Ameren Exhibit 2.0 (2nd Rev.)

ILLINOIS COMMERCE COMMISSION

DOCKET No. 14-0317

2nd REVISED DIRECT TESTIMONY

OF

RONALD D. STAFFORD

Submitted on Behalf

Of

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

August 18, 2014

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RONALD D. STAFFORD

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Ameren Illinois

I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

A. My name is Ronald D. Stafford. My business address is 1901 Chouteau Avenue, St. Louis, Missouri.

Q. By whom are you employed and in what capacity?

A. I am employed by the Ameren Illinois Company (AIC or Ameren Illinois) as Director, Regulatory Accounting.

Q. Please describe your educational background and relevant work experience.

A. See my Statement of Qualifications, attached as an Appendix to this testimony.

Q. What are your current responsibilities as Director of Regulatory Accounting?

A. I am responsible for preparation of cost of service studies and development of accounting exhibits and testimony in support of applications for rate changes, preparation of regulatory required reports, and other studies and analysis needed from time to time to support Ameren Illinois' rates, regulatory, and accounting functions.

Q. What are your responsibilities in connection with this filing?

A. My responsibilities for this filing include the presentation of updated cost inputs to AIC's performance-based formula rate, Rate MAP-P, the presentation of updated, populated formula rate schedules, appendices and related workpapers, and the preparation of other filing requirement schedules (consistent with the schedules required under Part 285 of the Illinois Commerce Commission's (Commission) Rules for general increases in electric delivery rates) and various other documentation needed to support this annual update to the formula schedules and appendices.

B. Purpose, Scope and Identification of Exhibits

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my direct testimony is to provide support for AIC's updated revenue requirements. The overall revenue requirement has two components: the filing year revenue requirement, and the surcharge or credit associated with the reconciliation year revenue requirement. I will address both components. First, I will identify and support updated cost data that populate Rate MAP-P, and determine the updated electric delivery services revenue requirement to be used in setting new electric delivery service charges in accordance with Section 16-108.5(d) of the Public Utilities Act (the Act). Second, I will identify and support the reconciliation of the revenue requirement reflected in rates for 2013.

Q. What are the sources of data for the updated cost inputs to the formula schedules and appendices for new electric delivery charges under Rate MAP-P?

A. Section 16-108.5(d) provides that the annual updated cost inputs to the performance-based formula rate shall be based on "final historical data reflected in the utility's most recently filed Federal Energy Regulatory Commission (FERC) Form 1, plus projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed." Thus, the primary source for the updated cost inputs is actual data derived from AIC's most recently filed FERC Form 1. AIC's most recently filed FERC Form 1 contains 2013 data. Where a particular cost is not separately aggregated or disclosed on a stand-alone basis in the FERC Form 1 data, other source documents have been relied upon, including actual data derived from AIC's most recently filed Form 21 ILCC, which also contains 2013 data. To calculate projected plant additions for 2014, the Company relied on estimated costs and completion dates in its corporate budgeting systems for capital projects expected to be completed in 2014.

Q. Are you sponsoring any exhibits with your direct testimony?

A. Yes. I am sponsoring Ameren Exhibits 2.1 through 2.15.

- Ameren Exhibit 2.1 presents the formula schedules and appendices populated with updated cost data to derive AIC's new revenue requirement for this particular annual update filing under Section 16-108.5(d).
- Ameren Exhibit 2.2 provides the workpapers in support of Ameren Exhibit 2.1, which are referenced by a designation of WP 1 through WP 22.
- Ameren Exhibit 2.3 presents the Company's request for an Original Cost Determination for Utility Plant in Service at December 31, 2013.
- Ameren Exhibit 2.4 shows 2013 incentive compensation costs related to operational metrics included in the revenue requirement and also identifies the amount of 2013 incentive compensation costs related to earnings that have been removed from the revenue requirement.
- Ameren Exhibit 2.5 presents 2013 cost information for pensions and post-employment benefit costs reconciled to the 2013 studies provided by the Company's actuary.
- Ameren Exhibit 2.6 presents the calculation of accumulated deferred income tax (ADIT) from the transfer date in 2005 through 2013 on the Metro East assets transferred from Ameren Missouri to Ameren Illinois, consistent with the Order issued by the Commission in Docket No. 13-0301.

- Ameren Exhibit 2.7 describes the allocations of revenue requirement cost components to Rate Zones.

- Ameren Exhibit 2.8 presents updated Supply Cost Adjustment factors for Rider PER – Purchased Electricity Recovery (Rider PER) and Rider HSS – Hourly Supply Service (Rider HSS).

- Ameren Exhibits 2.9 through 2.15 provide documentation in support of the formula rate commission proceedings expense incurred by AIC during 2013.

Q. What are the conclusions of your direct testimony?

A. The conclusions of my direct testimony are as follows:

- **Electric Delivery Service Revenue Requirement in the Filing Year**: The updated electric delivery service revenue requirement, reflecting adjustments, for purposes of setting new rates under Rate MAP-P, is $855,594,000. The filing year revenue requirement reflects 2013 actual costs and projected 2014 plant additions, depreciation reserve, ADIT, and depreciation expense.

- **Electric Rate Base in the Filing Year**: AIC's jurisdictional electric rate base, reflecting adjustments, is $2,267,006,000 under AIC's proposed new formula rates.

- **Electric Operating Expenses and Other Revenues in the Filing Year**: AIC's jurisdictional electric operating expenses, reflecting adjustments and before income taxes, are $638,233,000, and after income taxes, are $740,130,000, and Other Revenues are $36,992,000, under AIC's proposed new formula rates.

- **Overall Weighted Average Cost of Capital in the Filing Year**: AIC's overall weighted cost of capital (rate of return) is 8.08%.

- **Electric Delivery Service Revenue Requirement in the Reconciliation Year**: The electric delivery service revenue requirement, reflecting adjustments, for purposes of the annual reconciliation under Rate MAP-P, is $824,518,000. The reconciliation year revenue requirement reflects 2013 actual costs, depreciation reserve, ADIT, and depreciation expense.

- **Electric Rate Base in the Reconciliation Year**: AIC's jurisdictional electric rate base, reflecting adjustments, was $2,097,269,000 in the reconciliation year.

- **Electric Operating Expenses and Other Revenues in the Reconciliation Year**: AIC's jurisdictional electric operating expenses, reflecting adjustments and before income taxes, was $626,561,000, and after income taxes, was $720,468,000, and Other Revenues was $36,992,000, in the reconciliation year.

- **Overall Weighted Average Cost of Capital in the Reconciliation Year**: AIC's overall weighted cost of capital (rate of return) was 8.08% in the reconciliation year.

II. FORMULA RATE – UPDATED REVENUE REQUIREMENT

Q. Please summarize the components of the updated revenue requirement.

A. The overall revenue requirement has two primary components: (i) the filing year revenue requirement, which is based on actual cost inputs from AIC's 2013 FERC Form 1, plus projected plant additions; (ii) and the surcharge or credit associated with the reconciliation of the revenue requirement reflected in 2013 rates with the revenue requirement that would have resulted had actual data been available at the time the rates were filed. Including the 2013 reconciliation surcharge, AIC's net revenue requirement, to be recovered in 2015, is $926,527,000. This represents an overall increase in net revenue requirement of $206,380,000 over the net revenue requirement approved in Docket 13-0301 and in rates in 2014. I will explain each component individually, and their relationship to each other, below.

Q. What is AIC's updated filing year electric delivery service revenue requirement?

A. AIC's updated filing year revenue requirement, reflecting adjustments, is $855,594,000, as shown on Schedule FR A-1 of Ameren Exhibit 2.1.

Q. What is the reconciliation surcharge or credit, with interest, included in the updated electric delivery service net revenue requirement for this filing?

A. The reconciliation surcharge, with interest, included in the updated electric delivery service revenue requirement, is $70,457,000.

Q. How did AIC calculate the reconciliation surcharge?

A. AIC compared the actual 2013 revenue requirement with the revenue requirement in effect during that year (the one authorized in Docket No. 12-0293), plus or minus any return on equity (ROE) collar adjustment, to determine a variance amount. Interest was then applied to the variance amount, at the interest rate of AIC's weighted average cost of capital. The actual 2013 reconciliation revenue requirement is calculated on Schedule FR A-1 REC of Ameren Exhibit 2.1, and results in a reconciliation year revenue requirement of $824,518,000. This amount was then compared to the revenue requirement in effect during the reconciliation year of $764,512,000 to derive a variance of $60,005,000,[1] as shown on Schedule FR A-4. After application of interest, the surcharge is $70,457,000 as shown on Schedule FR A-4 and summarized on Schedule FR A-1.

Q. How does the reconciliation in this case differ from AIC's first reconciliation in ICC Docket No. 13-0301?

A. In a utility's first reconciliation under the formula rate law, the reconciliation revenue requirement must be calculated using "the cost of equity, which shall be calculated as the sum of 590 basis points plus the average for the applicable calendar year of the monthly average yields of 30-year U.S. Treasury bonds published by the Board of Governors of the Federal Reserve System in its weekly H.15 Statistical Release or successor publication." Subsequent reconciliations use 580 basis points to determine the cost of equity, not 590.

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[1] Application of the ROE Collar on Sch FR A-3 of Ameren Exhibit 2.1 results in a $0 change in the Variance before and after application of the Collar adjustment.

Q. What is the change in the filing year revenue requirement amount between the current filing and Docket No. 13-0301?

A. AIC's updated filing year revenue requirement of $855,594,000 is an increase of $68,191,000, or 8.66%, before gross up for uncollectibles, and an increase of $68,666,000, or 8.72%, after gross up for uncollectibles[2].

Q. What is the change in the net revenue requirement amount between the current filing and Docket No. 13-0301?

A. The net revenue requirement in this case is $926,527,000, which is an increase of $206,380,000 over Docket No. 13-0301’s net revenue requirement. This reflects expiration of the currently effective reconciliation **credit** of $67,418,000 , the filing year revenue requirement increase of $68,505,000 ($68,666,000 per above less $161,000 gross up for uncollectibles included in rates in Docket No. 13-0301), and the new reconciliation **surcharge** amount of $70,457,000 million.

Q. When would new electric delivery charges based on updated cost inputs and the reconciliation charge or credit take effect?

A. Section 16-108.5(d)(2) provides that the new charges shall take effect beginning on the first billing day of the following January billing period and remain in effect through the last billing day of the next December billing period regardless of whether the Commission enters upon a hearing concerning the prudence and reasonableness of the costs reflected in the updated inputs.

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[2] The gross up factor for uncollectibles is derived by dividing 2013 FERC Form 1 uncollectibles expense into electric revenues. The resulting factor of .697% is used to adjust the change in net revenue requirement for uncollectibles on FR C-4 at lines 13-15

Q. How is AIC reflecting the update and reconciliation revenue requirements?

A. The update and reconciliation revenue requirements are reflected in the formula's Schedules and Appendices, which are supported by workpapers and the Part 285 Schedules.

Q. Have the Schedules and Appendices used in the calculation of the revenue requirement under Rate MAP-P changed from Docket 13-0301?

A. Not substantially. The format and presentation of data is substantially similar to Ameren Exhibit 1.1 in Docket No. 13-0301, with the exception of certain changes ordered by the Commission in Docket Nos. 13-0501/13-0517 (cons.)

Q. Please summarize the Schedules and Appendices used in calculation of the updated revenue requirement.

A. Table 1 below provides a summary of the Schedules and Appendices used in calculation of the updated revenue requirement included in Ameren Exhibit 2.1.

<u>TABLE 1</u>

Schedules	Title	Description
FR A-1 and FR A-1 REC	Net Revenue Requirement	Calculation of jurisdictional annual revenue requirement (FR A-1), including reconciliation (FR A-1-REC).
FR A-2	Allocators	Calculation of applicable allocator factors
FR A-3	ROE Collar	Calculation of ROE Collar
FR A-4	Reconciliation	Calculates the difference between actual revenue requirement and prior year applicable net revenue requirement
FR B-1	Rate Base	Jurisdictional rate base summary calculation
FR C-1	Expenses	Calculation of jurisdictional operating expenses and taxes other than income
FR C-2	Depreciation and Amortization	Calculation of jurisdictional utility plant depreciation and amortization expense
FR C-3	Pension Funding Costs	Not Applicable
FR C-4	Taxes and Gross Revenue	Calculations of the effective income tax rate, interest synchronization, amortization of investment tax credits, and gross revenue conversion factor
FR D-1	Cost of Capital	Calculation of capital structure, return on equity and debt, and weighted average cost of capital
FR D-2	Average Yield on Treasury Securities	Calculation of the average monthly yield on 30 year U.S. treasuries

Appendices	Title	Description
1	Rate Base Information	Includes adjustments to utility plant and accumulated depreciation by function allocated to electric delivery service operations, jurisdictional customer advances, and jurisdictional materials and supplies inventories
2	Customer Deposits	Presents the balance of jurisdictional customer deposits and the interest accrued on customer deposits
3	Cash Working Capital	Calculation of delivery service cash working capital requirement
4	Accumulated Deferred Income Taxes	Calculation of the jurisdictional amount of accumulated deferred income taxes
5	Deferred Charges	Identification of unusual expenses greater than $3.7M to be amortized over five years
6	Property Held for Future Use in Rate Base	Calculation of the jurisdictional amount of Property Held for Future Use to be included in rate base
7	Expense	Includes adjustments to operating expenses by function, calculation of jurisdictional regulatory asset amortization, and assignment of taxes other than income to cost categories
8	Depreciation	Calculation of projected utility plant depreciation and amortization expense
9	Tax Adjustment	Amortization of investment tax credits and other tax adjustments
10	Other Revenues	Calculation of jurisdictional other revenues
11	Franchise Delivery Service	Not Applicable

Ameren Exhibit 2.1 is color coded to denote the following:

- Purple denotes an internal link as a source for the referenced input
- Light blue denotes a calculated cell
- Yellow denotes an input cell

- Peach denotes link of the referenced cell(s) to another location in the exhibit

Q. In addition to submitting populated Schedules and Appendices based on updated cost inputs, what other supporting documentation has Ameren Illinois included in this filing?

A. Section 16-108.5(d) provides that a participating utility's annual update filings shall include "relevant and necessary" documentation for the applicable rate year that is consistent with the Commission's rules applicable to a filing for a general increase in rates. Ameren Exhibit 2.1 presents the populated Schedules and Appendices with reference to WP1 through WP22 where applicable. AIC has provided the Commission with additional schedules and workpapers that provide the relevant and necessary standard information requirements required under the Commission's Part 285 rules. Ameren Exhibit 2.2 provides workpapers in support of Exhibit 2.1.

Q. At page 154 of the Order in Docket No. 13-0301, the Commission recommended that AIC, Staff, and other parties clearly identify the source(s) for all information provided that could be traced to other sources. Has the Company endeavored to comply with this directive in this proceeding?

A. Yes. To improve the transparency of the workpapers submitted in support of Ameren Exhibit 2.1, the Company shared with Staff a proposed format for adding summary pages that show the source of the workpaper or workpapers used as inputs into the Rate MAP-P Schedules and Appendices and the specific destination of those inputs into the Schedules and Appendices. Included in Ameren Exhibit 2.2 are summary pages cross-referencing the attached workpapers to a corresponding Part 285 Filing Requirement schedule and the corresponding input into the Rate MAP-P Schedules and Appendices. This additional information should greatly assist the reader in understanding the source information to populate AIC's Schedules and Appendices in support of AIC's proposed filing year and reconciliation revenue requirements in this proceeding.

Q. Have you reflected other changes to assist with the review of the Formula Rate Schedules and Appendices with the Part 285 Filing Requirement schedules?

A. Yes. One such example is a change in the sequence of Part 285, Schedule B and Schedule C ratemaking adjustments to better align with the order that such adjustments appear in Ameren Exhibit 2.1. For example, the first adjustment on Ameren Exhibit 2.1 App 1 is previously disallowed plant additions appearing at lines 3-8. Accordingly, the corresponding adjustment appears first in the ratemaking adjustments presented in Part 285, with the first adjustment presented on Schedule B-2.1. Similarly, the second adjustment to Utility Plant presented in App 1 is for 2014 projected plant additions, beginning at line 31. The corresponding Part 285 adjustment is shown on B-2.2. In Ameren Exhibit 2.1, the first two adjustments presented on App 7 are for company use and franchise requirements. The corresponding Part 285 C Schedule adjustments have been numbered C-2.1 and C-2.2, respectively, so that the adjustments more closely align with Ameren Exhibit 2.1. This modification to the presentation format again should assist the reader in understanding the source information used to populate AIC's Schedules and Appendices in support of AIC's proposed filing year and reconciliation revenue requirements in this proceeding.

Q. Please explain how AIC's updated Rate MAP-P delivery service revenue requirement is presented in the populated Schedule FR A-1.

A. Schedule FR A-1 summarizes operating expenses by cost category, rate base, return on rate base, interest synchronization, and income taxes to determine revenue requirement before other revenues. Other revenues are then subtracted to calculate the filing year revenue requirement. The reconciliation balance in the prior year with interest and the ROE collar adjustment are added to the filing year revenue requirement to derive the net revenue requirement.

Q. Please summarize the remaining FR A Schedules included in Rate MAP-P.

A. Schedule FR A-1 – REC establishes the Reconciliation Year Revenue Requirement based on actual data for the prior rate year (2013 for this filing). Schedule FR A-2 summarizes the calculation used to compute the allocators used in the formula Schedules and Appendices. Schedule FR A-3 presents the ROE collar computation. Schedule FR A-4 presents the reconciliation computation, which calculates the difference between the revenue requirement authorized for recovery in rates in 2013 with what the revenue requirement would have been for 2013 if actual data from the 2013 FERC Form 1 had been available.

Q. Please explain what the populated Schedule FR B-1 shows.

A. Schedule FR B-1 presents AIC's delivery service rate base. The Plant in Service section presents utility plant in service at December 31, 2013, segregated by functional categories of distribution, general, and intangible plant based on FERC Form 1 reported values adjusted to remove utility plant disallowed in AIC's previous rate proceedings, and also adjusted to remove plant in service recovered through other tariffs.

The Accumulated Depreciation section presents the accumulated reserve for depreciation at December 31, 2013 segregated by functional categories of distribution, general, and intangible reserve based on FERC Form 1 reported values adjusted to remove accumulated depreciation disallowed in AIC's previous rate proceedings, and also adjusted to remove accumulated depreciation recovered through other tariffs.

The Additional DS Jurisdictional Rate Base Items section lists rate base amounts for construction work in progress, property held for future use, cash working capital, ADIT, materials and supplies inventories, other deferred charges greater than $3.7 million, customer deposits, customer advances, OPEB liability, and Other Rate Base Items - Adjustments. Each of these rate base items are based on year end 2013 FERC Form 1 values adjusted to reflect jurisdictional delivery service amounts, with the exception of cash working capital. Cash working capital is derived based on the application of revenues and expenses from this annual update filing to the expense leads and revenue lags presented in the direct testimony of Ameren witness Mr. David A. Heintz (Ameren Ex. 4.0) in ICC Docket No. 12-0001, with the exception of revenue lags and expense leads for add on taxes and expense leads for income taxes discussed below.

The DS Rate Base Adjustments for Projected Plant Additions and Accumulated Reserve Adjustments section presents adjustments to account for 2014 projected plant additions including an adjustment for ADIT on projected additions consistent with the Order issued in Docket No. 12-0001, and cash working capital consistent with the Order issued in Docket Nos. 13-0501/0517 (cons.).

Q. Please explain what the populated FR C-1 Schedule shows.

A. Schedule FR C-1 presents the DS jurisdictional portion of 2013 actual operating expenses, taxes other than income taxes, and depreciation and amortization expense after ratemaking and other adjustments.

Q. Please summarize the remaining FR C Schedules.

A. Schedule FR C-2 provides a summary of expense for depreciation and amortization of utility plant. Schedule FR C-3 presents data regarding pension funding costs, and Schedule FR

C-4 summarizes the derivation of income tax rates, interest synchronization, amortization of investment tax credits (ITCs), and the gross revenue conversion factor used for uncollectibles.

Q. Please explain what the populated FR D-1 Schedule shows.

A. Schedule FR D-1 presents the calculation of AIC's capital structure for 2013 using year end balances and the applicable rate of return. Capital structure reflects the balances for common equity (with adjustments to common equity for goodwill net of purchase accounting), preferred stock, long-term debt, and short-term debt. Rate of return includes cost of common equity, cost of preferred stock, cost of long-term debt, cost of short-term debt, and credit facility costs. The weighted average cost of capital is presented by cost item and in total. AIC's ratemaking capital structure for 2013 is further discussed by Ameren witness Mr. Ryan J. Martin (Ameren Ex. 5.0).

Q. Please explain what the populated FR D-2 Schedule shows.

A. Schedule FR D-2 presents the 2013 average yield for treasury securities used in the determination of the rate of return on common equity. The calculation of the rate of return on common equity is explained further by Mr. Martin.

III. <u>ALLOCATORS</u>

Q. What are the specific allocators identified on Schedule FR A-2?

A. Schedule FR A-2 presents allocators based on wages and salaries, net plant, revenue, and the asset separation project (ASP).

Q. Were all of the allocators presented on Schedule FR A-2 used in AIC's initial formula rate filing, Docket No. 12-0001, and Docket Nos. 12-0293 and 13-0301 updates?

A. Yes.

Q. Please describe the Wages and Salaries Allocator.

A. The wages and salaries allocator determines the portion of total electric labor expense, as reported on FERC Form 1, attributable to electric delivery service (DS) operations by summing distribution, customer accounts, and customer service and informational expense and dividing the resulting amount into total labor expense less administrative and general (A&G) expense and production labor. The resulting percent is then applied to common costs where a labor allocator is deemed to be appropriate based on the nature of such costs. A&G costs are common to both electric transmission and distribution (T&D) operations and have been allocated to electric DS based on the wages and salaries allocator, as has been past practice in AIC electric rate cases and formula rate proceedings.

Q. Please describe the Net Plant Allocator.

A. The net plant allocator determines the portion of total electric net plant in service reported on FERC Form 1 attributable to the electric DS business by subtracting from total electric DS net plant the amount of DS net plant disallowed in AIC's prior electric rate orders or recovered through other tariffs and then dividing the result into total electric net plant. This allocator is used for costs common to electric and gas operations that are plant related, such as property related ADIT, amortization of ITCs, and real estate taxes, as has been past practice in AIC electric rate cases and formula rate proceedings.

Q. Please describe the Revenue Allocator.

A. The revenue allocator determines the portion of total revenues reported on FERC Form 1 for sales of electricity attributable to the electric DS business. The process looks at all billed and unbilled revenue based on activity or, in some cases, additional delineation within an activity, to assess whether such revenues are associated with electric delivery service and recoverable through electric delivery service base rates, or whether such revenues are attributable to production, transmission, or other. Production revenues primarily include revenues related to power supply tariffs. Transmission revenues primarily include customer billings for transmission related tariffs. Other revenues predominantly relate to customer billings for riders, other than those riders directly related to the delivery service, production, or transmission functions. Examples include environmental and energy efficiency riders, and gross receipts tax revenues.

Q. Can you provide examples of the types of revenues that are included in DS sales of electricity?

A. Yes. Revenues placed in this category include any revenue recoverable in electric delivery service base rates and are intended to align with the development of revenues at present and proposed rates as presented on Part 285 Schedule E-5. More specifically, these revenues recover the electric DS net revenue requirement and include meter charges, customer charges, variable DS rates, lighting charges, and other DS base rate revenues. For example, the full cost of free or discounted franchise consideration is included in DS revenues to align with pricing of the corresponding billing determinants in Schedule E-5 and the full cost of such franchise consideration is included in operating expenses in the determination of revenue requirement. Electric distribution tax (EDT) expense is included as an operating expense in the calculation of revenue requirement, and EDT revenues are also included in operating revenues.

Q. Please describe the ASP Allocator.

A. Common general and intangible (G&I) plant that supports both the electric and gas businesses is recorded in electric plant accounts on AIC's books and records. Many of the assets recorded in general and intangible plant accounts serve multiple functions supporting both the electric and gas operations and, therefore, cannot be directly assigned entirely to one type of service or the other. An ASP study has been conducted to consider the utilization of December 31, 2013 actual electric G&I plant by business line reported in FERC Form 1 for AIC's proposed formula rate.

Q. Did the ASP study include a review of the assets used to support the activities of non-regulated businesses?

A. Yes. While the study examined only the G&I utility plant assets on the books of the regulated electric utility, to the extent that an asset was determined to not be used by any regulated line of business, the cost of the asset was assigned, in whole or in part, to either the “retired” or “other” classification and would not be reflected in the assets of the regulated businesses.

Q. Was direct assignment of G&I plant employed?

A. Yes, where possible. If an asset was used exclusively by one line of business, the cost of the asset was directly assigned to that business line. If an asset was used by multiple lines of business, a number of allocation factors were employed to best align with the utilization of the asset by the various lines of business. Multiplying the cost of the asset by the appropriate allocation factor assigns the cost of the assets to the various lines of business to reflect the usage of the asset.

Q. How is the ASP Allocator applied to 2014 projected additions for G&I plant?

A. In calculating the revenue requirement in Ameren Exhibit 2.1, the overall ASP allocation percentage is applied to 2014 projected additions for all G&I plant. Application of the 2013 ASP Allocation percentage to 2014 projected G&I plant additions is consistent with the calculation presented in Docket Nos. 12-0001, 12-0293, and 13-0301. For example, 2014 projected AMI investment included in G&I plant will be included in Rate Base at the overall ASP percentage. In the Company's next Formula Rate update filing, the AMI investments placed in service in 2014 will be included in the ASP, and the respective assets will be directly assigned or allocated to business lines, along with all other G&I assets in service at year end 2014. The assignment or allocation of those assets to business lines will be specific to those assets and will vary from the current filing's overall ASP allocation percentage.

Q. If it was determined that the allocation of costs was necessary, what allocators were used?

A. Eleven allocators were used in the ASP. Where assets were determined to no longer be employed by the electric transmission, electric distribution or gas business, the cost of the asset was "retired." The retired allocator was not assigned to any line of business. Other allocators employed in the study allocated the cost of assets based upon such factors as (1) the number of customers, (2) the number of employees, (3) the use of one of the AIC's office buildings, and (4) O&M expenses. O&M expense allocators included allocations between (1) electric transmission, electric distribution and gas (i.e., OMTDG); (2) electric transmission and electric distribution (i.e., OMTD); and (3) electric distribution and gas (i.e., OMDG).

Q. How were the allocation percentages developed for each allocator?

A. Where an asset served only one line of business, 100 percent of the cost of the asset was allocated to that line of business. Where an allocation was employed, the allocation factor was determined based upon actual customer counts, employee levels, or expense levels per AIC's financial books and records.

Q. Please summarize the results of the ASP.

A. As shown on Schedule FR A-2, the result of the ASP is that 67.42% of total G&I plant is utilized by the electric DS business line. The study summary by FERC account is presented in Ameren Exhibit 2.2 in support of WP 8.

IV. RATE BASE

Q. What is AIC's electric utility distribution plant in service at original cost as of December 31, 2013?

A. The appropriate level of gross investment in electric utility plant in service at original cost included in AIC's rate base as of December 31, 2013, before projected plant additions, is $5,481,627,000. This amount includes $5,013,099,000 of distribution plant and $468,528,000 of G&I plant. Ameren witness Mr. Michael J. Getz identifies the level of gross plant investment as of December 31, 2013 in his direct testimony (Ameren Ex. 3.0).

Q. Does this amount of gross plant investment as of December 31, 2013 include any adjustments?

A. Yes. This amount of gross plant investment incorporates adjustments to deduct plant investment recovered through other tariffs or disallowed in the prior Commission order in Docket Nos. 09-0306, et al., (cons.) or removed by the Company in Docket Nos. 12-0001, 12-0293, and 13-0301. These adjustments are described in more detail below.

Q. Is AIC requesting an original cost finding in this proceeding for electric utility distribution plant?

A. Yes. AIC requests the Commission approve an original cost of electric plant in service as of December 31, 2013, before adjustments for projected plant additions, of $5,481,627,000. The original cost determination is presented on Ameren Exhibit 2.3.

Q. What is AIC's electric utility distribution plant in service after applying the ASP percentage to original cost utility plant as of December 31, 2013?

A. The gross investment in electric utility plant in service at original cost, after applying the ASP percentage, included in AIC's rate base as of December 31, 2013, and before projected plant additions, is $5,328,983,000. This amount includes $5,013,099,000 of distribution plant and $315,884,000 of G&I plant.

Q. What is the total amount of AIC's accumulated provisions for depreciation and amortization?

A. The total amount of accumulated depreciation as of December 31, 2013, before adjustments for projected plant additions, is $2,511,592,000. This amount includes $2,403,453,000 of accumulated depreciation on distribution plant and $108,140,000 of accumulated depreciation and amortization of G&I plant.

Q. Were any adjustments made to the accumulated reserve for depreciation?

A. Yes. Adjustments were made to the accumulated reserve for depreciation for changes to plant in service. These adjustments are described in more detail below.

Q. How was the level of net plant included in rate base calculated?

A. Net plant included in rate base, not including 2014 projected plant, is $2,817,391,000, and was calculated by subtracting the total amount of accumulated depreciation from the total amount of gross plant before projected additions, as shown on AIC Exhibit 2.1, Schedule FR B-1, line 25.

Q. Is any construction work in progress included in rate base?

A. Yes. Rate base includes AIC's investments in projects that support the distribution and customer functions, on which Allowance for Funds Used During Construction (AFUDC) is not capitalized under AIC's AFUDC policy. The amount as of December 31, 2013, was $731,000 as shown on Ameren Exhibit 2.1, Schedule FR B-1, line 26. Mr. Getz testifies that the amount of construction work in progress (CWIP) included in rate base is reasonable. The amount of CWIP included in rate base has been adjusted to remove amounts included in the Company's 2014 projected plant additions, and has also been adjusted to remove the accounts payable portion of such CWIP at year-end, consistent with Staff’s recommendation accepted by the Company in Docket No. 13-0301.

Q. Is any Property Held for Future Use included in rate base?

A. Yes. Approximately $373,000 of electric distribution plant for a future site of an Alton substation is included in Rate Base as shown on Ameren Exhibit 2.1, Schedule FR B-1, line 27 and App 6. This property was included in Rate Base in Docket Nos. 09-0306 et al, (cons.), and Docket Nos. 12-0001, 12-0293, and 13-0301.

Q. Is any Cash Working Capital included in rate base?

A. Yes. Reconciliation Year Rate Base includes $8,681,000 for cash working capital as shown on Ameren Exhibit 2.1, Schedule FR B-1, line 28 and App 3. Filing Year Rate Base includes $8,158,000 for cash working capital, as shown on App 3, and reflects an adjustment to the Reconciliation Year amount of $(523,000) shown Schedule FR B-1, line 40b. The CWC calculation is based upon a lead/lag methodology developed in the testimony and supporting workpapers of Mr. Heintz in Docket No. 12-0001. These workpapers have been included in this filing in support of Schedule B-8 of the Part 285 filing schedules. In the direct testimony of Ameren witness Mr. Robert J. Mill in Docket No. 12-0001, (Ameren Exhibit 1.0, pp. 19-20), AIC proposed to update the lead/lag analysis every three years for purposes of the formula rate. Accordingly, the next lead/lag analysis will be submitted with the Company's next update filing in 2015, approximately three years after the Company's initial testimony submission in Docket No. 12-0001. As a result, for this update filing, only an update of the revenue and expenses for the applicable calendar year, 2013, has been reflected in the determination of cash working capital on App 3.

Q. Has AIC reflected all of the adjustments ordered by the Commission in Docket Nos. 13-0301 and 13-0501/13-0517 (cons.) in its CWC calculation for this proceeding?

A. Yes. In order to comply with the Commission's Interim Order in Docket Nos. 13-0501/13-0517 (cons.) and recognize differences between the filing year and the reconciliation year, AIC has prepared two calculations of cash working capital. The filing year cash working capital calculation includes projected plant additions and related adjustments such as accumulated depreciation, depreciation expense, ADIT, and federal and state income tax. The reconciliation year cash working capital calculation does not include projected plant additions or related adjustments.

AIC has also calculated the cash working capital revenue lag days and expense lead days for add on taxes consistent with the Order issued in Docket No. 13-0301, and current and deferred income taxes consistent with the conclusion reached by the Commission in the Interim Order in Docket Nos. 13-0501/13-0517 (cons.).

Q. Has AIC made an adjustment to proposed rate base to deduct the year-end balance for the accrued vacation pay liability?

A. Yes. AIC has reflected an adjustment to reduce rate base by the electric delivery service portion of the accrued vacation liability, net of related deferred income taxes. This adjustment is consistent with adjustments proposed by Commission Staff and the Illinois Attorney General's Office (AG) and adopted by the Commission in prior formula rate proceedings. This adjustment is reflected on Ameren Exhibit 2.1, Schedule FR B-1, on line 34a Other Rate Base Items – Adjustments, and App 4, line 27

Q. What amount of ADIT was deducted from rate base?

A. The appropriate level of ADIT to be deducted from rate base is $714,678,000, after ratemaking adjustments and before adjustments for projected plant additions, as shown in Ameren Exhibit 2.1, Schedule FR B-1, line 29 and App 4.

Q. Please explain how the unadjusted level of ADIT was determined.

A. Electric ADIT included in FERC Form 1 Accounts 190, 282, and 283 were analyzed on an item-by-item basis to determine whether such ADIT should be directly assigned or allocated to a business line or function. For example, ADIT related to purchase accounting was assigned to Non DS and excluded from jurisdictional ADIT. Plant-related ADIT was allocated using the Net Plant Allocator. Other ADIT balances were directly assigned to Distribution, directly assigned to Non DS, or allocated based on either the revenue allocator or the wages and salaries allocator.

Q. Are you familiar with a Commission adjustment in Docket 13-0301 for ADIT related to the transfer of Metro East assets?

A. Yes. The Commission adjusted rate base to remove the deferred tax asset associated with a transfer of assets in the Metro East service area from Union Electric Company to CIPS, a predecessor to AIC. The asset transfer and its accounting was approved in Dockets 00-0650/00-0655 and 03-0657. In Docket 13-0301, the Commission concluded (Order p. 31) "that it does not appear from the evidence presented that ratepayers will receive the appropriate tax benefits from the Metro East assets based on AIC's accounting for this issue." The Commission further concluded that "[i]f a party wants to propose a similar adjustment in future proceedings … AIC shall provide the requested information to demonstrate with actual amounts or calculated amounts from the books and records of the involved entities that AIC ratepayers were not and will be not be harmed by the regulatory treatment of the internal transfer of assets." Accordingly, the Company is providing in this proceeding a calculation of the ADIT on the transferred Metro East assets to demonstrate that ratepayers are not harmed by inclusion of the Metro East deferred tax asset in Rate Base.

Q. Please describe this calculation.

A. Ameren Exhibit 2.6 presents the accumulated deferred income taxes for the transferred Metro East assets since the time of the transfer in 2005, by asset category. An important aspect of the accounting for the 2005 Metro East transfer was that accrual of ADIT started over at the time of the transfer, as if the assets had been first placed in service then. For example, an electric distribution asset installed in 1980 would have been fully tax depreciated by the transfer date in 2005. However, with the transfer, that same asset[3] would now be tax depreciated again over a 20 year tax depreciation life beginning in 2005 resulting in an additional ratepayer benefit from the reduction to AIC's Rate Base for ADIT in this proceeding. As the exhibit shows, the total ADIT that has accrued since 2005 on the Metro East assets is $18.094 million. The jurisdictional portion of this amount is deducted from rate base. By comparison, there is a $6.416 million balance for the Metro East Deferred Tax asset included in Rate Base. Thus, the effect of the transfer is to produce a net ratepayer rate base benefit of $11.678 million, before application of a jurisdictional allocation factor. In other words, ratepayers receive the benefit of the $11.7 million ADIT deduction from Rate Base that they would not have received had the transfer not taken place.

Ratepayers also receive an additional offsetting Rate Base deduction to the asset balance of the same $6.416 million, due to the fact that at the time of transfer, the Commission approved accounting entries establishing the Metro East Deferred Tax Asset as a direct offset to the then existing Liability balance on Ameren Missouri's books. Since the transfer, Ameren Illinois has continued to amortize the ADIT asset and offsetting liability, resulting in the remaining balance at year end 2013 of $6.416 million. Thus, ratepayers are not harmed, and in fact are receiving tax benefits greater than the value of the Metro East ADIT asset, and greater than they would have absent the transfer. Accordingly, the full jurisdictional value of the Metro East ADIT deferred tax asset should be included in Rate Base.

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[3]ADIT calculated on transferred assets that were retired since 2005 has been eliminated from the ADIT calculation.

Q. Is AIC making any adjustments to the ADIT related to the transfer of Metro East assets in this case?

A. No. The full unamortized jurisdictional balance of both the ADIT asset and offsetting liability recorded on Ameren Illinois' books at the time of transfer is included in Rate Base, for a net $0 effect on Rate Base. In addition, the jurisdictional balance of ADIT accumulated on AIC's books from the transfer date through the end of 2013 is also included in Rate Base. The Company in this proceeding has considered the Commission's finding with regard to ADIT for the Metro East Transfer, and has provided a calculation that supports inclusion of the Metro East Deferred Tax asset in Rate Base.

Q. How was the level of Materials and Supplies included in rate base determined?

A. AIC has reflected a year end balance of $50,380,000 is shown on Ameren Exhibit 2.1, App 1, line 49. Accounts payable related to materials and supplies inventories is then subtracted to derive the balance included on App 1, line 51 of $43,635,000. This amount is also shown on Ameren Exhibit 2.1, Schedule FR B-1, line 30. Mr. Getz testifies that the Materials and Supplies included in AIC's rate base are used and useful and were prudently acquired at a reasonable cost.

Q. Has AIC included any other assets in rate base?

A. Ameren Exhibit 2.1, Schedule FR B-1, line 31 identifies Other Deferred Charges in excess of $3.7 million that can be included in Rate Base under Section 16-108.5 of the Act. Such deferred charges can be either increases or decreases to Rate Base depending on whether the underlying cost is a debit or credit. To the extent such incremental costs are incurred, they are amortized over 5 years, with 1/5 of the cost included in operating expense and the remaining 4/5 of the cost included in Rate Base. As further detailed in Part 285, Schedule WPB-1a, and summarized on Ameren Exhibit 2.1, App 5, the Company incurred $4,051,000 of storm expenses as a result of a storm event on November 17, 2013. Accordingly the storm event was deferred, with 4/5 of the cost, or $3,241,000, included in Rate Base, and 1/5 of the cost, or $810,000, being amortized in account 407. In addition, the Company has made an adjustment to reduce electric distribution expense by $4,051,000. That adjustment is detailed on Part 285 Schedule C-2.17 and included on App 7, Column (C), line 16.

Q. Did AIC include an adjustment to Rate Base for OPEB?

A. Yes. Consistent with the Commission's order in Docket Nos. 09-0306, et al. (cons.), and the Orders in Docket Nos. 12-0001, 12-0293, and 13-0301, AIC's rate base has been adjusted by the jurisdictional amount of the Company's per books, year-end 2013 OPEB balance.

Q. Has AIC accounted for Customer Deposits in its rate base?

A. Yes. AIC's rate base is reduced by $27,899,000 for customer deposits. This amount is shown on Ameren Exhibit 2.1 Schedule FR B-1, line 32 and App 2. AIC calculated this amount by utilizing the year-end total amount of jurisdictional customer deposits. Since the 2013 interest rate on customer deposits was set by the Commission as 0%, Ameren Exhibit 2.1 App 7, line 7 presents an adjustment to add $0 to customer accounts expense for interest on customer deposits.

Q. Has AIC accounted for Customer Advances in its rate base?

A. Yes. An amount for Customer Advances of $22,691,000 is deducted from rate base on Ameren Exhibit 2.1, Schedule FR B-1, line 33. This represents the balance of cash advances received from customers as of December 31, 2013 for construction attributable to AIC's electric delivery services operations.

Q. Are projected plant additions included in rate base?

A. Yes. Section 16-108.5(d) requires the utility to include in its update "projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed." AIC has included updated projected capital additions for 2014 in the amount of $362,878,000 as shown on Ameren Exhibit 2.1, Schedule FR B-1, lines 37 and 39. Ameren witness Mr. Getz identifies the level of plant investment that the Company projects to be placed in service by the end of 2014. Ameren witness Mr. Ronald D. Pate discusses in direct testimony the operational needs that will be addressed by the electric distribution plant additions.

Q. Have adjustments been made for the projected growth in the accumulated depreciation reserve?

A. Yes.

Q. How was the projected growth in the accumulated depreciation reserve determined?

A. In the instant proceeding, AIC has adjusted the year-end 2013 accumulated depreciation reserve increasing for a year of additional depreciation expense (shown on Schedule FR C-2), and further adjusted the reserve for a year of additional net cost of removal spend. A five-year historical average of net cost of removal spending shown on FERC Form 1 is used to calculate the adjustment for the accumulated depreciation reserve. The change to the accumulated reserve is accounted for on Ameren Exhibit 2.1, Schedule FR B-1, lines 38 and 40 in the amount of $183,550,000.

Q. Has the projected growth in ADIT been reflected as a reduction to Rate Base?

A. Yes. AIC has adjusted the year-end 2013 ADIT balance for a year of additional ADIT based on the tax effect of the difference in statutory tax depreciation rates and application of

2013 composite book depreciation rates shown on Ameren Exhibit 2.1, App 8, lines 19-21 to estimate the 2014 first year change in ADIT for projected additions. The 50% bonus tax depreciation benefit was not extended beyond 2013, except for qualifying projects initiated prior to 2014, and is not reflected in the Company's calculation of ADIT on 2014 projected additions. The change to ADIT is reflected on Ameren Exhibit 2.1, Schedule FR B-1, line 40a in the amount of $9,067,000.

Q. Please explain how the Interest Synchronization Deduction was calculated.

A. The calculation of synchronized interest applicable to the filing year is shown on Ameren Exhibit 2.1, Schedule FR C-4 at lines 6 through 9. Total Rate Base shown on Schedule FR B-1, line 42 is multiplied by the weighted cost of debt and then multiplied by the effective state and federal income rate to derive the interest synchronization adjustment on FR C-4, line 9 in the amount of $30,617,000.

The calculation of synchronized interest applicable to the reconciliation year is shown on Ameren Exhibit 2.1, Schedule FR C-4 at lines 16 through 19. Total Rate Base shown on Schedule FR B-1, line 36 is multiplied by the weighted cost of debt and then multiplied by the effective state and federal income rate to derive the interest synchronization adjustment on FR C-4, line 19 in the amount of $28,324,000.

Q. What is AIC's filing year rate base?

A. AIC's filing year rate base as of December 31, 2013 is $2,267,006,000. The calculation of AIC's filing year rate base includes 2014 projected additions and related adjustments detailed on FR B-1, lines 37 through 42. Filing year rate base is summarized on FR A-1, line 11 and detailed on FR B-1.

Q. What is AIC's reconciliation year rate base?

A. AIC's rate base as of December 31, 2013 is $2,097,269,000. The calculation of AIC's reconciliation year rate base excludes 2014 projected additions and related adjustments and is summarized on FR A-1 REC, line 11 and detailed on FR B-1, lines 1 through 36.

V. <u>OPERATING EXPENSES</u>

Q. What is the source of AIC's filing year and reconciliation year operating expenses?

A. These expenses are both derived from the 2013 FERC Form 1.

Q. What are AIC's proposed electric operating expenses to be recovered through Rate MAP-P?

A. As shown on Ameren Exhibit 2.1, Schedule FR A-1, electric operating expenses include distribution, customer accounts, customer service and informational, A&G, depreciation and amortization, taxes other than income, regulatory asset amortizations, and other expense adjustments if applicable. Except where noted below, operating expenses also apply to the reconciliation year, and are included on Ameren Exhibit 2.1, Schedule FR A-1 REC.

Q. What Schedules and Appendices support AIC's proposed operating expenses?

A. Schedules FR C-1 and FR C-2 summarize operating expenses that are further detailed in Appendices 7 and 8.

Q. What amount of electric distribution O&M expense is included in the filing year revenue requirement?

A. Electric distribution O&M expenses are considered those expenses recorded in FERC Accounts 580 through 598. AIC's 2013 electric distribution O&M expenses were $207,143,000. After reflecting adjustments, an amount of $212,590,000 in electric distribution expenses recorded in FERC accounts 580-598 is included in the revenue requirement as shown on Ameren Exhibit 2.1, Schedule FR A-1, line 1 and Schedule FR C-1, lines 1 through 3. The prudence, reasonableness and need for these expenses are generally addressed in the direct testimony of Mr. Pate. Ratemaking adjustments to O&M expenses are discussed in greater detail below.

Q. What amount of customer-related O&M expenses is included in the revenue requirement?

A. Expenses recorded in FERC Accounts 901-905 for customer accounts and FERC Accounts 907-910 for customer service and informational expenses are considered customer-related O&M expenses. AIC's 2013 customer-related O&M expenses were $50,285,000 for customer accounts and $61,910,000 for customer service. After reflecting adjustments, an amount of $46,179,000 of customer accounts and $5,363,000 of customer service expenses (the difference is primarily attributable to costs recovered through Rider EDR) recorded in FERC accounts 901-910 is included in the revenue requirement. See Ameren Exhibit 2.1, Schedule FR A-1, lines 2 and 3 and Schedule FR C-1, lines 1 through 7. The prudence, reasonableness and need for these expenses are generally addressed in the direct testimony of Mr. Getz. Ratemaking adjustments to O&M expenses are discussed further below.

Q. Are there any additional adjustments to customer-related O&M expenses that are necessary to calculate reconciliation revenue requirement?

A. Yes. Since Account 904 uncollectibles expense is separately reconciled through Rider EUA – Electric Uncollectible Adjustment (Rider EUA), an adjustment is made to the amount of customer accounts expense shown on Ameren Exhibit 2.1 FR A-1 to replace the electric DS portion of 2013 uncollectibles expense of $6,302,000 shown on FR C-1, line 6 with the uncollectibles included in rates for the reconciliation year, so that uncollectibles expense does not contribute to the revenue requirement reconciliation adjustment. As shown on Ameren Exhibit 2.1, Schedule FR A-1-REC, line 2a, uncollectibles of $6,177,000 is included in the calculation of reconciliation revenue requirement since this is the amount of uncollectibles that was included in rates for the reconciliation year.

Q. What amount of administrative and general (A&G) expenses is included in the revenue requirement?

A. A&G expenses are considered those expenses recorded in FERC Accounts 920-935. AIC's 2013 A&G expenses were $140,454,000. After reflecting adjustments, an amount of $134,179,000 in A&G expenses recorded in FERC Accounts 920-935 is included in electric A&G expense. After allocation to electric DS, a total of $122,750,000 recorded in FERC accounts 920-935 is included in revenue requirement. See Ameren Exhibit 2.1, Schedule FR A-1, line 4 and Schedule FR C-1, lines 1 through 5. The prudence, reasonableness and need for these expenses are generally addressed in the direct testimony of Mr. Getz. Ratemaking adjustments to O&M expenses are discussed further below.

Q. Has AIC included any sales and marketing expenses in the revenue requirement?

A. No. The balance of Accounts 911-916 has been excluded from jurisdictional operating expense.

Q. What amount of depreciation and amortization expense is included in the revenue requirement?

A. As shown on Schedule FR A-1, lines 5 and 6, a total of $194,495,000 in depreciation and amortization expense is included in the revenue requirement. Of this total, $11,546,000 is depreciation of 2014 projected plant additions net of projected retirements.

Q. How was the projected level of depreciation expense for 2014 calculated?

A. Projected plant additions for 2014 minus projected retirements for 2014 by plant function were multiplied by the estimated deprecation rate by function to derive the projected level of total depreciation expense. Depreciation for the general plant and intangible plant functions was then multiplied by the ASP allocator to derive the jurisdictional expense for those functions and then added to distribution related depreciation expense to derive the total. Projected retirements were based on a five year historical average of FERC Form 1 utility plant retirements by function. To estimate depreciation rates by function, the 2013 FERC Form 1 depreciation expense was divided by the beginning and ending year average of FERC Form 1 utility plant in service. This calculation is detailed on Ameren Exhibit 2.1, App 8, lines 15-24.

Q. What amount of Incentive Compensation expense is included in the revenue requirement?

A. Ameren Exhibit 2.4 provides a summary of the electric jurisdictional amounts of Incentive Compensation costs included in the revenue requirement. $8,066,843 of incentive compensation expense is included in O&M expenses and $3,248,058 of 2013 incentive compensation capital costs is included in rate base. These incentive compensation amounts are based on the achievement of operational metrics related to budget controls, outage duration and frequency, safety, customer service, efficiency and productivity, and environmental compliance, as shown on a workpaper supplied in support of my Direct Testimony. Ameren Illinois has adjusted its actual 2013 Incentive Compensation costs to remove those Incentive Compensation costs based on earnings per share goals and the costs of the Performance Share Unit Program.

Q. What amount of Pension expense is included in the revenue requirement?

A. Ameren Exhibit 2.5 provides a summary of the electric jurisdictional amounts of pension costs included in the revenue requirement. In total, $35.5 million of 2013 pension costs (Ex. 2.5 lines 1 and 7) are attributable to electric operations and included in the calculation of revenue requirement. These amounts are further delineated between expense and capital on Part 285 Schedule C-11.3a. $23,439,349 of expense is included in 2013 O&M expenses (Sch. C-11.3a col. (I) lines 10-11) and $12,063,852 of 2013 capital costs are included in rate base (Sch. C-11.3a col. (J) lines 10-11) before allocation to electric DS operations and before ratemaking adjustments to remove a portion of such costs for supply procurement, production retirees, and other labor related adjustments.

Q. What amount of OPEB expense is included in the revenue requirement?

A. Ameren Exhibit 2.5 provides a summary of the electric jurisdictional amounts of OPEB costs included in the revenue requirement. In total, $6.8 million of 2013 OPEB costs (Ex.2.5 line 13) are attributable to electric operations and included in the calculation of revenue requirement. These amounts are further delineated between expense and capital on Part 285 Schedule C-11.3a. $4,464,336 of expense is included in 2013 O&M expenses (Sch. C-11.3a col. (I) line 7) and $2,297,721 of 2013 capital costs are included in rate base (Sch. C-11.3a col. (J) line 7) before allocation to electric DS operations and before ratemaking adjustments to remove a portion of such costs for supply procurement, production retirees, and other labor related adjustments.

Q. Are the pension and OPEB costs included in the revenue requirement supported by an actuarial study?

A. Yes. Ameren Exhibit 2.5 further details how the pension and OPEB costs recorded in FERC Form 1 for electric and Form 21 ILCC for gas are supported by the actuary. Excerpts from Towers Watson's actuarial studies for Ameren Corporation (Ameren) and AIC are attached to Ameren Exhibit 2.5 in support of the numbers presented on page 1 of that exhibit and described above.

Q. Are any severance costs included in the revenue requirement?

A. Yes. In Docket Nos. 09-0306 - 09-0311 (Cons.), the Commission authorized a regulatory asset to be established to recover severance costs over a three year amortization. Amortization of this regulatory asset was completed in April 2013. Also, in December 2011, Ameren Services (AMS) initiated a voluntary separation plan. Since AMS allocates its costs to AIC, a portion of the related severance costs were allocated to AIC resulting from implementation of the cost reduction program. Consistent with the Order in approving recovery of 2009 severance costs over three year amortization, the 2011 costs are being amortized over a three year period commencing January 2012, which is the first full month of benefits resulting from the program. The 2013 amortization of severance costs and voluntary separation plan costs is shown on Ameren Exhibit 2.1, App 7, line 33.

Q. Are expenses related to a Commission proceeding under subsections (c) or (d) of Section 16-108.5 included in the updated revenue requirement for this filing?

A. The cost of outside services incurred in 2011, 2012, and 2013 related to the initial formula rate tariff proceeding filed under subsection (c) of Section 16-108.5 have been recorded in a regulatory asset account to be deferred and amortized over a three year period beginning in

2012. Amortization of those costs will be completed by 2014. My testimony below addresses formula rate proceeding expense AIC incurred in 2013 in connection with Docket Nos. 12-0001, 12-0293, and 13-0301.

Q. Does this filing include recovery for existing costs previously authorized and amortized?

A. Yes. AIC continues to amortize costs previously authorized by the Commission recorded either as an Account 182 Regulatory Asset or as an Account 186 Miscellaneous Deferred Debit. The formula schedules and appendices (Schedules FR A-1 at line 8, FR C-1 at line 18, and App 7 at lines 31-38) identify $3,397,000 of electric DS regulatory asset amortizations recorded to Account 407. This total includes $176,000 of severance costs and $310,000 of voluntary separation costs shown on Ameren Exhibit 2.1, App 7, line 33. This total also includes $1,228,000 of expense for the AIC merger integration and optimization from Docket No. 11-0282 shown on Ameren Exhibit 2.1, App 7, line 34. In addition, this total includes $874,000 of Docket No. 12-0001 initial formula rate filing and $810,000 of deferred storm costs discussed above on Ameren Exhibit 2.1, App 7, line 37.

Q. Are there other amortized expenses included in the revenue requirement?

A. Yes. In Docket Nos. 09-0306 et al., (cons.), the Commission approved recovery over a three year amortization period for Smart Grid Facilitator expenses. These costs were expensed rather than deferred on AIC's financial statements. A ratemaking adjustment has been made to amortize this expense over the same three year period authorized by the Commission commencing in 2010 and continuing into 2013. Ameren Exhibit 2.1, App 7, line 14 presents this adjustment.

Q. What amount of Taxes Other than Income Taxes is included in the revenue requirement?

A. Taxes other than income taxes total $53,459,000, as shown on Schedules FR A-1, line 7 and FR C-1, line 17.

Q. What level of Income Taxes is included in the revenue requirement?

A. In the Rate MAP-P schedules and appendices, income taxes are presented on Schedule FR A-1 after tax gross up with additional support for income tax rates provided on FR C-4 at lines 1-5. The amount of income taxes presented on Schedule FR A-1 at line 17 is $106,713,000. For the reconciliation year, income taxes are presented on Schedule FR A-1 REC after tax gross up. The amount of income taxes presented on Schedule FR A-1 REC at line 17 is $98,723,000.

Q. Has AIC reflected an amount for Amortization of investment tax credits (ITCs) or other income tax adjustments?

A. Yes. In the Rate MAP-P schedules and appendices, amortization of ITCs and other income tax adjustments are delineated on Ameren Exhibit 2.1, App 9, lines 1-3, presented before and after tax gross-up on FR C-4 at lines 10-12, and summarized after tax gross up on Schedule FR A-1, line 18. As indicated on App 9, line 1, the jurisdictional amortization of ITCs, before tax gross up is $(662,000). Other tax adjustments shown on App 9, line 2, before tax gross up, total $(2,171,000) and represent the 2013 reduction to deferred income tax expense resulting from the current 9.50% statutory tax rate being temporary, with the permanent rate currently established at 7.30%. After tax gross up, the reduction to revenue requirement is $4,816,000, as shown on Schedule FR A-1 at line 18.

Q. Are any additional adjustments reflected in the calculation of Revenue Requirement on Schedule FR A-1?

A. Yes. Other revenues are subtracted at line 21 of Ameren Exhibit 2.1 to determine both filing year and reconciliation year revenue requirement. The development of electric DS other revenues applicable to the filing year, as shown on Sch FR A-1, and the reconciliation year, as shown on Sch FR A-1 REC, are further detailed on Ameren Exhibit 2.1, App 10. As noted on App 10, line 1, the Company is assigning 100% of electric late payment revenues as a revenue credit in the calculation of electric DS other revenues. In addition, the Company is applying the same allocation methodology to other revenues for mutual assistance/overheads billed to other parties, miscellaneous billings, and vacated microwave frequency revenues as approved in Docket No. 13-0301.

VI. RATEMAKING ADJUSTMENTS

A. Revenue and Expense Adjustments

Q. Please describe the nature of ratemaking adjustments related to revenues and expenses included in this section of your testimony.

A. A number of operating expense adjustments have been made to align with electric DS base rate revenues. Electric delivery service (DS) base revenues do not include, for example, franchise consideration, free service or discounts, revenues related to a number of riders, and add-on taxes. The activity-based mapping protocol described in the Allocator section of my testimony, above, and used in the determination of electric DS revenues assigns billings for franchise discounts and rider revenues to the "other" functional category. Further, in development of Schedule E-5, Ameren witness Mr. Ryan K. Schonhoff (Ameren Ex. 8.0) does not consider these revenues in establishing electric DS base rate revenues. Accordingly, operating expenses have been adjusted to align expenses for these items with revenues, as discussed below.

Q. Please describe the adjustment for Franchise Requirements.

A. An adjustment has been made to: (1) reclassify the A&G portion of franchise consideration related to cash payments to electric distribution O&M expense (Account 588); (2) include the free or discounted portion of franchise consideration in electric distribution O&M expense; and (3) reduce the franchise adjustment for the portion of such consideration recoverable through Rider EF – Excess Franchise Compensation Adjustment (Rider EF) as excess franchise consideration costs. The increase to total electric operating expenses is $5,685,000 (increase to electric distribution O&M of $10,654,000 and decrease to A&G of $4,969,000) prior to allocation of A&G expense to electric DS operations. Franchise consideration is a reasonable and necessary cost of providing electric delivery services to AIC customers and is shown on App 7, line 2.

Q. Has AIC adjusted operating expenses to remove costs currently recovered through other Riders?

A. Yes. AIC has adjusted operating expenses to remove the portion of electric jurisdictional costs recovered through Rider EDR - Energy Efficiency and Demand Response Cost Recovery (Rider EDR), Rider UCB/POR - Utility Consolidated Billing/Purchase of Receivables (recovered through Supplemental Customer Charge tariff), Rider PER – Purchased Electricity Recovery (Rider PER), Rider TS - Transmission Service (Rider TS), and Rider EUA via purchased power supply charges. The Rider GC – Government Compliance Adjustment (Rider GC) adjustment is $0 as there was no new activity under the tariff impacting operating expenses in 2013. Since

2012, Rider PSP - Power Smart Pricing (Rider PSP) has been recovered through electric delivery service (DS) rates and, accordingly, no adjustment has been reflected on App 7.

Q. Please describe the adjustment for Uncollectibles Expense.

A. On App 7, lines 26-28, total uncollectibles expenses shown on FERC Form 1 of $10,404,000 is multiplied by the Revenue Allocator of 60.58% to derive the amount of DS related uncollectibles shown on line 28 of $6,302,000 (also shown on FR C-1 line 6). The resulting difference is excluded from electric DS revenue requirement and recoverable through electric power supply charges with true up through Rider EUA. As discussed previously, uncollectibes for the reconciliation year is based on uncollectibles included in 2013 rates. DS uncollectibles for the reconciliation year is $6,177,000 as shown on FR A-1 REC, line 2a.

Q. What other Rider-related adjustments have been made to O&M Expense?

A. Electric customer service and informational expense has been reduced by $56,232,000 for Rider EDR, as shown on Part 285, Schedule C-2.18, and A&G expense, prior to allocation to electric DS operations, has been reduced by $2,445,000 for Riders UCB/POR, PER, and TS. These adjustments are shown on App 7, lines 18 and 20-22. Additional miscellaneous adjustments related to Rider EDR are shown on Part 285, Schedule WPC-2.16a.

Q. Has AIC adjusted Taxes other than Income Taxes to remove any expenses recovered through other tariffs?

A. Yes. AIC has removed $17,101,000 (column (F) of Sch. FR C-1, lines 8-10 and App 7, line 52) in energy assistance charges and municipal utility taxes since these expenses are recovered through the Tax Additions tariff and corresponding revenue collections are not included in electric DS revenues.

B. Rate Base and Expense Adjustments

Q. What types of ratemaking adjustments has AIC made that affect both rate base and expenses?

A. Ratemaking adjustments have been made to remove capitalized costs recoverable through Riders, remove utility plant and related costs disallowed in AIC's rate case proceeding in Docket Nos. 09-0306 et al., (cons.), remove plant and related costs disallowed for the 2010, 2011 and 2012 historical periods in Docket Nos. 12-0001,12-0293, and 13-0301, include projected plant additions for 2014 with related adjustments, adjust rate base and operating expenses to remove 2013 (and 2014 capitalized portion included in projected plant additions) costs that are both expensed and capitalized to utility plant accounts, for costs comparable to those previously disallowed or not recoverable under Section 16-108.5.

Q. Were ratemaking adjustments made for capitalized costs recoverable through Riders?

A. No adjustments are needed for rider recoverable costs as there were no such costs capitalized in 2013.

Q. What ratemaking adjustments were made for previously disallowed plant?

A. In Docket Nos. 09-0306 et al., (cons.), the Commission reflected adjustments for plant additions disallowed in prior rate cases and formula rate proceedings, NESC rework costs, production retiree costs, and capitalized incentive compensation costs. In addition, the Company proposed adjustments to remove 2010, 2011, and 2012 capitalized NESC rework costs, production retiree costs, incentive compensation costs, and PSUP costs in Docket Nos. 12-0001, 12-0293, and 13-0301 respectively. A total of $20,982,000 of utility plant has been removed for these adjustments (App 1, lines 3-7) with related adjustments of $881,000 to accumulated depreciation (App 1, lines 11-15), $4,542,000 to ADIT (App 4, lines 18-21), and $663,000 to depreciation expense (App 8, lines 3-7).

Q. Please describe the adjustments made to account for projected plant additions to be placed in service in 2014.

A. As discussed above, AIC's rate base has been adjusted to include 2014 projected plant additions. Distribution plant additions are fully added to electric DS rate base and 67.42% of the G&I plant additions (using the ASP allocator) have been included in electric DS rate base. A total of $362,878,000 of projected plant additions have been added to rate base, as shown on App 1, lines 31-37. This amount, and corresponding related adjustments to accumulated depreciation, depreciation expense, and ADIT, reflect removal of the capitalized portion of 2014 Production Retiree costs, earnings-based incentive compensation, and PSUP.

Q. Please describe the additional adjustments related to 2014 projected additions.

A. As shown on App 1, lines 38-42, accumulated depreciation included in electric DS rate base is $183,550,000. Accumulated depreciation reflects the forecasted increase for the additional depreciation expense for 2014 based on 2013 FERC Form 1 reported expense plus additional depreciation on forecasted plant additions detailed further on Schedule FR C-2 and App 8, lines 15-18. The forecasted increase for additional depreciation expense is calculated on App 8. The increase of $13,137,000 is shown on App 8, line 18. Accumulated depreciation is also adjusted for net cost of removal spend, based on a five year historical spend reported on FERC Form 1. Finally, Schedule FR B-1, line 40a reflects a related adjustment to reduce rate base by $9,067,000 for ADIT on projected additions.

Q. Please describe the adjustments made to remove the 2013 costs for NESC Rework.

A. Utility plant has been reduced by $1,309,000 to remove 2013 capitalized NESC costs based on the ruling by the Commission in Docket Nos. 09-0306 et al., (cons.) to not provide for recovery of the majority of the NESC costs in rates (previously disallowed amounts were discussed above). The adjustment reflects elimination of 100% of those costs and is shown on App 1, line 43. Related adjustments of $77,000 to accumulated depreciation (App 1, line 43), $233,000 to ADIT (App 4, line 22), and $45,000 to depreciation expense (App 8, line 8) have also been made. Electric distribution O&M expense has also been reduced by $2,439,000 (App 7, line 3).

Q. What ratemaking adjustments were made to Production Retiree costs?

A. A portion of pension and OPEB costs are related to the electric production/power supply function. Such costs do not relate to the electric distribution function, and therefore, are not included for recovery in electric DS revenue requirement. Adjustments have been made to reduce rate base and operating expenses, in addition to the portion of these previously disallowed costs discussed earlier.

Q. What adjustments have been made to 2013 Production Retiree Pension & OPEB Benefits to account for Generation Plant Retiree costs?

A. Utility plant has been reduced by $568,000 to remove 2013 actual capitalized production retiree costs (App 1, line 44). Related adjustments of $20,000 to accumulated depreciation (App 1, line 44), $101,000 to ADIT (App 4, line 23), and $20,000 to depreciation expense (App 8, line 9) have also been made. A&G expense, prior to allocation to electric DS operations, has also been reduced by $1,335,000 (App 7, line 8).

Q. What ratemaking adjustments were made to Incentive Compensation costs?

A. A portion of incentive compensation costs are related to earnings per share goals and so are not recoverable under Section 16-108.5. Therefore, such costs are excluded from the revenue requirement.

Q. Please describe the adjustments made to eliminate earnings-based Incentive Compensation.

A. Utility plant has been reduced by $360,000 to remove 2013 actual capitalized earnings-based incentive compensation costs (App 1, line 45). Related adjustments of $12,000 to accumulated depreciation (App 1, line 45), $64,000 to ADIT (App 4, line 24), and $12,000 to depreciation expense (App 8, line 10) have also been made. A&G expense, prior to allocation to electric DS operations, has also been reduced by $1,187,000 (App 7, line 9).

Q. Please describe the adjustment to remove costs related to AIC's Performance Share Unit Program (PSUP).

A. Ameren Illinois has removed its PSUP costs from electric DS revenue requirements, pursuant to previous Commission orders.

Q. What adjustments have been made to eliminate PSUP?

A. Utility plant has been reduced by $738,000 to remove 2013 capitalized PSUP costs (App 1, line 46). Related adjustments of $26,000 to accumulated depreciation (App 1, line 46), $131,000 to ADIT (App 4, line 25), and $26,000 to depreciation expense (App 8, line 11) have also been made. A&G expense, prior to allocation to electric DS operations, has also been reduced by $3,996,000 (App 7, line 10).

C. Expense Only Adjustments

Q. What types of ratemaking adjustments has AIC made to its proposed operating expenses that impact only O&M expenses?

A. AIC is making additional ratemaking adjustments not discussed previously that are generally based on past practice of the Commission to either allow recovery of a cost as an O&M expense not recorded in FERC Form 1 accounts, or to not allow recovery in electric DS O&M expense of costs recorded in O&M in FERC Form 1. The adjustments listed below are expense only and thus, do not impact rate base, DS revenues, or capital structure.

Q. Please describe the adjustment for Injuries & Damages.

A. Consistent with prior Commission-approved practice, AIC has included cash claims, rather than Injuries and Damages (I&D) reserve accruals, in A&G expense. In 2013, AIC made cash claims payments of $5,336,000. AIC also accrued a negative $2,030,000 for reserves because certain outstanding claims were satisfied with payments below previous estimated liability amounts, resulting in a reversal of a portion of the prior expense accruals. To reflect the cash claims amount in the revenue requirement, therefore, A&G expense, prior to allocation to electric DS operations, has been increased $7,366,000 (App 7, line 12).

Q. Please describe the adjustment for Charitable Contributions.

A. Charitable contributions are recorded to a non-operating expense account for FERC reporting. Section 9-227 of the Public Utilities Act provides that the Commission can consider as an operating expense "donations made by a public utility for the public welfare or for charitable scientific, religious or educational purposes, provided that such donations are reasonable in amount." AIC has reviewed the entirety of the 2013 actual charitable contributions shown on Part 285, Schedule C-7 attributable to both its electric and gas operations. Based on that review, AIC has identified $773,000 recorded in account 426, a below-the-line account. Of this total, $471,000 has been allocated to AIC's electric operations, as detailed in Part 285, Schedule C-2.5 and WPC 2.5. Since these contributions are applicable to AIC's electric delivery service operations, AIC is requesting recovery in electric Distribution expense of $471,000 (App 7, line 5). Mr. Kennedy (Ex. 6.0) addresses in his direct testimony the nature of the organizations which received charitable contributions and the reasonableness of AIC's recovery of those contributions under Section 9-227.

Q. Please describe the adjustment for Lobbying Expense.

A. AIC has recorded an adjustment to remove from operating costs lobbying expenses that were recorded to electric A&G expense in 2013 rather than to a non-operating expense account. A&G expense, prior to allocation to electric DS operations, has been reduced by $61,000 (App 7, line 11).

Q. Did AIC make any adjustments for other 2013 expenses?

A. Yes. AIC reviewed the 2013 vendor expense data and removed certain costs from the revenue requirement that took into consideration adjustments approved by the Commission in Docket 13-0301. Part 285 Schedule C-2.16 and the supporting workpapers, provided in Ameren Exhibit 2.2, identify in detail the costs that AIC self-disallowed.

Part 285 WPC-2.16b and 2.16c provide additional detail for the calculation of adjustments to pension expense totaling $166,000 and payroll tax expense totaling $96,000 related to earnings based incentive compensation and PSUP expense. Similar adjustments were proposed by Staff and accepted by the Company in Docket No. 13-0301. These adjustments are included on Ameren Exhibit 2.1, App 7, line 16 and App 7, line 51.

Q. Please describe the adjustment for Social and Service Club Dues.

A. AIC has recorded an adjustment of less than $1,000 to remove from operating costs social and service club dues as reported on Part 285, Schedule C-6 recorded to electric distribution expense (App 7, line 4). There were no social and service club dues recorded to other operating expense accounts in 2013.

Q. Please describe the adjustment for Company Use.

A. AIC's use of electricity and gas at its company facilities is not recorded to electric DS expense on FERC Form 1 but has been recoverable in rates in prior AIC rate proceedings, since such costs are necessary to operate AIC's facilities. The electric portion of such costs are billed to AIC and recorded to a production activity. An offsetting entry is recorded to other electric revenues for the electric portion of such costs. Since such costs are recorded to other revenues, the electric allocable costs are recorded as a reduction to other revenues in the amount of $1,470,000 on Part 285, WPC-23, line 70, and is included in the totals shown for App 10, line 4. The gas portion of such costs are not recorded in AIC's electric accounts and, therefore, a ratemaking adjustment has been made to reflect the electric allocable share of gas usage at the Company's facilities. The adjustment increases electric distribution expense by $802,000, as shown on App 7, line 1.

D. Formula Rate Commission Proceeding Expense

Q. Section 16-108.5(c)(4)(E) allows recovery of expenses related to the initial formula rate proceeding and each annual update proceeding through the formula rate. 220 ILCS 5/16-108.5(c)(4)(E). During 2013, did AIC incur any costs recoverable under Section 16-108.5(c)(4)(E)?

A. Yes. In 2013, AIC expended $969,659 to compensate attorneys and technical experts to prepare and litigate its 2013 annual update proceeding, Docket No. 13-0301, including miscellaneous costs for copying, printing, and delivery services necessary to prepare and file the proceeding and costs for Company travel related to the case. In 2013, AIC also incurred $164,138 to compensate attorneys for rehearing and appeal related to its initial and 2012 annual update proceedings, Docket Nos. 12-0001 and 12-0293, respectively. I will refer to these proceedings collectively as the 2013 Formula Rate Proceedings. Ameren Exhibit 2.9 (Confidential and Proprietary) summarizes the expense detail for the 2013 Formula Rate Proceedings.

Q. Has AIC included those amounts in its 2013 updated revenue requirement?

A. Yes. AIC has also included the amortized portion of 2011 and 2012 costs to prepare and litigate the initial formula filing, Docket No. 12-0001.

Q. Are the amounts that AIC expended in 2013 to compensate attorneys and technical experts related to the 2013 Formula Rate Proceedings just and reasonable?

A. Yes. I address the expense associated with each of AIC's outside vendors—Concentric Energy Advisors, Inc. (Concentric), Sussex Economic Advisors (Sussex), and Whitt Sturtevant LLP (Whitt Sturtevant)—individually and in more detail below. As a general matter, however, in planning and budgeting for the preparation and litigation of the 2013 Formula Rate

Proceedings, AIC sought to incur only prudent, just and reasonable expenses. Toward that end, in engaging attorneys and technical experts in those proceedings, AIC considered: (1) outside counsel and expert resources with extensive Illinois regulatory experience, experience with AIC issues, specifically, and experience in previous AIC rate cases and formula rate proceedings; (2) the scope of work necessary; and (3) cost effective use of all outside support services. Further, as discussed in more detail below, AIC negotiated "not-to-exceed" agreements with certain of its outside consultants to ensure that their bills would not exceed budgeted amounts. AIC also required thorough documentation of work performed on invoice fees billing and backup documentation for expenses, and it reviewed that documentation for accuracy and reasonableness. As a result of these considerations and processes, the amounts expended by AIC to compensate attorneys and technical experts related to the 2013 Formula Rate Proceedings reflect just and reasonable expenses actually incurred for services rendered by outside legal counsel and technical experts to prepare and litigate those cases.

1. *Concentric Energy Advisors, Inc.*

Q. Was the amount expended in 2013 to compensate Concentric for the services it provided AIC related to the 2013 Formula Proceedings just and reasonable?

A. Yes. Concentric provided services related to Docket No. 13-0301 only. The amount expended to compensate Concentric, as detailed in Ameren Exhibit 2.9 (Confidential and Proprietary), is just and reasonable. Concentric has extensive experience working in the industry and with AIC, in particular.

Specifically, Concentric assisted AIC personnel in preparing the formula rate revenue requirement and in compiling the Minimum Filing Requirement (MFR) schedules and update MFR schedules necessary to support the Docket No. 13-0301 annual update filing. The MFR schedules are required by the Commission's rules and thus were necessary to the filings. Concentric also provided related post-filing support, including, but not limited to, maintaining modified MFR schedules, as necessary, to reflect AIC's modified position throughout the course of the proceedings.

Additionally, Concentric prepared AIC's cash working capital requirement analyses and sponsored the related testimony of Mr. Heintz. Mr. Heintz is a Vice President with Concentric who has over 30 years of experience working with regulated rates and tariffs and who has specific familiarity with AIC and its cash working capital requirements. In addition to preparing his testimony, Mr. Heintz assisted AIC in the review and assessment of Staff and Intervenor testimony, and in the preparation of data request responses.

Given Concentric and Mr. Heintz's expertise and established relationship with AIC, the level and necessity of the services Concentric provided, the amount expended for Concentric's services is just and reasonable.

Q. What documentation is AIC providing in support of the justness and reasonableness of the 2013 expense for Concentric's services?

A. In addition to my testimony, Ameren Exhibit 2.10 (Confidential and Proprietary) provides detail regarding the services performed by Concentric and identifies the individuals who provided those services and their qualifications, the time expended for each service, and the associated hourly rates. Additional support for the justness and reasonableness of the expense is Concentric's work product as reflected in the MFR schedules filed in Docket No. 13-0301 and Mr. Heintz's testimony, workpapers, and data request responses submitted in connection with that docket.

2. *Sussex Economic Advisors, LLC*

Q. Was the amount expended in 2013 to compensate Sussex for the services it provided AIC related to the 2013 Formula Proceedings just and reasonable?

A. Yes. Sussex provided services related to Docket 13-0301 only. The amount expended to compensate Sussex, as detailed in Ameren Exhibit 2.9 (Confidential and Proprietary), is just and reasonable. Sussex has provided AIC services in past rate proceedings and is familiar with the Company. Sussex has substantial experience and training relating to regulatory and financial matters, including the theory and practice of establishing, measuring and maintaining appropriate capital structures. In Docket No. 13-0301, it sponsored the testimony of Ameren witness Mr. John E. Perkins related to the appropriate capital structure for setting AIC's formula rates. Mr. Perkins, an Executive Advisor with Sussex, is a highly credentialed financial consultant with extensive experience in the financial and utility industries. Mr. Perkins prepared direct, rebuttal, and surrebuttal testimony, and responded to discovery, related to Docket No. 13-0301.

The expenses for Mr. Perkins' services were billed on a time and materials basis with reasonable direct expenses, and AIC negotiated a “not to exceed” amount for preparation of his direct testimony.

Given Sussex and Mr. Perkins' expertise and established relationship with AIC, the level and necessity of the services Sussex provided, and the "not-to-exceed" agreement negotiated for a portion of those services, the amount expended for Sussex's services is just and reasonable.

Q. What documentation is AIC providing in support of the justness and reasonableness of the 2013 expense for Sussex's services?

A. In addition to my testimony, Ameren Exhibit 2.11 (Confidential and Proprietary) also provides detail regarding the services performed by Sussex and identifies the individuals who provided those services and their qualifications, the time expended for each service, and the associated hourly rates. Additional support for the justness and reasonableness of the expense is Sussex's work product as reflected in the testimony, workpapers, and data request responses submitted by Mr. Perkins in Docket No. 13-0301.

3. *Whitt Sturtevant LLP*

Q. Are the amounts expended in 2013 to compensate outside legal counsel to prepare and litigate the 2013 Formula Proceedings just and reasonable?

A. Yes, the amounts AIC expended in 2013 to compensate AIC's outside legal counsel, Whitt Sturtevant, to litigate rehearing and appeal of Docket Nos. 12-0001 and 12-0293 and to prepare and litigate Docket No. 13-0301, as detailed on Ameren Exhibit 2.9, are just and reasonable. Those amounts reflect the costs that AIC actually incurred for the requisite attorney hours expended and related expenses to prepare for and prosecute the 2013 Formula Rate Proceedings. The Whitt Sturtevant attorneys representing AIC have extensive experience representing the Company in its rate proceedings, including rate cases since at least 2006 and all of AIC's performance based formula rate proceedings. That counsel also has extensive experience representing Illinois regulated utilities in a wide range of regulatory matters, and has represented Ameren affiliates in a significant number of Illinois regulatory proceedings, such as Certificate of Public Convenience and Necessity proceedings. Their experience affords them an institutional knowledge of the Company that AIC believes results in efficient and effective legal representation. For these reasons, the amounts expended to compensate Whitt Sturtevant to prepare and litigate the 2013 Formula Rate Proceedings are just and reasonable.

Q. What documentation is AIC providing in support of the justness and reasonableness of the 2013 expense for outside legal services?

A. In addition to my testimony, Ameren Exhibits 2.12, 2.13 and 2.14 (all Confidential and Proprietary) provide detail regarding the services performed by Whitt Sturtevant and identify the professional positions of the individuals who provided those services, the time expended for each service, and the associated hourly rates. Please note that these exhibits contain limited redactions where appropriate to protect from disclosure material reflecting privileged attorney work product or attorney-client communications. Additional support for the justness and reasonableness of AIC's outside counsel expense is counsel's work product as reflected in docket filings in the 2013 Formula Rate Proceedings.

4. *Miscellaneous*

Q. You stated that AIC also has included in the 2013 updated revenue requirement miscellaneous expenses incurred related to Docket No. 13-0301. What documentation is AIC providing in support of those expenses?

A. As explained and as detailed in Ameren Exhibit 2.9 (Confidential and Proprietary), AIC has included in the 2013 updated revenue requirement in this case miscellaneous costs for copying, printing, and delivery services necessary to prepare and file the Docket No. 13-0301 proceeding. Ameren Exhibit 2.15 includes the invoices for the costs incurred. That exhibit also includes legal ledgers of costs for Company travel related to the Docket No. 13-0301 proceeding. Please note, other legal matters not related to Docket No. 13-0301 have been redacted from the legal ledgers.

Q. What do you conclude regarding the amounts AIC expended to compensate attorneys and technical experts to prepare and litigate the 2013 Formula Rate Proceedings?

A. I conclude the amounts are just and reasonable for the reasons discussed above, and the Commission should include them in the 2013 updated revenue requirement. AIC has compiled and made available with this filing documentation that supports the outside attorney and technical experts expense amounts that I discuss above. That documentation provides additional detail regarding the services performed by AIC's outside counsel and technical experts, the individuals who provided those services, the time they expended, and their associated hourly rates. Other support for the justness and reasonableness of the 2013 Formula Rate Proceedings expense amounts include the respective counsel and technical experts' work product, as reflected in the docket filings in those proceedings.

E. Capital Structure and Expense Adjustments

Q. What ratemaking adjustment was made related to capital structure or cost of capital?

A. Bank facility costs have been removed from the 2013 FERC Form 1 A&G expense since such costs are included in A&G expense but for ratemaking are included as cost of debt in the capital structure and overall rate of return. A&G expense prior to allocation to electric DS operations, has been reduced by $2,256,000 on App 7, line 6.

Q. What ratemaking adjustments were made to AIC's expense related to purchase accounting?

A. All purchase accounting has been eliminated from FERC Form 1 reported O&M and depreciation expense and also excluded from Rate Base and the Common Equity balance in the

Capital Structure, consistent with past practice of the Commission and the Order issued in Docket No. 04-0294. The adjustment to O&M expense is shown on App 7, line 13 and the adjustment to depreciation expense is shown on App 8, line 12. The elimination of all purchase accounting, including goodwill, from common equity, is reflected in the common equity balance shown on Schedule FR D-1, line 5.

In addition, in compliance with the Order issued in Docket No. 10-0517, AIC has provided to the Manager of the ICC Staff Finance Department verified financial information in support of the purchase accounting balance sheet and income statement impacts that correspond with the purchase accounting eliminations shown on Form 21 ILCC. Such purchase accounting eliminations, as discussed above, are required to comply with the Order issued in Docket No. 04-0294.

VII. RATE OF RETURN

Q. What is the overall rate of return shown on Schedule FR A-1?

A. The overall rate of return is 8.08%. Mr. Martin (Ameren Ex. 5.0) further discusses in his direct testimony the capital structure and overall rate of return, including adjustments to the 9.75% long term debt issue as also discussed further by Ameren witnesses Mr. Craig D. Nelson (Ameren Ex. 1.0). Schedules FR D-1 and D-2 provide additional detail on the calculations in support of AIC's overall rate of return.

VIII. ALLOCATION TO RATE ZONES

Q. Has AIC allocated the rate base, revenues, and operating expenses across Rate Zones?

A. Yes.

Q. Has AIC changed its allocation methodologies for allocations to Rate Zones for the rate base, revenues, and operating expenses used in previous ICC Docket 13-0301?

A. Yes. These allocation methodology changes were approved in ICC Docket No. 13-0476 as part of Ameren Illinois' Rate Redesign.

Q. Do you have an Exhibit that explains the allocations to Rate Zones?

A. Yes. Ameren Exhibit 2.7 explains the allocations used to allocate AIC's revenue requirement to each of the three AIC rate zones.

IX. <u>SUPPLY COST ADJUSTMENT</u>

Q. In addition to your testimony above, are you also providing testimony in support of certain costs related to AIC's power supply?

A. Yes. My testimony and Ameren Exhibit 2.8, Schedules 1-3 provide the detail for the costs to be recovered through the Supply Procurement Adjustment (SPA), power supply portion of the CWC, and power supply portion of the Uncollectibles Adjustment, through Rider PER, Rider HSS, or their successor tariff(s).

Q. Please describe the SPA Adjustment shown on Ameren Exhibit 2.8, Schedule 1.

A. The adjustment details the costs incurred to procure the supply of power. Line 1 reflects the personnel and related costs incurred to procure the supply of power. The Electric Delivery Services share of such costs was removed from operating expense. Lines 2-4 reflect the MWh BGS sales in the filing year and the related cents per kilowatt hour (kWh).

Q. Please describe the adjustment for CWC shown on Schedule 2.

A. Schedule 2 develops a CWC percent, using a purchase power cost of $1,000,000 for illustrative purposes, 21.25 Net Lag Days, and equity and debt components of AIC's proposed capital structures. The 21.25 Net Lag Days are supported by the lead/lag methodology developed in the testimony and supporting workpapers of Mr. Heintz in Docket No. 12-0001, based on 49.75 Revenue Lag days and 28.50 Expense Lead Days. With regard to the equity and debt components, a CWC requirement is determined by calculating a return on the equity (grossed up for income taxes) and debt components of the AICs' electric operations proposed capital structures, to determine total revenue requirement applicable to the power supply portion of CWC. As shown on Schedule 2, the resulting CWC weighted average percentage is 0.66308%.

Q. Please describe the adjustment for Uncollectibles shown on Schedule 3.

A. The Filing Year uncollectibles at present rates include only the portion applicable to Electric Delivery Services operations, with the remainder recovered through power supply. The uncollectibles expense is multiplied by the Revenue Allocator to determine the Electric Delivery Services operations related uncollectibles. The filing year ratemaking adjustment removes the uncollectibles not related to Electric Delivery Services operations. The uncollectibles amounts included in electric delivery service base rates (at present rates before gross up for uncollectibles) and included in purchased power rates is shown on lines 2-3. Mr. Schonhoff (Ameren Ex. 8.0) discusses how the Uncollectibles Adjustment will be reflected in AIC's power supply rates and further delineates customer class responsibility for the Electric Power Supply portion of such costs, based on the Uncollectibles Factor.

X. CONCLUSION

Q. Does this conclude your second revised direct testimony?

A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
RONALD D. STAFFORD

I graduated from Ball State University in Indiana with a Bachelors of Science in Accounting and have a Master's in Business Administration with concentrations in Management and Finance from Southern Illinois University at Edwardsville. I am licensed as a Certified Public Accountant in Illinois and a member of the Illinois CPA Society.

Prior to joining Ameren Corporation in October 2004, I was continuously employed for over 23 years at American Water, a water/sewer utility service provider operating in more than 20 states. My responsibilities at American Water primarily involved the areas of accounting, budgeting and forecasting, financial analysis, rates, and regulation. My last position at American Water was Director of Rates and Revenue, Assistant Treasurer, and Assistant Comptroller, on behalf of the Illinois and Iowa region companies.

I have previously testified in AIC's initial and update filings under the new formula rate structure, in the most recent four electric delivery services rate cases and the most recent four gas rate cases for Ameren Illinois Company in support of requested revenue requirement, in merger related proceedings on behalf of Ameren Illinois, and in numerous water and sewer accounting, rate, regulatory, and acquisition related matters before this Commission. Also, I have previously presented testimony before the Iowa Public Utilities Board, Missouri Public Service Commission, and Public Utilities Commission of Ohio on various accounting, rate, and regulatory matters.

Effective December 1, 2010, I was promoted from Managing Supervisor to Manager of Regulatory Accounting for Ameren Illinois Company. Effective January 1, 2013, the title of my position was changed to Director of Regulatory Accounting. My responsibilities primarily involve preparation of cost of service studies and development of accounting exhibits and testimony in support of applications for rate changes for the Ameren Corporation's (Ameren) electric and gas utilities in Illinois. I also provide assistance to the Senior Director of Regulatory Policy and Rates regarding timing and need for rate filings and effect on financial forecasts of proposed rate changes, and conduct studies to determine the effect on filed tariffs and operating income of various accounting policies and practices, including analysis of results and suggestions for appropriate changes. I also prepare or assist in the preparation of regulatory required reports and exhibits primarily for the various regulatory commissions, and provide data, answer inquiries, and assist representatives of regulatory commissions in conducting their audits and reviews.