under Public Acts 97-0616 and 97-0646. These facts warrant an adjustment to AIC's 2010 common equity ratio of 54.28%, which represents circumstances as they were prior to Public Acts 97-0616 and 97-0646 and the benefits ensuing to AIC there under. Accordingly, Staff's common equity ratio of 51.49% represents a reasonably adjusted common equity ratio consistent with Commission practice and law, including Section 9-230 of the Act. (Order, Docket No. 12-0001, 9/19/2012, p. 128)

For all the foregoing reasons, the Commission should adopt Staff's proposed capital structure for AIC, which includes a 51.00% equity ratio that is consistent with Commission practice and law, including Section 9-230 of the Act.

3. Common Equity Balance – Purchase Accounting

In the event the Commission does not adopt Staff's proposed imputed capital structure, the Commission would need to remove all purchase accounting adjustments, including goodwill, when calculating the Company's common equity balance in accordance with its Order in Docket No. 04-0294. To achieve that end, Staff demonstrated that the monthly balances of common equity must be reduced by the amount of (1) balance sheet purchase accounting adjustments, including goodwill, which are collapsed into ICC Account 114, as identified on page 13 of the Company's ILCC Form 21 annual report; and (2) income statement purchase accounting adjustments, which flowed through retained earnings. Purchase accounting adjustments do not result in a single dollar expenditure on utility plant or service; rather, they represent a revaluation of utility assets and liabilities that were already in place. Such increments to common equity are inconsistent with a rate setting procedure that is based on original cost rather than fair value. (Staff Ex. 4.0, p. 6)

The Commission's Order in Docket No. 04-0294, states that, as a condition of Illinois Power Company's reorganization, "IP shall <u>reverse</u> the effects of push down accounting [or purchase accounting][7] for ratemaking purposes, and shall not reflect push down adjustments for debt or preferred stock in its annual reports to the Commission." (Order, Docket No. 04-0294, 9/22/2004, Appendix A, paragraph 13,

[7] The Commission has recognized that the terms "purchase accounting" and "push down accounting" may be used interchangeably. (Order, Docket No. 12-0001, 9/19/2012, p. 119)

emphasis added,) AIC admits that it has not reversed the effects of net income-related purchase accounting on its financial statements. Rather, AIC has recorded approximately $100 million to retained earnings, which AIC claims it has "effectively eliminated" (but not reversed as the Commission required in Docket No. 04-0294) through the payments of dividends. (Staff Cross Ex. 6)

The Company's claim that paying common dividends can eliminate purchase accounting adjustments to net income (Ameren Ex. 19.0R, p. 6) could only be true if the purchase accounting adjustments to net income were a necessary condition for AmerenIP to pay a portion of its common dividends. This is incorrect from both a financial and a legal standpoint. From a financial standpoint, AIC's common dividends were paid from cash, and as such, decrease the amount of funds available for investment. In contrast, purchase accounting adjustments, including those to net income, do not represent changes in funds (*i.e.*, cash) available for investment; they do not represent the generation of cash, which the Company can invest in utility plant or distribute to investors in the form of common dividends. The Company's cash flow statement, which subtracts purchase accounting adjustments from net income to calculate cash from operations, illustrates this. In contrast, common dividend payments reduce cash. (Staff Ex. 9.0, Attachment A, pp. 14-15)

From a legal standpoint, in Docket No. 12-0001, the Company argued, "a positive retained earnings balance is a legal pre-condition for the payments of dividends." (Order, Docket No. 12-0001, 9/19/2012, p. 118) That is, AIC argued Section 7-103 prohibits it from paying common dividends if its balance of retained earnings is negative and, therefore, the purchase accounting was a necessary condition to pay common dividends. (*Id.*, p. 113) Putting aside the issue of whether a positive retained earnings balance is a necessary condition for a utility to pay dividends without Commission authorization, the Commission has the power to authorize the payment of dividends even when a utility's balance of retained earnings is negative. (220 ILCS 5/7-103) In fact, the Commission exercised that power in Docket No. 92-0415, in which Illinois Power Company requested and received Commission authority under Section 7-103 of the Act to declare and pay quarterly dividends on preferred and common stock despite a possible negative retained earnings balance. (Order, Docket No. 92-0415, 1993 Ill. PUC LEXIS 119, March 24, 1993)

In summary, there are two important shortcomings in the Company's argument for its incomplete purchase accounting adjustment to its common equity balance. First, by failing to reverse all its purchase accounting adjustments for ratemaking purposes, including the adjustment to retained earnings, the Company has violated the Commission's Order in Docket No. 04-0294. Second, AIC misinterprets Section 7-103 of the Act. Notably, the Commission's Order in Docket No. 12-0001 never ruled on the correct interpretation of Section 7-103 of the Act. (Order, Docket No. 12-0001, 9/19/2012, p. 119) Therefore, Staff recommends the Commission adopt its proposed adjustment to remove all purchase accounting adjustments, including goodwill, from the Company's common equity balance. In the event the Commission adopts Staff's proposed capital structure, the Commission may defer judgment on the purchase accounting adjustment, given that Staff's purchase accounting adjustment is rendered moot by its recommendation to adopt a ratemaking capital structure that comprises 51.0% common equity.

4. Balance and Embedded Cost of Long-Term Debt

Staff calculated an average 2011 balance of long-term debt of $1,635,168,903, and an embedded cost of long-term debt of 7.49% for AIC, using the same methodology Staff used and the Commission adopted in Docket No. 12-0001. (Staff Ex. 4.0, p. 12, Sch. 4.01, p. 2 and Sch. 4.04) In that case, the Commission stated:

> The Commission has considered the record on this matter and concludes that adoption of Staff's position is most appropriate. Earlier in this Order, the Commission determined that using AIC's average capital structure is warranted. Staff's position on this issue is consistent with the use of AIC's average capital structure. Moreover, adoption of Staff's position is consistent with the Commission's treatment of this issue in Docket No. 11-0721. (Order, Docket No. 12-0001, 9/19/2012, p. 129)

5. Balance and Embedded Cost of Preferred Stock

Staff calculated an average 2011 balance of preferred stock of $59,578,793, and an embedded cost of preferred stock of 4.98% for AIC, using the same methodology Staff used and the Commission adopted in Docket No. 12-0001. (Staff Ex. 4.0, p. 12, Sch. 4.01, p. 2 and Sch. 4.05) In that case, the Commission stated:

> The Commission has considered the record on this matter and concludes that adoption of Staff's position is most appropriate. Earlier in this Order, the Commission determined that using AIC's average capital structure is warranted. Staff's position on this issue is consistent with the use of AIC's average capital structure. (Order, Docket No. 12-0001, 9/19/2012, p. 129)

VII. COST OF SERVICE AND RATE DESIGN

A. Uncontested or Resolved Issues

1. Consistency with Docket No. 12-0001

Staff recommended that the Company's compliance filing in this proceeding include: revised ECOSSs, revenue allocation schedules, rate design, and bill impact schedules, all of which incorporate the ECOSS cost allocation to classes, revenue allocation, and rate design methodologies approved by the Commission in Docket No. 12-0001. (Staff Ex. 5.0, p. 11) The Company agreed with Staff's recommendation. (Ameren Ex. 16.0, p. 4)

VIII. FORMULA RATE TARIFF-- RECONCILATION

A. Uncontested or Resolved Reconciliation Issues

B. Contested Reconciliation Issues

1. Average or Year-End Reconciliation Rate Base

2. Interest Rate on Under/Over Reconciliation Balances

3. Average or Year-End Capital Structure

IX. OTHER

A. Resolved or Uncontested Issues

1. Original Cost Determination

AIC requested the Commission make an original cost finding in this proceeding. (Ameren Ex. 1.0, p. 19, lines 371 – 375) Staff recommended that the Commission include the following language in the Findings and Orderings paragraphs of the Order in this proceeding:

> the Commission, based on AIC's proposed original cost of plant in service as of December 31, 2011, before adjustments of $5,023,011, and reflecting the Commission's determination adjusting that figure, unconditionally approves $5,023,011 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2011.
>
> (Staff Ex. 3.0, pp. 13-14, lines 312 – 325)

AIC witness Stafford accepted Staff's recommendation in rebuttal testimony. (Ameren Ex. 11.0R, p. 5, lines 94-106)

2. Uncollectibles Expense

Staff recommends that the agreement reached between Staff and the Company concerning the treatment of uncollectibles in Docket No. 12-0001 should be carried forward into this case. (Staff Ex. 1.0, p. 16, lines 339 – 348) Company witness Stafford confirmed that agreement under the condition that the revisions are all accepted under the Final Order in Docket No. 12-0001. (Ameren Ex. 11.0R, p. 3, lines 60 – 61) The Commission's Final Order in Docket No. 12-0001 accepted the revisions. (Order, Docket No. 12-0001, September 19, 2012, p. 132 and pp. 191 - 192) The Order in this case should likewise reflect the acceptance of those revisions as agreed to by the Company.

3. Coordination with Docket No. 12-0001

The Commission should consider conformed formula rate revenue requirement schedules which the Company has agreed to provide in this case that reflect the conclusions reached in Docket No. 12-0001. Staff recommended that, due to the overlap between Ameren Docket 12-0001 and the instant case, the record in this case be left open pending a Final Order in Docket No. 12-0001 so that conclusions in that case regarding Ameren's performance-based rate structure and protocols could be reflected in the conclusions in the Final Order in this case. (Staff Ex. 1.0, p. 17-18, lines 376 – 387) Company witness Mill committed that AIC would submit conformed formula rate revenue requirement schedules for this proceeding no later than October 1, 2012. (Ameren Ex. 10.0, pp. 3-4, lines 57-66) Mr. Mill further agreed that after that filing, parties should have the opportunity to review and respond to those schedules. (*Id.*, p. 4, line 67-73) Those conformed schedules and parties' responses thereto should be considered by the Commission in its conclusions in this case.

4. AFUDC Rate — Plant Balances

AFUDC represents the financing cost of constructing assets that will be used for utility service. The components of AFUDC are the Company's cost of debt and equity funds used in construction which, when calculated properly, simulates a return on assets under construction as if those assets were already placed into service. The AFUDC rate is applied to construction expenditures except for short-term construction until the asset is placed into service. (Staff Exhibit 10.0, p. 11, l. 202-209)

On July 19, 2012, the Federal Energy Regulatory Commission ("FERC") issued its Order in Docket No. AC11-46-000 that found that AIC should not have included an increase in common equity related to goodwill in the determination of its AFUDC rate. (Staff Exhibit 10.0, p. 10, l. 185-189) and required a recalculation of AIC's AFUDC rate "for all periods the AFUDC rate calculation was inappropriately impacted by the inclusion of acquisition premiums in the capital structure and make appropriate adjustments to its utility plant accounts." (*Id.*, p. 9, l. 152 -159)

Staff recommended that, consistent with the above FERC Order, the Commission: (1) order AIC to recalculate its AFUDC rate for all periods affected by the inappropriate inclusion of acquisition adjustments and/or goodwill in the common equity balance; and (2) order AIC to make appropriate adjustments to its utility plant accounts and all related accounts affected by the application of a recalculated AFUDC rate. Staff also recommended that the restatement should be used in AIC's next rate filing. (*Id.*, p. 8, l. 141-147) AIC argues that it has requested rehearing at the FERC and as a result, that there is no current basis for Staff's proposal. (Ameren Exhibit 18.0R, p. 21, l. 440-442)

Staff and AIC agree that the record in this proceeding is not sufficiently developed for the Commission to consider Staff's recommendation regarding the restatement of plant balances for revised AFUDC rates. AIC indicated it will address the issue of whether its AFUDC rate is improperly affected by goodwill in its common equity balance in its direct testimony in the next formula rate case. (Staff Cross Exhibit 4) Staff does not object to this proposal.

5. Reporting of Plant Additions Pursuant to Section 16-108.5(b)

Staff recommends that the Commission include the following language in its conclusion of the final order in this proceeding regarding the amount of 2012 projected plant additions included in this filing resulting from AIC's obligations from Section 16-108.5(b)(2) :

> The Commission is setting a revenue requirement in this proceeding that provides for the recovery of $21.9 million in projected 2012 plant additions in compliance with EIMA. These are projected costs and will be reconciled to actual in the Company's next formula rate filing. The detail of these projected plant additions in the categories as required by Section 16-108.5(b)(2) are as follows:

Distribution infrastructure improvements	$ 5.3
Training facility construction or upgrade projects	6.0
Wood pole inspection, treatment, and replacement	1.0
Total electric system upgrades, modernization projects, and training facilities	12.3
Additional smart meters	0.0
Distribution automation	8.0
Associated cyber secure data communication network	1.2
Substation micro-processor relay upgrades	0.4

Total upgrade and modernization of transmission and distribution infrastructure and Smart Grid electric system upgrades	9.6
Total projected incremental 2012 plant additions in compliance with Section 16-108.5(b)(2) of the Act	$21.9 million

AIC agreed to Staff's recommendation. (Staff Exhibit 10.0, pp. 17-18) (Ameren Exhibit 20.0, pp. 3-4)

6. Income Taxes—Interest Synchronization

7. Gross Revenue Conversion Factor

X. CONCLUSION

WHEREFORE, for all of the following reasons, Staff respectfully requests that the Commission's order in this proceeding reflect all of Staff's recommendations regarding AIC's request for approval of its updated cost inputs for its Modernization Action Plan - Pricing tariff, Rate MAP-P and corresponding new charges.

September 28, 2012 Respectfully submitted,

____
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Ameren Illinois Company

Statement of Operating Income with Adjustments

For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Rebuttal Company Pro Forma Present (Co. Sch. C-1)	Staff Adjustments (Sch 2)	Staff Pro Forma Present (Cols. b+c)	Rebuttal Company Proposed Increase (Decrease) (Co. Sch. C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Electric Operating Revenues	814,085	-	814,085	(16,129)	-	797,956	(33,213)	764,743
2	Other Miscellaneous Revenues	34,474	6,556	41,030	-	-	41,030	-	41,030
3	Total Operating Revenues	848,559	6,556	855,115	(16,129)	-	838,986	(33,213)	805,773
4	Uncollectible Accounts	6,541	48	6,589	(119)	-	6,470	(246)	6,224
5	Distribution Expenses	181,649	827	182,476	-	-	182,476	-	182,476
6	Customer Accounts Expenses	39,913	-	39,913	-	-	39,913	-	39,913
7	Cust. Service & Inform. Expenses	4,266	(700)	3,566	-	-	3,566	-	3,566
8	Admin. & General Expenses	118,104	(2,435)	115,669	-	-	115,669	-	115,669
9	Depreciation & Amort. Expenses	163,083	-	163,083	-	-	163,083	-	163,083
10	Regulatory Debits	6,963	-	6,963	-	-	6,963	-	6,963
11	Taxes Other Than Income	56,074	-	56,074	-	-	56,074	-	56,074
12			-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	576,593	(2,260)	574,333	(119)	-	574,214	(246)	573,968
							-		-
17	State Income Tax	19,162	(5,659)	13,503	(1,521)	-	11,982	(3,132)	8,850
18	Federal Income Tax	63,890	4,633	68,523	(5,071)	-	63,452	(10,442)	53,010
19	Deferred Taxes and ITCs Net	(972)	-	(972)	-	-	(972)	-	(972)
20	Total Operating Expenses	658,673	(3,286)	655,387	(6,711)	-	648,676	(13,820)	634,856
21	NET OPERATING INCOME	$ 189,886	$ 9,842	$ 199,728	$ (9,418)	$ -	$ 190,310	$ (19,393)	$ 170,917
22	Staff Rate Base (ICC Staff Exhibit 6.0, Schedule 6.03, Column (d))								$ 1,973,640
23	Staff Overall Rate of Return (ICC Staff Exhibit 4.0, Schedule 4.01)								8.66%
24	Revenue Change (column (i), line 3 minus column (b), line 3)								$ (42,786)
25	Percentage Change (column (i), line 24 divided by column (d), line 3)								-5.04%

Ameren Illinois Company
Adjustments to Operating Income
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Interest Synchronization (Sch. 6.06)	Regulatory Comm Exp Adjustment (Sch. 6.10)	State Income Tax Rates (Sch. 6.13)	State Income Tax Rates (Sch. 6.13)	Charitable Contributions (Sch. 11)	Rate Case Expense (Sch. 6.11)	Advertising Advertising Expense (Sch. 10)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Electric Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Miscellaneous Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Distribution Expenses	-	-	827	-		-	-	827
6	Customer Accounts Expenses	-	-	-	-	-	-	-	-
7	Cust. Service & Inform. Expenses	-	-	-	-	-	-	(700)	(700)
8	Admin. & General Expenses	-	(2,504)	-	-	(55)	178	(54)	(2,435)
9	Depreciation & Amort. Expenses	-	-	-	-	-	-	-	-
10	Regulatory Debits	-	-	-	-	-	-	-	-
11	Taxes Other Than Income	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	-	(2,504)	827	-	(55)	178	(754)	(2,308)
								-	
17	State Income Tax	(131)	238	(79)	(6,365)	5	(17)	72	(6,277)
18	Federal Income Tax	(437)	793	(262)	2,228	17	(6)	239	2,572
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(568)	(1,473)	486	(4,137)	(33)	155	(443)	(6,013)
21	NET OPERATING INCOME	$ 568	$ 1,473	$ (486)	$ 4,137	$ 33	$ (155)	$ 443	$ 6,013

Ameren Illinois Company
Adjustments to Operating Income
For the Year Ending December 31, 2011

Line No.	Description	Subtotal (page 1)	Late Payment Revenue (Sch. 6.14)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	Electric Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Miscellaneous Revenues	-	6,556	-	-	-	-	-	6,556
3	Total Operating Revenues	-	6,556	-	-	-	-	-	6,556
4	Uncollectible Accounts	-	48	-	-	-	-	-	48
5	Distribution Expenses	827	-	-	-	-	-	-	827
6	Customer Accounts Expenses	-	-	-	-	-	-	-	-
7	Cust. Service & Inform. Expenses	(700)	-	-	-	-	-	-	(700)
8	Admin. & General Expenses	(2,435)	-	-	-	-	-	-	(2,435)
9	Depreciation & Amort. Expenses	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11	Taxes Other Than Income	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(2,308)	48	-	-	-	-	-	(2,260)
17	State Income Tax	(6,277)	618	-	-	-	-	-	(5,659)
18	Federal Income Tax	2,572	2,061	-	-	-	-	-	4,633
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expenses	(6,013)	2,727	-	-	-	-	-	(3,286)
21	NET OPERATING INCOME	$ 6,013	$ 3,829	$ -	$ -	$ -	$ -	$ -	$ 9,842

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Schedule 3

Ameren Illinois Company
Rate Base
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Company Pro Forma Rate Base (Co. Sch. B-1)	Staff Adjustments (Sch 4)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Plant in Service	$ 5,116,801	$ -	$ 5,116,801
2	Less: Accumulated Depreciation	(2,417,000)	-	(2,417,000)
3	-	-	-	-
4	Net Plant	2,699,801	-	2,699,801
5	Additions to Rate Base			
6	Plant Held for Future Use	373	-	373
7	CWIP Not Subject to AFUDC	127	(37)	90
8	Cash Working Capital	13,096	(2,229)	10,867
9	Materials & Supplies Inventory	31,073	-	31,073
10	Deferred Charges Greater than $3.7M	3,051	3,310	6,361
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	Deductions From Rate Base	-	-	-
16	Operating Reserves	-	(11,606)	(11,606)
17	Customer Advances	(23,747)	-	(23,747)
18	Accumulated Deferred Income Taxes	(644,995)	(53,118)	(698,113)
19	Customer Deposits	(30,423)	-	(30,423)
20	OPEB Liability	(11,036)	-	(11,036)
21	Budget Payment Plans	-	-	-
22	Accum. Provision for Injuries & Damages	-	-	-
23	Rate Base	$ 2,037,320	$ (63,680)	$ 1,973,640

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Schedule 4

Ameren Illinois Company
Adjustments to Rate Base
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Cash Working Capital (Staff Initial Brief Sch. 9)	FIN 48 ADIT (Sch. 6.08)	Vacation Reserve (Staff Initial Brief Sch. 8)	ADIT for ITCs (Sch 6.12)	State Income Tax Rates (Sch. 6.13)	ADIT on Projected 2012 Plant (Sch. 8.01)	Accts Payable on CWIP (Sch. 10.01)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Plant in Service	$ -		$ -		$ -	$ -	$ -	$ -
2	Less: Accumulated Depreciation	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
4	Net Plant	-	-	-	-	-	-	-	-
	-								
5	Additions to Rate Base								-
6	Plant Held for Future Use	-	-	-	-	-	-	-	-
7	CWIP Not Subject to AFUDC	-	-	-	-	-	-	(37)	(37)
8	Cash Working Capital	(2,229)	-	-	-	-	-	-	(2,229)
9	Materials & Supplies Inventory	-	-	-		-	-	-	-
10	Deferred Charges Greater than $3.7M	-	-	-	-	3,310	-	-	3,310
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15	Deductions From Rate Base								-
16	Operating Reserves	-	-	(11,606)	-	-	-	-	(11,606)
17	Customer Advances	-	-	-	-	-	-	-	-
18	Accumulated Deferred Income Taxes	-	(8,589)	1,156	(1,695)	-	(43,990)	-	(53,118)
19	Customer Deposits	-	-	-	-	-	-	-	-
20	OPEB Liability								-
21	Budget Payment Plans	-	-	-	-	-	-	-	-
22	Accum. Provision for Injuries & Damages	-	-	-	-	-	-	-	-
	-								
23	Rate Base	$ (2,229)	$ (8,589)	$ (10,450)	$ (1,695)	$ 3,310	$ (43,990)	$ (37)	$ (63,680)

Ameren Illinois Company
Revenue Effect of Adjustments
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	$ 848,559 [1]	$ 6,556	$ 855,115 [2]
2	Proposed Increase	(16,129) [3]	(33,213) [4]	(49,342) [5]
3	Proposed Revenues	$ 832,430	$ (26,657)	$ 805,773
4	% Increase	-1.90%		-5.04%
5	Staff Adjustments:			
6				
7	Rate of Return (Applied to Company Rate Base)		(6,912)	
8	State Income Tax Rate reversal		832	
9	Vacation Reserve		(1,288)	
10	Cash Working Capital		(275)	
11	ADIT on Projected Plant Additions		(12,508)	
12	Regulatory Commission Expense		(2,523)	
13	ADIT - ITCs		(209)	
14	FIN 48 ADIT		(1,059)	
15	Gross Revenue Conversion Factor		-	
16	State Income Tax Reversal		408	
17	Interest Synchronization		(2,567)	
18	Charitable Contributions		(57)	
19	Advertising Expense		(759)	
20	Industry Association Dues		265	
17				
17				
17				
18				
19	Rounding		(5)	
20	Total Revenue Effect of Staff Adjustments		$ (26,657)	

Sources:
(1) ICC Staff Exhibit 6.0, Schedule 6.01, column (b), line 3
(2) ICC Staff Exhibit 6.0, Schedule 6.01, column (d), line 3
(3) ICC Staff Exhibit 6.0, Schedule 6.01, column (e), line 3
(4) ICC Staff Exhibit 6.0, Schedule 6.01, columns (f) + (h), line 3
(5) ICC Staff Exhibit 6.0, Schedule 6.01, column (i), line 24

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Ameren Illinois Company
Interest Synchronization Adjustment
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Amount	
	(a)	(b)	
1	Staff Rate Base	$ 1,973,640	(1)
2	Weighted Cost of Debt	3.63%	(2)
3	Synchronized Interest Per Staff	71,643	
4	Company Interest Expense	70,264	(3)
5	Increase (Decrease) in Interest Expense	1,379	
6	Increase (Decrease) in State Income Tax Expense		
7	at 9.500%	$ (131)	
8	Increase (Decrease) in Federal Income Tax Expense		
9	at 35.000%	$ (437)	

(1) Source: ICC Staff Initial Brief, Schedule 3, Column (d).
(2) Source: ICC Staff Exhibit 4.0, Schedule 4.01
(3) Source: Company Schedule C-5.4

Ameren Illinois Company
Gross Revenue Conversion Factor
For the Year Ending December 31, 2011

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.7395%	0.007395	
3	State Taxable Income		0.992605	1.000000
4	State Income Tax	9.5000%	0.094297	0.095000
5	Federal Taxable Income		0.898308	0.905000
6	Federal Income Tax	35.0000%	0.314408	0.316750
7	Operating Income		0.583900	0.588250
8	Gross Revenue Conversion Factor Per Staff		1.712622	1.699958

Ameren Illinois Company
Adjustment for Accrued Vacation Reserve
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Vacation Reserves per Staff	$ (11,606)	Page 2
2	Vacation Reserves per Company	0	
3	Staff Proposed Adjustment to Rate Base	$ (11,606)	Line 1 - line 2
4	Related ADIT per Staff	$ (4,779)	Line 17 x 41.175%
5	ADIT per Company	(5,935)	Company Schedule B-9, sum of lines 40 and 41
6	Staff proposed adjustment to ADIT	$ 1,156	Line 4 - line 5

Ameren Illinois Company
Adjustment for Accrued Vacation Reserve
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description		Amount	Source
	(a)		(b)	(c)
1	January-11		$ 12,782	Company response to AG 1.03
2	February-11		12,801	Company response to AG 1.03
3	March-11		12,820	Company response to AG 1.03
4	April-11		12,840	Company response to AG 1.03
5	May-11		12,859	Company response to AG 1.03
6	June-11		12,878	Company response to AG 1.03
7	July-11		12,897	Company response to AG 1.03
8	August-11		12,917	Company response to AG 1.03
9	September-11		12,936	Company response to AG 1.03
10	October-11		12,955	Company response to AG 1.03
11	November-11		12,974	Company response to AG 1.03
12	December-11		12,994	Company response to AG 1.03
13	Average balance		$ 12,888	Average of lines 1 - 12
14	Jurisdictional Allocator		93.07%	Ameren Exhibit 1.1, Schedule FR A-2
15	Jurisdictional Average		$ 11,995	Line 13 times line 14
16	Jurisdictional vacation accrual	$ 11,995		Line 15
17	CWC factor	-3.244%		ICC Staff Ex. 2.0, Schedule 2.01, line 7
18	Accounted for in Cash Working Capital		(389)	Line 16 times line 17
19	Operating Reserve per Staff		$ 11,606	Line 15 plus line 18

Ameren Illinois Company
Adjustment to Cash Working Capital
For the Year Ending December 31, 2011
(In Thousands)

Line	Item (a)	Amount (b)	Lag (Lead) (c)	CWC Factor (d) (c/365)	CWC Requirement (e) (b*d)	Column b Source (f)
1	Revenues	$ 530,229	49.75	0.13630	$ 72,271	ICC Staff Sch. 7.01, P. 2, Line 6
	Collections of Pass-through Taxes:					
2	Energy Assistance Charges	16,784	0.00	0.00000	-	
3	Municipal Utility Tax	46	0.00	0.00000	-	
4	Total Receipts	$ 547,059			$ 72,271	Sum of Lines 1 through 3
5	Employee Benefits	$ 40,321	(15.97)	(0.04375)	$ (1,764)	
6	FICA	8,124	(13.13)	(0.03597)	(292)	
7	Base Payroll and Withholdings	127,132	(11.84)	(0.03244)	(4,124)	
8	Other Operations and Maintenance	174,171	(48.87)	(0.13389)	(23,320)	ICC Staff Sch. 7.01, P. 2, Line 17
9	Federal Unemployment Tax	139	(76.38)	(0.20926)	(29)	
10	State Unemployment Tax	363	(76.38)	(0.20926)	(76)	
11	St. Louis Payroll Expense Tax	9	(83.51)	(0.22879)	(2)	
12	Electric Distribution Tax	42,293	(30.13)	(0.08255)	(3,491)	
13	Energy Assistance Charges	16,784	(38.54)	(0.10559)	(1,772)	
14	Municipal Utility Tax	46	(48.54)	(0.13299)	(6)	
15	Gross Receipts Tax	(165)	(45.63)	(0.12501)	21	
16	Corporation Franchise Tax	1,225	(161.97)	(0.44375)	(544)	
17	Miscellaneous	2	(197.64)	(0.54148)	(1)	
18	Property/Real Estate Taxes	4,084	(375.08)	(1.02762)	(4,197)	
19	Interest Expense	68,077	(91.25)	(0.25000)	(17,019)	ICC Staff Sch. 6.06, Col. i, Line 3 less line 20 below
20	Bank Facility Costs	3,566	156.59	0.42901	1,530	
21	State Income Tax	8,850	(37.88)	(0.10378)	(918)	ICC Staff Sch. 6.01, Col. i, Line 17
22	Federal Income Tax	53,010	(37.88)	(0.10378)	(5,501)	ICC Staff Sch. 6.01, Col. i, Line 18
23	Deferred Taxes and ITCs Net	(972)	(37.88)	(0.10378)	101	ICC Staff Sch. 6.01, Col. i, Line 19
24	Total Outlays	$ 547,059			$ (61,404)	Sum of Lines 5 through 23
25	Cash Working Capital per Staff				$ 10,867	Line 4 plus line 24
26	Cash Working Capital per Company				13,096	Ameren Exhibit 13.1
27	Difference -- Adjustment per Staff				$ (2,229)	Line 25 minus Line 26

Note:

Amount is from Ameren Ex. 11.1, p. 19 except where noted in "Source" column
Lag (Lead) is from Ameren Ex. 11.1, p. 19 except where noted (Shaded):
Line 2: Staff Ex. 2.0, p. 5
Line 3: Staff Ex. 2.0, p. 5

Ameren Illinois Company
Adjustment to Cash Working Capital
For the Year Ending December 31, 2011
(In Thousands)

Line	Item (a)	Amount (b)	Source (c)
1	Total Operating Revenues	$ 805,773	ICC Staff Schedule 6.01, Column i, Line 3
2	Uncollectible Accounts	(6,224)	ICC Staff Schedule 6.01, Column i, Line 4
3	Depreciation & Amortization	(163,083)	ICC Staff Schedule 6.01, Column i, Line 9
4	Regulatory Debits	(6,963)	ICC Staff Schedule 6.01, Column i, Line 10
5	Return on Equity	(99,274)	Line 9 below
6	Total Revenues for CWC calculation	$ 530,229	Sum of Lines 1 through 5
7	Total Rate Base	$ 1,973,640	ICC Staff Schedule 6.03 , Column d, Line 23
8	Weighted Cost of Capital	5.03%	Schedule 9.01
9	Return on Equity	$ 99,274	Line 7 times Line 8
10	Operating Expense Before Income Taxes	$ 573,968	ICC Staff Schedule 6.01, Column i, Line 16
11	Employee Benefits Expense	(40,321)	Ameren Ex. 11.1, p. 19
12	Payroll Expense	(127,132)	Ameren Ex. 11.1, p. 19
13	Uncollectible Accounts	(6,224)	ICC Staff Schedule 6.01, Column i, Line 4
14	Depreciation & Amortization	(163,083)	ICC Staff Schedule 6.01, Column i, Line 9
15	Regulatory Debits	(6,963)	ICC Staff Schedule 6.01, Column i, Line 10
16	Taxes Other Than Income	(56,074)	ICC Staff Schedule 6.01, Column i, Line 11
17	Other Operations & Maintenance for CWC Calculation	$ 174,171	Sum of Lines 10 through 16

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Schedule 10

Ameren Illinois Company
Adjustment to Advertising Expense
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description (a)		Amount (b)	Source (c)
1	Allowable Advertising per Staff		$ 1,738	Line 2 less line 3
2	Allowable Advertising per Company		2,438	Co. Sch. C-1
3	Staff Adjustment to Formula Rate - Account 909 (Customer Service and Informational Expenses)		$ 700	Line f (below)
4	Allowable Advertising per Staff - Account 930.1		$ 109	ICC Staff Ex. 8.0 Schedule 8.04, p. 4
5	Allowable Advertising per Company - Account 930.1		167	Co. Schedule WPC-8 Attach 8
6	Staff Adjustment to Formula Rate - Account 930.1		$ (58)	Line 5 - Line 6
7	Jurisdictional Allocator		93.07%	Co. WPA-5
8	Staff Adjustment to Revenue Requirement - (Administrative and General Expenses)		$ (54)	Line 7 x Line 8
Staff Disallowance:				
a	P-Card costs disallowed		$ 32	ICC Staff Ex. 8.0R Schedule 8.04, p.5
b	Corporate Branding		9	ICC Staff Ex. 8.0R Schedule 8.04, p.5
c	Focus Energy For Life	$ 604		ICC Staff Ex. 8.0R Schedule 8.04, p.5
d	Ameren Self-disallow in rebuttal	(17)	587	Ameren Ex. 24.0, p. 18
e	Strategic International Group		73	ICC Staff Ex. 8.0R Schedule 8.04, p.5
f	Total Staff disallowance		$ 700	

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Ameren Illinois Company
Adjustment to Charitable Contributions
For the Year Ending December 31, 2011
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Charitable Contributions per Staff	$ 300	Line 2 less line 3
2	Charitable Contributions per Ameren	$ 355	Part 285 Schedule - C 2.16, Line 6
3	Difference-Staff Adjustment	$ (55)	Staff Initial Brief, p. 2, Line 16

Ameren Illinois Company

Adjustment to Charitable Contributions

For the Year Ending December 31, 2011
(In Thousands)

Line No.	Recipient	Amount	Source
	(a)	(b)	(c)
1	Du Quoin Tourism Commission	$ 1	Ameren Exhibit 5.1, Line 68
2	Economic Development of Central Illinois	36	Ameren Exhibit 5.1, Line 73
3	Galesburg Regional Economic Development Asc	5	Ameren Exhibit 5.1, Line 90
4	Great River Economic Development Foundation	5	Ameren Exhibit 5.1, Line 94
5	Greater Springfield Economic Development Council	15	Ameren Exhibit 5.1, Line 98
6	Illinois State Black Chamber of Commerce	15	Ameren Exhibit 5.1, Line 115
7	Illinois Valley Area Chamber of Commerce	3	Ameren Exhibit 5.1, Line 116
8	MACOMB Area Economic Development	2	Ameren Exhibit 5.1, Line 141
9	Ottawa Area Chamber of Commerce	2	Ameren Exhibit 5.1, Line 173
10	Southwest Illinois Jets Smith	-	
11	Tuscola Economic Development	2	Ameren Exhibit 5.1, Line 239
12	Sum of Lines 1 to 11	$ 86	
13	Electric A&G Allocator	68.88%	Part 285 Schedule - C 2.16, Line 2
14	Adjustment to Exclude Charitable Contributions - Electric	$ 59	
15	Jurisdictional Allocator	0.9307	Part 285 Schedule - C 2.16, Line 4
16	Staff Adjustment to Charitable Contributions	$ (55)	