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2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS

7 Hearing

8 March 28, 2007

9 Jefferson City, Missouri
10 Volume 36

11 In the Matter of Union)
12 Electric Company d/b/a AmerenUE)
for Authority to File Tariffs)
13 Increasing Rates for Electric) Case No. ER-2007-0002
Service Provided to Customers)
14 in the Company's Missouri)
Service Area)
15

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MORRIS L. WOODRUFF, Presiding,
18 DEPUTY CHIEF REGULATORY LAW JUDGE
JEFF DAVIS, Chairman,
19 CONNIE MURRAY,
STEVE GAW,
20 ROBERT M. CLAYTON III
LINWARD "LIN" APPLING,
21 COMMISSIONERS.

22

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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: All right. Let's come
3 to order, please. Welcome back to yet another day of
4 ER-2007-0002. Are there any other -- any matters
5 anyone wants to bring up before we get started on our
6 first witness?

7 (NO RESPONSE.)

8 JUDGE WOODRUFF: Okay. I do have one
9 thing I wanted to bring up, and this is, I guess,
10 addressed mostly to Staff.

11 Mr. Dottheim, can Staff prepare another
12 reconciliation on all the issues that haven't been
13 settled at the conclusion of the hearing?

14 MR. DOTTHEIM: Yes. In fact, we have a
15 true-up filing coming up --

16 JUDGE WOODRUFF: Yes.

17 MR. DOTTHEIM: -- April 5, April 6 and
18 Staff was planning on submitting another
19 reconciliation at that time if that's soon enough.

20 JUDGE WOODRUFF: Since you mentioned the
21 true-up, do we know if we're going to need to have a
22 true-up hearing again, or does that depend upon the
23 filing?

24 MR. DOTTHEIM: I don't know that we know
25 that yet.

1 JUDGE WOODRUFF: Anything else?

2 (NO RESPONSE.)

3 JUDGE WOODRUFF: All right. Well, then,
4 let's go ahead and get started with the first witness
5 which I believe is going to be Donald Johnstone.

6 MR. CONRAD: We would call Donald
7 Johnstone, please, as soon as he turns his telephone
8 off.

9 JUDGE WOODRUFF: And since we do have a
10 lot of new people in the room again, I do need to
11 remind you to make sure you turn off your cell phones
12 and your -- any other wireless devices because it
13 plays havoc with the recording system and the sound
14 system in here.

15 MR. CONRAD: Good morning, whoever you
16 are over there on the witness stand.

17 THE WITNESS: Good morning, sir.

18 MR. CONRAD: Please state your name.

19 THE WITNESS: My name is Donald
20 Johnstone.

21 MR. CONRAD: We might want to get him
22 sworn.

23 JUDGE WOODRUFF: We do need to swear him
24 in first, yes. Please raise your right hand.

25 (THE WITNESS WAS SWORN.)

1 JUDGE WOODRUFF: Thank you very much.

2 DIRECT EXAMINATION BY MR. CONRAD:

3 Q. Mr. Johnstone, you may not be aware that
4 we have waived the usual preliminaries about who you
5 are and your place of birth and your mother's maiden
6 name, but am I correct that you have done three
7 pieces of testimony that have been previously filed
8 in this proceeding?

9 A. Yes, sir.

10 (EXHIBIT NOS. 601, 605 AND 606 WERE
11 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

12 MR. CONRAD: Your Honor, for the benefit
13 of the record, those are 601, prepared direct
14 testimony filed in December; 605, prepared rebuttal
15 filed in February; and 606, filed later in February,
16 and I have provided copies for the court reporter.
17 BY MR. CONRAD:

18 Q. Mr. Johnstone, do you have any
19 corrections or modifications to any of the pieces of
20 those testimonies that I've mentioned?

21 A. No, sir.

22 MR. CONRAD: And with that, your Honor,
23 we tender the witness for cross.

24 JUDGE WOODRUFF: All right. Do any
25 parties wish to cross-examine this witness?

1 MR. COFFMAN: (Raised hand.)

2 JUDGE WOODRUFF: Looks like AARP.

3 MR. COFFMAN: I just have a couple.

4 CROSS-EXAMINATION BY MR. COFFMAN:

5 Q. Good morning, Mr. Johnstone.

6 A. Good morning, Mr. Coffman.

7 Q. I note in your qualifications attached
8 to your testimony that from 1973 to 1981 you were
9 employed by a large Midwestern utility. Would that
10 utility have been Ameren -- or at that time Union
11 Electric Company?

12 A. Yes, it would.

13 Q. Have you been familiar with AmerenUE's
14 operations over the past couple of decades, and are
15 you familiar with their fuel and purchased power
16 practices in a general sense?

17 A. In a general sense, yes.

18 Q. Would you have an opinion about the
19 resource mix that AmerenUE has compared to other
20 electric utilities in the state?

21 A. It's a relatively low-cost mix.

22 Q. Would you say that their risk of fuel
23 volatility is less than, say, Aquila or Empire
24 District Electric Company?

25 A. I would think so. I haven't made any

1 quantitative studies but at a very high level it
2 would seem so.

3 Q. I note that in this case you don't put
4 forth an opinion about whether fuel mechanism such as
5 a fuel adjustment clause is particularly well suited
6 to AmerenUE. I wondered, do you have an opinion
7 about whether a fuel adjustment clause would be
8 needed for a utility such as AmerenUE in order to
9 have a reasonable opportunity to earn a fair return?

10 A. Noranda hasn't taken a position on that
11 issue.

12 Q. Would you have an opinion based on your
13 experience and knowledge in this area personally?

14 A. I have not undertaken a study to
15 determine if there is a need or not.

16 Q. Okay. Have you -- have you read the
17 testimony that was prefiled on behalf of Ron Binz and
18 adopted by Nancy Brockway in this case?

19 A. I have.

20 Q. And have you reviewed in that testimony
21 the various alternative proposals involving some type
22 of sharing proposal, either a 50/50 sharing or the
23 Wyoming-type models of fuel mechanisms?

24 A. Yes.

25 Q. Are you familiar with those type of

1 mechanisms as they've been implemented in other
2 states?

3 A. I'm familiar with them as they were
4 implemented in this state for Aquila most directly.

5 Q. Are you -- in that regard are you
6 referring to the interim energy charge?

7 A. I'm referring to the steam case in which
8 there is a fuel rider.

9 Q. I see. And in that steam case, was that
10 a mechanism that involved a dead band and some
11 tapered sharing?

12 A. No. It was an 80/20 sharing mechanism
13 and it included performance standards designed to
14 ensure that a reasonable amount of the base load
15 energy would be included in the mix.

16 Q. So by 80/20 does that mean that only
17 80 percent of the variation is reflected in that
18 mechanism?

19 A. I wouldn't say only 80. I would say
20 fully 80.

21 Q. Okay.

22 A. Yes.

23 Q. And would that be somewhat similar to
24 the suggestion in the Ron Binz testimony of a 50/50
25 sharing proposal?

1 MR. LOWERY: Your Honor, at this point
2 I'm going to object on relevance grounds. I don't
3 know what the relevance of a stipulated steam
4 adjustment mechanism that is in the Aquila steam
5 utility has to the fuel adjustment clause in this
6 case or what this witness's opinion about that might
7 have -- what relevance that might have.

8 MR. COFFMAN: Your Honor, simply
9 exploring what this witness's opinion is of my
10 client's proposal in this case regarding an
11 alternative fuel mechanism. It's directly related to
12 the topic at hand.

13 JUDGE WOODRUFF: I'll overrule the
14 objection.

15 BY MR. COFFMAN:

16 Q. Would you like me to repeat the
17 question?

18 A. Yes, if you would.

19 Q. Well, let me ask you, do you -- do you
20 have an opinion about if despite various -- the
21 various concerns expressed in this case, the
22 Commission goes ahead with a -- some type of fuel
23 adjustment clause about whether the alternative
24 proposals in AARP's testimony would be reasonable
25 approaches to fuel cost?

1 A. Well, Noranda hasn't taken a position on
2 that.

3 Q. Do you personally have an opinion about
4 those mechanisms?

5 A. It's my opinion that a sharing mechanism
6 could be part of an FAC that would be an appropriate
7 mechanism, yes.

8 Q. Do you believe that a mechanism that
9 allowed some percentage of fuel variation to be
10 passed through and the remaining portion to be
11 recovered through base rates is a fair approach to
12 fuel and purchased power recovery?

13 A. Certainly depends on the circumstances.
14 It may or may not be. There may not be a need for a
15 fuel rider at all, but to the extent that there is a
16 need for a fuel rider, I think the -- one of the
17 features that I would certainly consider would be a
18 sharing mechanism.

19 Q. And would you have any concerns that
20 either of the alternative AARP proposals would deny
21 AmerenUE its opportunity to earn a fair return or a
22 reasonable return?

23 A. There's not a lot here one way or
24 another as to whether there will be an opportunity to
25 earn a fair return in the future with a fuel rider or

1 without a fuel rider. And so I think that's largely
2 an open question in my mind in this docket. To the
3 extent that there's a need for a fuel rider, again, I
4 think that I've said that one of the features that I
5 think would be appropriate would be sharing.
6 That's -- it's not a Noranda position, you're asking
7 me independent of my client, you understand.

8 Q. True. And just as an individual expert
9 who has reviewed AmerenUE's rates and practices over
10 the past few decades, do you believe that the lack of
11 a fuel adjustment clause since 1979 has denied
12 AmerenUE a reasonable opportunity to earn a fair
13 return?

14 MR. LOWERY: Objection, relevance. What
15 the past earnings have or have not been doesn't have
16 any relevance to what rates would be set in this case
17 and what a fuel adjustment clause might or might not
18 operate into the future.

19 MR. COFFMAN: I disagree. I think it's
20 very relevant.

21 JUDGE WOODRUFF: I'll overrule the
22 objection.

23 THE WITNESS: Well, I think the recent
24 history would be more important than the long-ago
25 history, but with that caveat, I would say yes.

1 BY MR. COFFMAN:

2 Q. Yes -- yes, that --

3 A. History is important and it's an
4 indication of need for a fuel rider. It's not the
5 only factor, certainly, but it is something to be
6 considered.

7 Q. Has the lack of a fuel adjustment clause
8 denied AmerenUE an opportunity to earn a reasonable
9 return in your opinion in the recent history?

10 A. Not to my knowledge.

11 MR. COFFMAN: That's all I have, your
12 Honor. Thank you.

13 JUDGE WOODRUFF: Is there any other
14 parties wishing to cross?

15 (NO RESPONSE.)

16 JUDGE WOODRUFF: All right. We'll move
17 up to questions from the bench. Commissioner Gaw, do
18 you have any questions for Mr. Johnstone? And this
19 is on the fuel adjustment clause.

20 QUESTIONS BY COMMISSIONER GAW:

21 Q. Real quick. Just refresh my memory, if
22 you would. Your position on the fuel adjustment
23 clause is what?

24 A. We've taken no position on the need for
25 a fuel adjustment clause, your Honor.

1 Q. Okay. I'm a little confused, then. If
2 you're up here to testify about fuel adjustment and
3 you're not taking a position on it, give me an idea
4 about what it is that you're up here to testify
5 about.

6 A. I was asked to address the features in
7 the proposed fuel adjustment that would lead to
8 volatility in the retail rates, and I made
9 recommendations that would address the operation of
10 the mechanism in that regard.

11 Q. Okay. All right. But in regard to
12 whether there should or shouldn't be a fuel
13 adjustment clause, your -- your client, as you put it
14 earlier, isn't taking a position?

15 A. Right. That was not part of my
16 assignment.

17 Q. If you -- if you don't have a fuel
18 adjustment clause, how does that impact the
19 volatility of rates in your opinion?

20 A. The rates, I think by definition, would
21 be more stable in the absence of a fuel adjustment
22 clause.

23 Q. And is it Noranda's desire to have more
24 stable or less stable rates?

25 A. I think Noranda's been clear about its

1 preference for more stable rates.

2 Q. And the reason for that is why?

3 A. They operate in a -- in a world market
4 that's a competitive industry and they are better
5 able to compete and deal with pricing for their
6 customers to the extent that they can stabilize the
7 cost that goes into their product.

8 Q. Well, I could argue that -- that more
9 stable rates could at times mean actually higher
10 rates than you might receive on average over a period
11 of time with a fuel adjustment clause. How do you
12 respond to that?

13 A. I would say that --

14 Q. In other words, what is it about the
15 stability that's good for your business?

16 A. In the planning sense it helps them
17 ensure that they can operate consistently and be able
18 to price their product in the market and know where
19 it goes at what price and what cost.

20 Q. Is predictability important in regard to
21 cost for Noranda in doing business, predictability of
22 cost?

23 A. That's my understanding, yes, sir.

24 Q. What's your recommendation in regard to
25 the treatment of off-system sales in the event that

1 there is a fuel adjustment clause?

2 A. That's not an issue that I've been asked
3 to take a position on, sir.

4 Q. I thought you had -- okay, I see. You
5 addressed off-system sales in regard to class cost of
6 service, didn't you?

7 A. Yes, sir.

8 Q. So you don't have an opinion in regard
9 to how off-system sales should be treated if there is
10 a fuel adjustment clause?

11 A. Noranda does not have an opinion, sir.

12 Q. Isn't that an important -- isn't that an
13 important factor in regard to balancing the fuel
14 costs when you're dealing with -- if you exclude
15 off-system sales from fuel adjustment and put it
16 in -- put off-system sales in base rates, is that not
17 a separation that can be problematic or -- in your
18 opinion?

19 A. Yes, it is.

20 Q. Okay. Tell me why. And I understand
21 this is not your client's position necessarily.
22 You're here as an expert so I'm gonna take advantage
23 of it.

24 A. And the question before me, just so I'm
25 clear, has to do with --

1 Q. With the matching of fuel adjustment --
2 a fuel clause and a fuel adjustment clause with
3 off-system sales.

4 A. Well, one of the issues that's been
5 raised in that regard is that there is a question of
6 what costs are associated with the native load as
7 opposed to the off-system sales. And one thing that
8 you avoid entirely is that question if you include
9 both the cost on the one hand and then all the
10 revenues from off-system sales on the other.

11 There is also the possibility of
12 offsetting effects. If certain fuel costs go up, the
13 prices in the market might well go up to offset those
14 costs. It's not a guarantee but it's certainly a
15 possibility.

16 Q. So is there some degree of matching in
17 regard to those two -- two items?

18 A. Yes.

19 Q. And you base that upon -- upon your
20 observations or what?

21 A. It's based on my understanding of the
22 operation of the system.

23 COMMISSIONER GAW: I won't pursue that
24 any further. That's all I have. Thank you, Judge.

25 JUDGE WOODRUFF: Chairman Davis, do you

1 have any questions?

2 CHAIRMAN DAVIS: No, but it's always
3 good to see Mr. Johnstone.

4 THE WITNESS: Thank you, sir.

5 JUDGE WOODRUFF: Anyone wish to recross
6 based on questions from the bench? UE?

7 MR. LOWERY: Just briefly, your Honor.

8 RECROSS-EXAMINATION BY MR. LOWERY:

9 Q. Good morning, Mr. Johnstone.

10 A. Good morning.

11 Q. Commissioner Gaw asked you some
12 questions about whether rates would be more stable in
13 the absence of a fuel adjustment clause. Do you
14 remember those questions?

15 A. Yes, I do.

16 Q. And I want you to assume that over the
17 next few years there's going to be significant fuel
18 cost increases at AmerenUE, that sales -- just for
19 the purpose of this hypothetical, that sales and
20 other costs are going to remain relatively the same
21 or relatively stable, and that those large fuel cost
22 increases have a very significant downward effect on
23 the company's return on equity, and that those
24 factors in combination drive a utility to file rate
25 cases every one to two years in order to adjust its

1 cost of service to take those fuel cost increases
2 into account. Do you have those assumptions in mind?

3 A. I do.

4 Q. Now, if that happens, then when base
5 rates are reset as a result of those more frequent
6 rate cases, the customers are gonna experience a
7 larger one-time jump in their electric rates than if
8 a fuel adjustment clause was in place that was
9 gradually implementing those rate increases as a
10 result of those higher fuel costs over times, over
11 that one to two-year period between rate cases,
12 correct?

13 A. Under that set of assumptions, that
14 would be the case.

15 Q. And the rate cap that I believe Noranda
16 has indicated that is built into the AmerenUE's fuel
17 adjustment clause proposal, which I believe in part
18 addressed some concerns that you had raised in your
19 testimony, correct?

20 A. Yes.

21 Q. That rate cap, of course, wouldn't
22 operate and wouldn't apply in the absence of a fuel
23 adjustment clause, correct?

24 A. The rate cap only applies with respect
25 to cost under the fuel adjustment mechanism.

1 Q. Right. And if there's no fuel
2 adjustment mechanism and we are instead using base
3 rate regulation with more frequent rate cases, there
4 won't be a rate cap that would smooth those rate
5 increases out over time, correct?

6 A. That's correct, and I think just one
7 thing I'd like to clarify is to my understanding, it
8 would not operate in the event of a rate case either.

9 Q. That's correct.

10 A. So with the fuel adjustment and a rate
11 case, you could effectively violate that cap.

12 MR. LOWERY: Thank you, Mr. Johnstone.

13 JUDGE WOODRUFF: Thank you. Any
14 redirect?

15 MR. CONRAD: No, your Honor.

16 JUDGE WOODRUFF: All right, then,
17 Mr. Johnstone, you can step down. Do you wish to
18 offer his testimony at this time, Mr. Conrad?

19 MR. CONRAD: He will be at least -- I'm
20 sorry, I had it turned off. Judge, he will be
21 expected at least to be on the stand again when we
22 get -- depending on what we do with respect to the
23 pending stipulation. As you please, I would be happy
24 to offer it now and if you want to withhold ruling
25 until that's done.

1 JUDGE WOODRUFF: Well, that's all right.

2 If he'll be back, we'll deal with --

3 MR. CONRAD: I think he will be here.

4 I'll ask him to stay through the balance of the day,

5 and we'll just see where we are.

6 JUDGE WOODRUFF: All right. That will

7 be fine.

8 MR. CONRAD: The portions of his

9 testimony would deal explicitly with fuel adjustment,

10 as I think Judge Gaw drew out, and are not all of his

11 testimony, and I think it's spread over all three --

12 all three units of the testimony so that it would be

13 difficult to go through that.

14 JUDGE WOODRUFF: That's all right.

15 We'll just wait, then. All right. The next witness,

16 then, is Nancy Brockway for AARP.

17 MR. COFFMAN: Call Nancy Brockway to the

18 stand.

19 (THE WITNESS WAS SWORN.)

20 (EXHIBIT NOS. 750 AND 751 WERE MARKED

21 FOR IDENTIFICATION BY THE COURT REPORTER.)

22 DIRECT EXAMINATION BY MR. COFFMAN:

23 Q. Good morning. Are you the same Nancy

24 Brockway that has caused to be filed surrebuttal

25 testimony marked as Exhibit 751 in this case?

1 A. Yes.

2 Q. And have you also adopted the direct
3 testimony of Ronald J. Binz, the direct testimony
4 that was filed in his behalf on December 29th of
5 2006?

6 A. Yes.

7 Q. And with regard to that testimony that
8 you're adopting, have you fully reviewed it and all
9 of the supporting attachments, work papers and
10 analysis?

11 A. Yes.

12 Q. And you adopt that wholly as your own
13 today?

14 A. Yes, with the exception of a typo on
15 page 5.

16 Q. Okay. Would you direct our attention to
17 that typo? What line is that on?

18 A. I've got the wrong page. It's -- I
19 thought I had it right here. Oh, page 27. Excuse
20 me. Line 13. There should be the beginning of a
21 parentheses after the closed parentheses and before
22 "or."

23 Q. In between the word "million" and "or"?

24 A. Yes. There's a closed parentheses,
25 there should also be an open parentheses. Other than

1 that I completely adopt Mr. Binz's testimony.

2 Q. All right. Do you have any corrections
3 to your surrebuttal testimony?

4 A. Yes, I do. If you turn to page 14.

5 Q. Yes.

6 A. I would delete everything from line 7
7 through line 23.

8 Q. Okay. And that doesn't relate to the
9 fuel adjustment clause?

10 A. No. This is in response to Mr. Brubaker
11 on cost of service -- cost of service study.

12 Q. Briefly would you like to explain why
13 you're deleting that Q and A?

14 A. I've thought about the issue since I
15 wrote this and have decided that while my instinct is
16 still that this is the right answer, I can't
17 confidently make a logical chain of analysis that
18 gets me there.

19 It's sort of like if you have a key in a
20 lock and you're not sure it's the right key and it
21 moves a couple of tumblers but not all of them yet,
22 and I don't know whether if I had a little more
23 mental oil I could have moved it all the way or not,
24 but I decided that instead of trying to go beyond
25 what I was confident of, I would take out the

1 assertion altogether.

2 Q. And that does relate to the class cost
3 of service rate design issues that have been -- or
4 are the subject of a stipulation, correct?

5 A. Yes.

6 MR. COFFMAN: With that, I tender
7 Ms. Brockway for cross-examination.

8 JUDGE WOODRUFF: Does any party wish to
9 cross-examine Ms. Brockway?

10 (NO RESPONSE.)

11 JUDGE WOODRUFF: I don't see any hands
12 coming up so we'll go to questions from the bench
13 starting with Commissioner Gaw.

14 COMMISSIONER GAW: See if anybody else
15 has any questions.

16 (NO RESPONSE.)

17 COMMISSIONER GAW: Nobody.

18 QUESTIONS BY COMMISSIONER GAW:

19 Q. Ms. Brockway, your proposal and the one
20 that you've adopted out of Binz's testimony on fuel
21 adjustment, is it -- the initial position is not to
22 grant one as I understand; is that correct?

23 A. Right, for Ameren in this case.

24 Q. All right. And is there a fallback
25 position in your testimony in the event a fuel

1 adjustment is granted?

2 A. Yes, I think Mr. Binz lays it out in the
3 most persuasive way. I don't think I could improve
4 on it. But basically, he says you could go from zero
5 percent reconciliation which is essentially what rate
6 base rate of return, no single issue rate case, no --
7 I'm stopping on the phrase for looking backwards.

8 On the one hand, all the way to 100
9 percent reconciliation which is what Ameren is
10 looking for here, and if there needs to be a fuel
11 adjustment clause, a better practice would be to keep
12 it as close to the zero as you can consistent with
13 the purposes of the fuel clause.

14 In this case Ameren hasn't, to my way of
15 thinking, put forward any evidence that would suggest
16 it even needs anything more than zero. So I think
17 the -- but if the Commission believes that something
18 more than zero is needed, then 50 percent would both
19 give them an ability to reconcile increases above the
20 expected fuel clause -- fuel costs and base rates
21 that they are presenting to you as being a concern to
22 them in justifying a fuel clause, but also retaining
23 the incentive to efficiency features, the 50 percent
24 that is not reconciled. And with respect to that,
25 they'll have the same opportunity to recover their

1 costs as they do today.

2 The Commission could, if it wants, and
3 Mr. Binz puts forward another alternative, do a
4 variety of alternatives around the question of where
5 between zero and 100 do you split the reconciliation
6 and the leaving it in base rates. You could create a
7 dead band which leaves the zero for a period of a set
8 of dollars below and above the estimate, and you
9 could taper the incentives in the direction as they
10 do in the Wyoming proposal.

11 But the guts of what I'm suggesting is
12 that if you do believe that a fuel clause is
13 necessary, that you go as far in the direction of
14 zero as you feel comfortable with. And as Mr. Binz
15 said, I would recommend 50/50 basically.

16 Q. Okay. All right. And what do you do in
17 that -- in that proposal in regard to off-system
18 sales?

19 A. Well, I've thought about this one a lot
20 too, since -- since the time that I filed the
21 testimony and I didn't really address it. I can only
22 say this: That my experience has been that the
23 margins on off-system sales are flowed -- if there is
24 a fuel clause, I'm only experienced with the 100
25 percent of the margins flowing through the fuel

1 adjustment clause. I don't have a firm opinion about
2 whether there are other ways to do it.

3 I was certainly intrigued by and
4 personally persuaded by what I read of
5 Mr. Dauphanais' criticism. But if the company starts
6 to cross-examine me, they'll quickly discover that
7 I'm not in a position to say, yes, he's got a great
8 analysis and we ought to adopt it.

9 But it seems to me that the question has
10 been raised here, has the company properly estimated
11 what its total fuel costs -- total off-system sales
12 will be, and in that case, if you run it through
13 the -- if you run the margins through the fuel clause
14 with or without a sharing, and I would agree that if
15 you do a sharing on the fuel and purchased power
16 portion, it makes sense to do a sharing on the
17 margins of the off-system sales, that would certainly
18 true up that problem to the realities, so that if
19 there is -- if the company is underestimating but the
20 margins are flowed through, that would take care of
21 itself.

22 Q. So if you had a 50 percent figure for --
23 in base rates and a 50 percent figure in fuel
24 adjustment for fuel costs, would you -- would you
25 recommend the same kind of an apportionment on

1 off-system sales, put all the off-system sales in
2 base rates, put -- put all of the off-system sales in
3 the fuel adjustment portion, or do you have an
4 opinion about that?

5 A. My opinion is that you could do it in a
6 number of different ways and it would be proper
7 ratemaking, that it would be fair and symmetrical to
8 run the margins on off-system sales through the fuel
9 clause and apply the same sharing and dead band
10 mechanism that you did to the other fuel and
11 purchased power costs.

12 I would say that, again, as best
13 explained by Mr. Binz and I completely adopt his
14 testimony, the company's proposal for a sharing is
15 not fair and would systematically under --
16 under-share with customers the benefits of
17 off-system -- off-system sales. So what I'm saying
18 is, do the same -- you don't have to put off-system
19 sales in the fuel clause.

20 I don't know of any rule or regulation
21 that says you absolutely have to do that, but if you
22 do and it's something that a lot of other commissions
23 do, it would be fair to apply the same kind of
24 sharing mechanism, dead bands and so forth, whatever
25 you decide is fair on that zero -- zero to 100

1 percent range to both.

2 Q. But what do you do with -- with the RTO
3 costs if you do a split 50/50, how do you -- how do
4 you split them? Do you put them in base rates, do
5 you put all of it in fuel adjustment, do you divide
6 it in half?

7 A. I haven't thought about that question
8 specifically. Can you direct me more particularly to
9 which part of the RTO costs? You're talking about
10 the administrative cost or the cost of stock market
11 purchases?

12 Q. The costs -- no, not on the -- not on
13 the off-system purchases and off-system sales. I'm
14 talking about administrative costs, costs of
15 transmission, schedule 16 and 17 costs, those -- I'm
16 looking for -- for some sort of an idea about --
17 about whether or not that is somehow divided when you
18 do this in between, half in fuel adjustment, half in
19 base rates concept. I'm just not clear about how
20 that would function.

21 A. Okay. That's a really good point
22 because it -- whether I'll be able to articulately
23 explain my view about it is another thing, but what
24 you're doing with the question is raising this
25 question of what goes into a fuel clause, what

1 doesn't go into it as far as the types of costs and
2 whether they belong in a fuel clause at all, or
3 whether they belong in base rates.

4 And the other one is incentive
5 mechanisms, thinking of a fuel clause as having
6 elements of incentives for the utility and elements
7 of risk, what's the best way to split risk and reward
8 just with respect to fuel and variable O&M.

9 I'm not familiar with MISO's way of
10 charging for administrative costs. I know that PJM
11 is moving to a flat fee. I don't know if MISO has a
12 different system, but I would -- I guess the only way
13 that I can answer that is that the fuel clause is the
14 place to, if you're going to have one, to recover --
15 let me start again.

16 Costs that do not vary with sales should
17 not be in a fuel clause. Not all costs that vary
18 with sales should be in a fuel clause. So I would
19 have to look somewhat more closely at the particular
20 counts to give you an informed opinion about them.
21 And administrative cost, if it -- if it -- if it's
22 not part of the cost of producing power delivered to
23 customers, then ordinarily I would think it would not
24 go in there. But somebody could educate me more
25 about exactly how that cost operates and I might

1 change my opinion about that particular one.

2 COMMISSIONER GAW: Thanks very much for
3 coming. It's good to see you.

4 JUDGE WOODRUFF: All right. Anything
5 else from the bench?

6 (NO RESPONSE.)

7 JUDGE WOODRUFF: All right. Any recross
8 based on questions from the bench? Ameren?

9 MR. LOWERY: Just a little bit.

10 RE-CROSS-EXAMINATION BY MR. LOWERY:

11 Q. Good morning, Ms. Brockway.

12 A. Good morning.

13 Q. My name is Jim Lowery and I represent
14 AmerenUE. Commissioner Gaw asked you some questions
15 about whether AARP had a fallback position and you
16 talked about a couple of aspects of Mr. Binz's
17 testimony which is your testimony effectively now,
18 right?

19 A. Yes.

20 Q. And one of the things you mentioned, I
21 think, was a Wyoming sharing mechanism that Mr. Binz
22 discusses in his testimony?

23 A. Yes.

24 Q. How did that Wyoming tariff come about,
25 do you know?

1 A. I know very little about it. I believe
2 that Mr. Binz could have some pride of participation,
3 but beyond that, I don't know other than the Wyoming
4 commission adopted it.

5 Q. Were you aware of whether it was a
6 result of a settlement between parties?

7 A. If I was, I don't remember.

8 Q. Were you aware that it implemented new
9 rates and I think they call it the purchase -- or the
10 power cost adjustment mechanism starting July 1,
11 2006?

12 A. Let me look. I thought it was a little
13 bit later but you may be right. Maybe you're
14 thinking of something different but I'm looking at
15 Mr. Binz's Exhibit RJ-B-7 which is the Rocky Mountain
16 tariff sheet, and it says that, "The net power cost
17 rate effective period shall be the 12-month period
18 beginning April 1st, 2007, in the first PCAM
19 application filed on or before February 1st, 2007."

20 So that's what I have in mind. If
21 you're thinking of something else, some other part of
22 the tariff or the settlement, I'm not aware of it.

23 Q. Were you aware that the parties agreed
24 that Rocky Mountain Power could file another rate
25 case on eight -- on August 1st, 2007, as part of that

1 settlement?

2 A. I don't know whether I was aware or not,
3 no.

4 Q. Were you aware that the parties agreed
5 that the Rocky Mountain Power could utilize a
6 projected test year in that 8/1/07 rate case that
7 would project costs forward for a 20-month period?

8 A. No.

9 MR. LOWERY: Your Honor, can I get an
10 exhibit marked?

11 JUDGE WOODRUFF: Okay. Your next number
12 is 128.

13 (EXHIBIT NO. 128 WAS MARKED FOR
14 IDENTIFICATION BY THE COURT REPORTER.)

15 MR. LOWERY: Did you say 128, your
16 Honor?

17 JUDGE WOODRUFF: 128.

18 BY MR. LOWERY:

19 Q. Ms. Brockway, have you ever seen this
20 document before?

21 A. The reason I'm hesitating is, I don't
22 believe I've read the whole thing, and I'm only
23 hesitating because I may have, although I don't have
24 a specific recollection of it. I may have gone back
25 just to confirm the tariff as Mr. Binz presented it

1 in his testimony, but I certainly didn't study the
2 entire order.

3 Q. You do recognize this document as being
4 the order of the Wyoming Commission approving the
5 stipulation and agreement that I referred to that
6 also incorporates the tariff that Mr. Binz attached
7 to his testimony?

8 A. Well, you tell me that that's what it
9 is, and I will accept it. I'm reading through all
10 kinds of preliminary stuff and it's very long, so --

11 Q. Why don't you take a look at -- and I
12 don't have the pages numbered, but probably 80 or 90
13 percent of the way through the document is a --

14 MR. LOWERY: And your Honor, if I could
15 approach, maybe I could expedite this.

16 JUDGE WOODRUFF: Yes, you may.

17 BY MR. LOWERY:

18 Q. Way back toward the back. There you
19 are.

20 A. Okay. Stipulation Exhibit 2?

21 Q. Yeah. Would you take a look at that
22 stipulation Exhibit 2, and I think if you do so,
23 you'll verify that it is the -- except for the fact
24 that there's a date filled in for the issue date in
25 the tariff that Mr. Binz attached to his testimony,

1 but I think you can verify that this is the tariff
2 that Mr. Binz attached.

3 A. Well, without reading the whole thing,
4 all I can do is look at the headings and they appear
5 to match.

6 Q. Well, take your time.

7 A. I'd really rather take it subject to
8 check because for what you're asking me to do -- I
9 have no problem if you want to tell me that this is
10 the same document, but if you want me to verify that
11 from my own personal knowledge, I'd have to sit there
12 and read the whole thing which I think is a silly
13 exercise.

14 MR. CONRAD: Judge, are we looking at
15 original sheet, 94-1?

16 MR. LOWERY: Yes, we are.

17 MR. CONRAD: We're in sync.

18 THE WITNESS: I'm not trying to be cute.
19 I'm just saying it appears to be the same thing but
20 if you want me to swear on my oath that this is the
21 same thing, I'd have to read the whole thing.

22 BY MR. LOWERY:

23 Q. Well, let me ask you this: In your
24 view, given that this tariff was adopted via
25 stipulation agreement under particular terms by the

1 Wyoming Commission, would it not be important to
2 understand what those terms and conditions were in
3 determining if the Wyoming mechanism was or was not
4 an analogous mechanism for application in Missouri?

5 A. Not necessarily. It could shed light on
6 it depending upon what the terms of the stipulation
7 were, but stipulations are black boxes. My testimony
8 had to do with the fundamental mechanism of the
9 tariff which struck me as a very sensible mechanism,
10 and dealt with a lot of the issues that I see with
11 fuel clauses if you're going to have them.

12 MR. LOWERY: Well, your Honor, I'm
13 perfectly satisfied to give the witness a few minutes
14 to read the tariff to verify that it is, in fact, a
15 match to the tariff that is attached to Mr. Binz's
16 testimony, and if that's what she needs to do to
17 verify that, I'd ask that we take that time to allow
18 her to do it.

19 MR. COFFMAN: Your Honor, would it be
20 appropriate to let the witness take a break and
21 review it?

22 JUDGE WOODRUFF: I think that would be
23 appropriate. We'll go ahead and take a break. We'll
24 come back at 9:15 -- or excuse me, 9:30.

25 (A RECESS WAS TAKEN.)

1 JUDGE WOODRUFF: And we're back from
2 break, and we will continue with cross.

3 MR. LOWERY: Thank you.

4 BY MR. LOWERY:

5 Q. Ms. Brockway, have you had a chance to
6 look at the schedule to Exhibit 128 that contained
7 the tariff we were discussing?

8 A. Yes, I have.

9 Q. And have you had an opportunity to
10 verify that that tariff attached to the order and
11 stipulation is, in fact, the tariff that Mr. Binz
12 attached to his testimony?

13 A. It is.

14 Q. Now, you have adopted Mr. Binz's
15 testimony in its totality, correct?

16 A. Yes.

17 Q. And so, in effect, his testimony is now
18 your testimony?

19 A. Yes.

20 Q. You're swearing and affirming to the
21 truth and correctness of his testimony as if it was
22 your own at this point, correct?

23 A. Yes, to the best of my knowledge.

24 Q. Do you have a copy of Mr. Binz's
25 testimony with you?

1 A. I sure do.

2 Q. Would you turn to page 29, please?

3 A. I'm there.

4 Q. You see the question beginning on

5 line 9?

6 A. Yes.

7 Q. And I won't read the question and answer

8 in its entirety if it's not necessary, but is it a

9 fair characterization of that question and the first

10 couple of sentences or, I guess -- yeah, the first

11 two sentences of that answer that Mr. Binz and now

12 you believe that the Commission should consider the

13 mechanism adopted in the Wyoming case that's the

14 subject of Exhibit 1 -- Exhibit 128 should consider

15 that as relevant to consideration of a fuel

16 adjustment clause mechanism for AmerenUE; that is, in

17 the event that the Commission decides to adopt a fuel

18 adjustment clause mechanism?

19 A. Now, I'm gonna hesitate again because

20 with some noise I missed the exact question. And I

21 think the answer is yes, but the reason I'm

22 hesitating is that Mr. Binz, starting at lines 13 and

23 going on to 16, makes some factual statements. I had

24 no reason to disagree with those factual statements.

25 He does not go on to say and therefore the Wyoming

1 tariff is a good starting point. I probably wouldn't
2 have put those factual statements in. But -- so if
3 the question is, is the Wyoming tariff a good
4 starting point, absolutely.

5 Q. And is it -- is it your testimony as
6 indicated on line 18 through 20, that, "While the
7 details are important and must be considered
8 carefully, there are undoubtedly many potential
9 arrangements of the details that would serve both
10 Missouri consumers and AmerenUE as well"?

11 A. Yes.

12 Q. So the details of a particular mechanism
13 are important, correct?

14 A. Yes.

15 Q. And the -- given that the Wyoming tariff
16 that Mr. Binz attached and that you've now adopted in
17 terms of adopting his testimony was adopted as part
18 of a stipulation and there were other considerations
19 involved in that stipulation, those details are
20 relevant to the Commission's consideration of the
21 Wyoming proposal as a potential model or analogy for
22 this rate case, correct?

23 A. Not necessarily. They might be.

24 Q. And why not?

25 A. Well, you'd have to point me to

1 something specific in the order and I haven't read
2 the whole order. I looked at the tariff as a model
3 of a type of reconciling fuel clause, and what was
4 attractive about it was that there's a dead band and
5 then there's a tapering with a symmetrical sharing of
6 risk and reward in both directions.

7 Q. Well, Ms. Brockway, what due diligence
8 did you do in adopting Mr. Binz's testimony to
9 determine whether the Wyoming mechanism was
10 appropriate in the circumstances under which it was
11 adopted and what features underlied that tariff?

12 A. I read the tariff and that was all I
13 needed to do in order to see that the tariff had some
14 excellent features with respect to a dead band,
15 again, and a sharing mechanism of tapering.

16 Q. Ms. Brockway, I want you to assume that
17 we have a utility in a rising fuel cost environment
18 that's gonna face significant fuel cost increases
19 over the next two or three or four years, and assume
20 that other factors are held equal, sales are held
21 equal, other costs in the business are held equal,
22 and that you have a sharing mechanism similar to the
23 one that is depicted in the table in this tariff
24 attached to Mr. Binz's testimony with dead bands. Do
25 you have those assumptions in mind?

1 A. Rising costs in the next two to four
2 years, other costs not changing, sales not changing
3 and a sharing mechanism like the Wyoming tariff?

4 Q. With the bands, with the dead bands and
5 the other bands like the Wyoming tariff.

6 A. Okay.

7 Q. And we were talking -- when I'm -- just
8 to clarify, the rising costs I'm talking about are
9 rising fuel and purchased power costs.

10 A. Gotcha.

11 Q. Under that circumstances, under that
12 circumstance, isn't it correct that because the fuel
13 costs are rising, the utility is automatically not
14 going to recover the increases in fuel costs under
15 those set of assumptions because of the dead band?

16 A. I can't answer the question the way
17 you're posing it.

18 Q. Well, let's assume we have a \$40 million
19 dead band and fuel costs go up \$40 million with all
20 those other factors equal, there will be no
21 adjustment in the fuel rider under those
22 circumstances, correct?

23 A. Yes, but that's not the question you
24 asked me.

25 Q. Well, but the answer to that question is

1 there will be no adjustment in the fuel rider,
2 correct?

3 A. There will be no adjustment because
4 there's a dead band, but that doesn't mean the
5 company doesn't have a reasonable opportunity to
6 recover its cost.

7 Q. That's not -- Ms. Brockway, that wasn't
8 my question.

9 A. Well, the question you asked me --

10 MR. LOWERY: Your Honor, there is no
11 question pending at this point. I think it was a yes
12 or no question.

13 JUDGE WOODRUFF: And I will instruct the
14 witnesses to simply answer the questions that are
15 asked here. Counsel will have a chance to redirect
16 later.

17 BY MR. LOWERY:

18 Q. When you have those -- those
19 circumstances and fuel costs are going up \$40 million
20 and you have a \$40 million dead band, then the
21 utility is going to eat that \$40 million of cost,
22 correct?

23 A. No. You've got to -- you've got to --

24 Q. Well, if other costs are held -- if
25 other costs are held constant, there's no change,

1 there's no change in sales, and the only change in
2 the utility's cost of service is \$40 million in fuel
3 cost increases and you have a \$40 million dead band,
4 then the utility is going to have \$40 million more of
5 costs under those facts and will not recover those
6 via an adjustment in the rates through the fuel
7 rider; isn't that a fact?

8 A. Well, that's true but that's not what
9 you asked me before.

10 Q. Well, but that is true, is it not?

11 A. The last formulation is true.

12 Q. And so if you have a rising fuel cost
13 environment over several years and no expectation
14 that there will be decreases in fuel costs, then a
15 sharing grid, if we can call it that, such as the
16 Wyoming sharing grid, is not symmetrical based upon
17 those facts, is it?

18 A. Tell me what the period of time is over
19 which you expect fuel --

20 Q. Let's say it's a four-year period and
21 we -- and fuel costs are going to rise consistently
22 throughout that four-year period.

23 A. And am I to assume that the company has
24 zero control over those fuel costs?

25 Q. That -- that -- you don't need to assume

1 that.

2 A. Well, I do need to assume that because
3 that's the whole point of having a dead band and a
4 sharing mechanism.

5 Q. Let's assume the company has some
6 control over the fuel costs but despite those, fuel
7 costs are gonna rise consistently over that four-year
8 period.

9 A. What I'm getting at, sir, is --

10 Q. Well, let's answer my question first.
11 Isn't it a fact that the sharing bands are going to
12 operate in an asymmetrical fashion in those -- in
13 that circumstance?

14 A. I'm not trying to be cute with you, but
15 this is really important, the questions that you're
16 asking, and I'm trying to understand what you mean by
17 in an asymmetrical fashion.

18 Q. Well, if the costs are increasing, then
19 there is no opportunity for the dead band to apply on
20 the down side, correct?

21 MR. COFFMAN: Your Honor, I'm gonna
22 object. It involves -- the question involves some
23 speculation about all other costs.

24 MR. LOWERY: This is an expert --

25 MR. COFFMAN: You have to assume what's

1 happening in all other costs.

2 MR. LOWERY: This is an expert witness
3 and I'm entitled to ask her hypotheticals based on
4 assumed facts which is what I have done.

5 JUDGE WOODRUFF: I'm going to overrule
6 the objection.

7 THE WITNESS: I have no problem trying
8 to answer your questions, but I think what you're
9 doing is really important and we really need to get
10 clear about this, and you keep changing the way
11 you're stating it. You want me to agree -- you want
12 me to agree that it's asymmetrical because during a
13 period of time the Wyoming dead band and tapering
14 will operate so that the fuel adjustment mechanism
15 does not flow through 100 percent of the costs that
16 the company incurred.

17 I've agreed with that, but that's very
18 different from saying that it's asymmetrical, that
19 it's systematically -- that the company
20 under-recovers. Certainly, it's crucial to the
21 extent to which the company has control over those
22 costs because the entire premise of the dead band is
23 that there is a lot of control the company has over
24 its costs even in the short-term, certainly in the
25 long-term and that if you have a fuel clause with no

1 dead band and no sharing, you've completely
2 eliminated the incentives for the company to be
3 efficient. So it makes a whole lot of difference.

4 BY MR. LOWERY:

5 Q. And I'm back to my original question.
6 Based on the set of assumptions that I gave you that
7 other costs and revenues are not changing but fuel
8 and purchased power costs are consistently increasing
9 over that four-year period, the operation of that
10 dead band is going to ensure that the utility does
11 not recover, at least to the extent that the cost
12 increase less than or equal to that dead band each
13 year is not going to recover those fuel cost
14 increases, and the dead band on the other side, on
15 the lower side, is never gonna operate; isn't that a
16 fact?

17 A. There was one question you asked which
18 was slightly different in the way you posed it and I
19 could answer that clearly yes. This one is a little
20 bit different because you say it will never recover
21 those fuel costs.

22 Q. All right. Well, let's assume -- let's
23 assume that the fuel cost increases are taken into
24 account in the rate case four years later so that the
25 base rate level of fuel costs are reset. Is that the

1 concern that you had with the hypothetical?

2 A. No, it's not.

3 Q. Well, then --

4 A. First of all, the standard is not do
5 they get 100 percent of their cost back. The
6 standard is do they have a reasonable opportunity
7 to --

8 Q. That's not -- that's not my question.

9 A. Well, that's what I'm trying to find
10 out, sir.

11 Q. I'll ask it again. The utility's costs
12 don't change over that four-year period other than
13 its fuel and purchased power costs go up, and the
14 utility's revenues do not change, and you have these
15 dead bands that you're talking about similar to what
16 we have in this Wyoming mechanism. Under those
17 circumstances, the dead band on the lower side,
18 assuming that the total fuel costs would have gone
19 down from the base level, is not going to operate;
20 isn't that correct?

21 MR. COFFMAN: Objection, your Honor. I
22 think the question is vague as to what --

23 THE WITNESS: Well, actually, I think I
24 can -- I think I can answer that one.

25 JUDGE WOODRUFF: The objection is

1 overruled. The witness can answer.

2 BY MR. LOWERY:

3 Q. Is it correct or not that dead band on
4 the low side is not going to operate? I think it's a
5 simple yes or no question.

6 A. If you mean by operate, will any costs
7 flow through it, the answer is no, no costs will flow
8 through it.

9 Q. More properly stated, no reductions in
10 fuel costs will flow through it, correct?

11 A. Yes.

12 Q. And you didn't consider -- in adopting
13 Mr. Binz's testimony, you didn't consider any aspects
14 of the stipulation of the order that actually
15 implemented that tariff, did you?

16 A. No.

17 Q. Now, if, in fact, the terms of the
18 stipulation as I indicated to you were such that the
19 utility could file another rate case slightly over a
20 year after the tariff was implemented and could use a
21 forward-looking test year, wouldn't that be relevant
22 to the issue of the ability of the utility to reset
23 the base level of fuel and purchased power costs for
24 purposes of applying that dead band?

25 A. Yes.

1 Q. And that would make a difference in
2 terms of the utility's ability to perhaps take
3 advantage of the down -- or the other side of those
4 dead bands if we rebased those fuel and purchased
5 power costs periodically, correct?

6 A. Yes.

7 Q. In a rising fuel cost environment,
8 because if we don't rebase that level when we hold
9 other things constant, then we're going to be back in
10 the situation I described a moment ago where no
11 savings are going to flow through on the low side of
12 those -- of that sharing grid, correct?

13 A. Can you say that question again?

14 Q. Let's assume we have a sharing band such
15 as the Wyoming sharing band, but each year we do not
16 rebase the level of fuel and purchased power costs
17 but we are in a rising fuel cost environment.

18 A. That's the part I'm stuck on. Can you
19 be more specific about the hypothetical with respect
20 to the extent of the rises and the length of term,
21 the time -- how long the rises go on?

22 Q. Let's go back to the same hypothetical
23 we had before. And I'll indicate that fuel costs are
24 going up, say, \$50 million a year each year for four
25 years, we hold other things constant. If we were to

1 rebase each year the fuel and purchased power cost
2 level by taking that 50 million into account, then we
3 might have symmetrical sharing around those -- around
4 those dead band levels, correct?

5 A. Well, now I'm having trouble relating
6 this to the last question you asked which had to do
7 with passing through decreases, and this is a
8 different question. So I get lost because every time
9 we try to pin down the hypothetical, it keeps
10 shifting. I don't know that I can answer that
11 question because --

12 Q. You agree that -- you agree that it's
13 relevant to take into account whether or not the
14 mechanism that's adopted allows a rebasing of fuel
15 and purchased power costs periodically as we move
16 forward in applying the mechanism, correct?

17 A. Yes, depending upon your assumptions
18 about the extent to which fuel costs are gonna rise
19 and the period of time through which that would
20 occur.

21 Q. Because the sharing occurs around
22 whatever base level fuel and purchased power costs we
23 have, and if we change that, then the sharing's gonna
24 occur around a different level, correct?

25 A. I'm sorry. I need to think about this

1 for a minute. Yes.

2 Q. And the details of a particular
3 mechanism are important for any commission to
4 consider in determining how to design a particular
5 mechanism, correct?

6 A. Of course.

7 MR. LOWERY: Your Honor, with that I
8 move admission of Exhibit 128.

9 JUDGE WOODRUFF: All right. 128 has
10 been offered. Are there any objections to its
11 receipt?

12 (NO RESPONSE.)

13 JUDGE WOODRUFF: Hearing none, it will
14 be received into evidence.

15 (EXHIBIT NO. 128 WAS RECEIVED INTO
16 EVIDENCE AND MADE A PART OF THE RECORD.)

17 MR. LOWERY: That's all the questions I
18 have. Thank you.

19 JUDGE WOODRUFF: All right. Any
20 redirect?

21 MR. COFFMAN: Yes.

22 REDIRECT EXAMINATION BY MR. COFFMAN:

23 Q. Ms. Brockway, AmerenUE's attorney asked
24 you several questions about this Wyoming stipulation
25 from '06. Is there any reason that the related

1 components of the stipulation which included the
2 Wyoming FAC needs to be something that this
3 Commission considers in the specifics of any fuel
4 adjustment clause to adopt in this case?

5 A. It doesn't need to. It could decide
6 that it wanted to require a more frequent rate bases,
7 but I don't think it needs to. Again, it depends
8 upon this hypothetical which I would like to take the
9 opportunity to say I find highly counter-factual.

10 Q. Well, I'll ask you about that in a
11 second, but did you review the stipulation that was
12 just recently entered into evidence, I think
13 specifically paragraph 38?

14 A. I didn't actually review the stipulation,
15 or if I did, it was very quickly. So that's on
16 page 16?

17 Q. Yes. It's a -- appears to be a
18 boilerplate-type paragraph.

19 A. It's the -- it's the typical
20 everything's privileged and confidential, it's a
21 unitary document and nobody is agreeing that any
22 particular method would be binding on them in another
23 proceeding.

24 Q. Is that commonly referred to as a black
25 box-type clause?

1 A. Yes.

2 Q. In other words, this is a part of a
3 package no one is necessarily agreeing that any
4 component is relevant to -- they're not conceding to
5 any particular principle that's in this --

6 MR. LOWERY: Objection, calls for
7 speculation as to what these parties were or were not
8 intending or conceding to when they entered into the
9 stipulation.

10 JUDGE WOODRUFF: Well, I'll sustain the
11 objection.

12 MR. COFFMAN: That's fine. That's my
13 point. Thanks.

14 BY MR. COFFMAN:

15 Q. Mr. Lowry made a point of pointing out
16 that this stipulation includes certain conditions
17 about future rate cases and when a utility might be
18 able to file a case. Are you aware of anything that
19 would prevent AmerenUE, after a determination in this
20 case, from filing another case right away or at any
21 time?

22 A. No. I understand they have to file at
23 least every four years under the rules, but I
24 don't -- I don't know of anything that would bar them
25 from filing earlier.

1 Q. Okay. So if they felt that they were
2 experiencing an under-recovery situation, it's your
3 understanding they would have the right to do so, to
4 file -- that is, to file for another rate request?

5 A. That's right. I'm not -- I'm not
6 testifying as a lawyer here, but that's -- I've taken
7 advice of counsel that that's the way it works.

8 Q. You do have a law degree, do you not,
9 Ms. Brockway?

10 A. Oh, yes.

11 Q. Now, with regard to the various
12 permutations of Mr. Lowery's hypotheticals, most of
13 those involved, did they not, an assumption that fuel
14 costs were increasing; is that correct?

15 A. Yes. I think there might have been one
16 about fuel costs not -- decreases not -- I don't
17 remember. The ones that I remember all had to do
18 with increasing fuel costs.

19 Q. And you have reviewed somewhat the
20 aspects of AmerenUE's ability to control costs, have
21 you not?

22 A. Certainly in -- I haven't looked at
23 whether or not they have controlled costs but I
24 understand utility operations and enough about
25 Ameren's setup to be confident that they have a

1 number of opportunities to control costs.

2 Q. And in your review of the testimony in
3 this case, have you seen anything that would make you
4 think that Ameren has less control than a typical
5 utility over its resource planning and fuel and
6 purchased power operations?

7 A. No.

8 Q. Okay. Mr. Lowery's various
9 hypotheticals assumed that all other costs remain
10 constant other than fuel costs. Do you recall that?

11 A. That's right.

12 Q. In your experience as a regulator and as
13 an expert in the area of regulation, how -- how
14 reasonable is that assumption in the real world?

15 A. It's completely unreasonable.

16 Q. And when you were asked whether
17 Ameren -- in certain of these hypotheticals Ameren
18 would not be allowed -- would be denied recovery of
19 certain fuel costs, you were not allowed to explain
20 your answer. Would you like to extrapolate on why --
21 on why that is not a fair hypothetical in your
22 opinion?

23 A. I think actually the record will reflect
24 that I did get one chance to explain it. It really
25 comes down to the question of what's the purpose of

1 regulation and setting rates, and is it to guarantee
2 that 100 percent of the costs that are written down
3 on the books of the utility are reflected in rates.
4 No, that's not the purpose of regulation.

5 The purpose of regulation is to give the
6 company a reasonable opportunity to recover all of
7 its prudently incurred costs plus a just and
8 reasonable return on its prudent rate base devoted to
9 public service. And you've got to have all of those
10 components, and the reason it's not an ironclad 100
11 percent guaranteed recovery is because otherwise,
12 you'd end up with utilities gold-plating.

13 I'm not -- I have no accusation against
14 Ameren about that, I have no opinion about that in
15 Ameren's case, but it's just a fact of nature that if
16 nobody is minding the store, if nobody is putting any
17 limits on whether or not recovery will happen, if
18 there are no risks to the utility should it incur
19 costs, its gonna pay attention and be more careful in
20 areas where it is at risk.

21 And so if you eliminate most of the
22 risks relating to fuel, then the company is not going
23 to be as careful or it certainly will have an
24 incentive to spend its time and energies focusing on
25 other things, and there's a great risk that it will

1 allow its -- all of these functions that have to
2 do -- that have an impact on fuel to be done less
3 carefully, and there is a large number of them.

4 Mr. Binz has a nice list on page 15 and
5 I agree with all of them. In fact, basic choices in
6 the utility's resource plan, I mean, Ameren has
7 already chosen a resource plan which puts it at less
8 risk than some other utilities with respect to fuel
9 costs because it's heavily nuclear and coal.

10 There will be issues with coal and
11 probably with nuclear in the future, but the extent
12 of those is not clear, and as it is now, the --
13 those -- the prices for the inputs to that are
14 stable, much more stable than you'd get from looking
15 at Mr. Neff's testimony.

16 Q. And have you not, both as a Commissioner
17 and as an expert in a variety of the states, reviewed
18 a number -- numerous fuel recovery mechanisms in a
19 variety of states?

20 A. Yes, I have.

21 Q. And have you seen utilities where you
22 thought it was reasonable for some type of adjustment
23 mechanism to be applied to that particular utility's
24 operations?

25 A. Well, I can't answer that with an

1 absolute yes. I understand why in the 1970s there
2 was a push for fuel clauses because we had two
3 extraordinary price shocks in oil. I mean, I
4 remember seeing the price at the pump go from
5 25 cents to 75 cents overnight, so it tripled.

6 And in New England where I was, they
7 actually at that time had a fair amount of oil on the
8 margin and it made a big difference. And I don't
9 remember exactly the discussions about earnings at
10 companies, but certainly that was the claim, that
11 earnings were being adversely affected.

12 So where -- where earnings are adversely
13 affected in a systematic and significant way, I can
14 understand why a company would want a fuel clause and
15 I can understand why some sharing of the risks
16 between utility and consumer makes the difference.

17 Q. And --

18 A. Excuse me, would be warranted.

19 Q. And based on your review of the evidence
20 in this case, do you have any reason to have concern
21 about those earnings issues with regard to AmerenUE?

22 A. Well, I think I'm in the same position
23 as Mr. Johnstone. I heard him ask -- answer a
24 similar question earlier this morning. I don't know
25 of any evidence on the record which shows or even

1 tries to show that Ameren's earnings are at any
2 significant risk because of the presence or absence
3 of a fuel clause.

4 MR. COFFMAN: Okay. That's all the
5 questions that I have. I would like at this point,
6 then, to offer into the record Exhibits 750 and 751.
7 Ms. Brockway also has contained in these testimonies
8 statements regarding class cost of -- allocations and
9 rate design. It's my understanding that every other
10 party has at this point waived cross-examination on
11 those issues, and Ms. Brockway would like, if it's
12 possible, to get away today to go to other
13 commitments. She obviously would be available if the
14 Commission had questions on rate design or any other
15 aspects of her testimony but --

16 JUDGE WOODRUFF: She'll be here this --
17 on the record or would she?

18 MR. COFFMAN: It will depend.

19 THE WITNESS: Well, if I might, your
20 Honor?

21 JUDGE WOODRUFF: Sure.

22 THE WITNESS: With the plane
23 arrangements, if I don't leave around noon, I would
24 have to stay overnight and leave tomorrow sometime.

25 JUDGE WOODRUFF: Okay. Well, let me

1 deal with the exhibits first. 750 and 751 have been
2 offered. Any objections to their receipt?

3 MR. CONRAD: No objection.

4 JUDGE WOODRUFF: Hearing none, they will
5 be received.

6 (EXHIBIT NOS. 750 AND 751 WERE RECEIVED
7 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

8 JUDGE WOODRUFF: Unless the parties
9 have -- indicate a belief that they need to
10 cross-examine Ms. Brockway further, I don't see a
11 need for her to stay, so you can go ahead and catch
12 your flight.

13 MR. CONRAD: Judge, I don't have
14 questions about that, but if she was not going to be
15 present for the stipulation presentation this
16 afternoon, with the indulgence of the bench, could I
17 possibly ask probably two questions?

18 JUDGE WOODRUFF: Sure.

19 MR. CONRAD: May I do so from here?

20 JUDGE WOODRUFF: Yes. You may.

21 RE-CROSS-EXAMINATION BY MR. CONRAD:

22 Q. Ms. Brockway, have you had occasion to
23 look at the class cost of service and rate design
24 stipulation that has been submitted here?

25 A. Yes, I have.

1 Q. Do you have an opinion with respect to
2 the reasonableness and the appropriateness of that
3 document given that it is a settlement?

4 A. Given that it is a settlement, I believe
5 it is within the bounds of reasonableness and
6 appropriateness.

7 MR. CONRAD: Thank you, Judge.

8 JUDGE WOODRUFF: All right. Then you
9 may step down and you are excused.

10 THE WITNESS: Thank you, your Honor.

11 JUDGE WOODRUFF: And I believe we're now
12 ready to move into the class cost of service rate
13 design area. It's my understanding that a
14 stipulation and agreement has been filed to resolve
15 many if not most of those issues, but there are some
16 issues that are specifically excluded from the
17 settlement and that still remain live. I'll ask the
18 parties at this point where are we at on this issue?
19 Which issues do we want to take up today?

20 MR. MILLS: And other people can correct
21 me if I'm wrong because I'm not involved in all of
22 these, but it's my understanding that the live issues
23 are the economic development rider, the industrial
24 demand response rider, those are called EDR and IDR,
25 the MASW's essential services rate and CCM's safety

1 net, and I think those are the four.

2 JUDGE WOODRUFF: All right.

3 MR. WILLIAMS: It's my understanding
4 there are actually two different economic development
5 riders, so it will be five.

6 MS. TATRO: That is correct.

7 JUDGE WOODRUFF: Okay. Do we want to
8 move into the economic development riders, then?

9 MS. TATRO: Your Honor, I believe the
10 schedule says that AmerenUE's witness Robert Mill is
11 not available until tomorrow on that issue.

12 JUDGE WOODRUFF: Okay.

13 MR. MILLS: Your Honor, it might be
14 helpful if the parties could discuss whether we want
15 to do all -- all the witnesses all -- on all issues
16 all at once or if we want to do it issue by issue.
17 If we could talk about that, we may be able to decide
18 what's best from our point of view and give you a
19 proposal.

20 JUDGE WOODRUFF: Do you want to have an
21 off-the-record discussion on that?

22 MR. MILLS: Yes, please.

23 JUDGE WOODRUFF: I think that would be
24 helpful as well. We'll go off the record for five
25 minutes, come back at 10:05.

1 MR. MILLS: All right. Thank you.

2 (DISCUSSION HELD OFF THE RECORD.)

3 JUDGE WOODRUFF: We're back from our
4 break, and Mr. Mills, I believe the parties have come
5 up with a plan.

6 MR. MILLS: Well, I think so and I think
7 the first thing that we'd like to do is the company
8 wants to have the parties waive in the testimony of
9 Warwick and Cooper because the company didn't sign on
10 to the stipulation and agreement with regard to class
11 cost of service and rate design.

12 It wasn't contemplated in that agreement
13 that their testimony could be waived in without the
14 necessity of them taking the stand. But it doesn't
15 appear that any parties have any questions for them,
16 so I think we would all agree that those could be
17 waived in.

18 And then the remaining witnesses that
19 have testimony that touches on the issues that are
20 still live we would take up basically in the order of
21 the witness list, but the only ones that are left
22 would be Hanser, Watkins, Meisenheimer, Kind, LaConte
23 and Quinn for today in that order, and then Mr. Mill
24 from the company we would take up tomorrow because
25 that's when he's available.

1 JUDGE WOODRUFF: Okay. Go through that
2 list again. I've got Hanser, Watkins, Meisenheimer.

3 MR. MILLS: Kind, LaConte and Quinn.

4 JUDGE WOODRUFF: Okay. All right. And
5 I assume the parties will be asking cross about all
6 remaining issues at the same time?

7 MR. MILLS: Yeah, all of the issues all
8 at the same time so the witnesses would just take the
9 stand once, and some of them have testimony on one or
10 two or more of these issues, so --

11 JUDGE WOODRUFF: Okay. That sounds --
12 sounds reasonable to me. Is that acceptable to the
13 other parties?

14 MR. CONRAD: Judge, that's -- that is
15 acceptable to us. I do need to make it clear that
16 obviously any waiver of these witnesses is
17 conditioned upon and subject to the Commission's
18 acceptance of the stipulation --

19 JUDGE WOODRUFF: Certainly.

20 MR. CONRAD: -- and that's on the
21 condition of that waiver.

22 JUDGE WOODRUFF: And we'll know more
23 about that this afternoon after the on-the-record
24 presentation.

25 MR. CONRAD: And it is my understanding

1 that the company has withdrawn its objection.

2 JUDGE WOODRUFF: Yes, that was indicated
3 yesterday. Anyone else want to be heard on this?

4 MR. WILLIAMS: Judge, the Staff's waiver
5 is on the same basis as Mr. Conrad's.

6 MR. MILLS: And I didn't mention this
7 and I don't -- I'm not sure exactly how I got to be
8 the spokesperson on this issue other than I grabbed
9 the mic, but I believe at least some of the parties
10 do have mini openings for some or all of these
11 issues.

12 JUDGE WOODRUFF: All right.

13 MR. MILLS: Some of them, in fact, have
14 been neatly typed and well-prepared so I'm sure
15 they're eager to give those.

16 JUDGE WOODRUFF: All right. Well, we'll
17 certainly allow the parties to make their openings.

18 MR. WILLIAMS: Judge, the other thing
19 I'd say is Staff has no opposition to stipulating in
20 Mr. Warwick's and Mr. Cooper's testimonies.

21 JUDGE WOODRUFF: Okay. Very good.
22 Well, let's go ahead and get started, then, with the
23 mini openings on the class cost of service and rate
24 design issues that are remaining. And the first
25 opening would then be from Ameren.

1 MS. TATRO: I think we can make this
2 short. I think our position is clearly laid out in
3 our prehearing brief and I don't have anything
4 further.

5 JUDGE WOODRUFF: Okay. Does Staff wish
6 to make an opening?

7 MR. WILLIAMS: I can make it fairly
8 brief. Staff supports the company's position on the
9 economic development riders, the economic development
10 and retention rider and the economic redevelopment
11 rider. The Staff also supports the company's
12 industrial demand response pilot rider, and the Staff
13 has no position on the essential services rate.

14 And as to the -- I'm sorry. Oh, I'm
15 sorry. We oppose the essential services rate. My
16 misunderstanding. And as to the \$25 charge that's
17 been proposed, the Staff believes that that would be
18 something that would be more appropriate to be taken
19 up in a rulemaking case as opposed to a rate case.

20 JUDGE WOODRUFF: All right. Does Public
21 Counsel wish to make an opening?

22 MR. MILLS: Your Honor, I don't really
23 have a prepared opening statement for this issue. I
24 can tell you that with respect to both the EDR and
25 the IDR, while conceptually those may have some

1 merit, the devil is always in the details and one of
2 our biggest concerns is that ratepayers will be stuck
3 paying the tab for free riders, and I think there are
4 some points that we'll bring out in cross-examination
5 that will point out that the risk of free ridership
6 is fairly significant and that these proposals are
7 not particularly well designed.

8 So while we don't have an absolute
9 in-all-cases opposition to EDR's and IDR's, we think
10 there are some problems with the particular proposals
11 in this case and the evidence will show what those
12 problems are.

13 JUDGE WOODRUFF: For the State?

14 MR. MICHEEL: Yes. The Department of
15 Economic Development generally supports the economic
16 development riders and the EDRR rider, but there are
17 some problems with the tariff as written that we'll
18 point out in cross-examination.

19 First, I think that the biggest problem
20 that the evidence is going to show is that there's a
21 term cutoff on the economic development rider of
22 March 31, 2008, and the Department of Economic
23 Development doesn't think that there should be a
24 cutoff date until rates go into effect in the next
25 rate case, so we have seamless economic development

1 riders available to, you know, help develop the
2 economy of this state. And we also think that there
3 probably are some issues with the particulars of the
4 rate that need to be explored and I will do that on
5 cross-examination.

6 JUDGE WOODRUFF: Thank you. DNR I don't
7 believe is here. MIEC, do you wish to make an
8 opening? She's not here. I'm sorry. MEG?

9 MS. LANGENECKERT: People get us
10 confused all the time. I don't have a microphone
11 so -- AmerenUE has presented its rate design
12 testimony on industrial demand response tariff or the
13 IDR. AmerenUE has designed the IDR to give it the
14 ability to reduce its peak loads, increase system
15 reliability, reduce the effect of transmission
16 constraints, avoid purchasing high cost power and
17 avoid running its gas-fired generation. In the long
18 run, it can reduce the need for generation and
19 transmission capacity.

20 Other utilities already have similar
21 rates and they are considered an important part of
22 the demand response programs. However, the tariff as
23 proposed by AmerenUE will not attract customers
24 mainly due to its limited term of two years and the
25 load demand credit of two dollars a kilowatt hour per

1 month.

2 For customers to take the risk of loss
3 production and make other changes to accommodate
4 interruptions, there must be more certainty of
5 duration of the program and more reasonable credit.
6 In her testimony, Ms. LaConte has proposed and
7 explained such changes and will be happy to answer
8 any questions relating to that. Thank you.

9 JUDGE WOODRUFF: Okay. Commercial Group
10 is not here. Noranda wish to make an opening?

11 MR. CONRAD: No, your Honor, thank you.

12 JUDGE WOODRUFF: And Ms. Vuylsteke is
13 now here for MIEC. I'll give you a chance.

14 MS. VUYLSTEKE: I apologize, your Honor,
15 for stepping out of the room. I thought that we were
16 going to move to the EER issue tomorrow morning since
17 Mr. Mill is not available until then, and I would
18 prefer to hold my opening until then if that's
19 acceptable to you and the parties.

20 JUDGE WOODRUFF: I don't have a problem
21 with that. That will be fine. Okay. I'm sorry.
22 Did I ask Noranda?

23 MR. CONRAD: You did and we are not
24 taking positions on these issues, thank you.

25 JUDGE WOODRUFF: AARP is not in the

1 room. MASW?

2 MS. CARVER: I don't have a microphone
3 either, so your Honor -- the Honors -- Honors, this
4 issue that we are proposing, that MASW is proposing,
5 I think is rather innovative and makes a lot of sense
6 as far as when it comes to residential/low-income
7 residential homes. The way the current rate design
8 is, the initial usage block, kilowatt usage block is
9 at a specific rate. Once the use, the average
10 residential use goes above that rate, then the lower
11 rate kicks in.

12 So essentially what we're -- what MASW
13 is proposing here is that this initial -- and what
14 this amount should be is from our testimony that Bob
15 Quinn is gonna present whether it's 600 kilowatt
16 units or 500 or 800, you know, is to be determined.
17 But for the sake of argument, we say it's a 600 --
18 600 kilowatt usage. This would cover the essential
19 services that the average low-income household or
20 family that's living below the poverty level uses for
21 its basic essential services.

22 That would be a set, frozen rate, a
23 little bit lower, and then the higher rate would kick
24 in after that. Now, I know there's some arguments
25 that this is gonna mean that the upper income

1 households will be subsidizing lower incomes. But I
2 don't think that's the case, and I think that the
3 testimony is gonna show that that's not -- that's not
4 the case.

5 Those programs have been implemented in
6 other areas, it's been successful. I know that there
7 are programs that are already in place for
8 low-income, but if the rates increase across the
9 board, there's gonna be even more of a need for these
10 low-income programs that are already in place like
11 the Dollar Share or the Dollar Share Program, for
12 example, the Dollar More.

13 In fact, if the average and upper income
14 families right now can contribute money for the
15 lower -- for lower income families and their rates
16 increase, they're gonna be less likely to make that
17 contribution. So I think that this new -- this new
18 program at least is worth the discussion as to the
19 feasibility of its implementation. Thank you.

20 JUDGE WOODRUFF: Thank you. Missouri
21 Retailers?

22 MR. OVERFELT: No comment.

23 JUDGE WOODRUFF: I don't believe any of
24 the other parties are here. Anybody I missed that
25 wants an opportunity to make an opening?

1 (NO RESPONSE.)

2 JUDGE WOODRUFF: All right. Then I
3 believe we are going to start with -- well, first of
4 all, waiving Warwick and Cooper testimony. Do you
5 want to make a request for that?

6 (EXHIBIT NOS. 75, 76, 77, 78, 79, 80 AND 81
7 WERE MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

8 MS. TATRO: Yes, your Honor. Let's see.
9 I believe Exhibit 75 is the direct testimony of
10 William Warwick, 76 is the rebuttal of William
11 Warwick, 77 is the surrebuttal of William Warwick, 78
12 is the direct testimony of Will Cooper, 79 is the
13 rebuttal testimony of Will Cooper, 80 is rebuttal
14 testimony of Will Cooper, 81 is surrebuttal testimony
15 of Will Cooper, and I would move those into the
16 record.

17 JUDGE WOODRUFF: All right. 75, 76, 77,
18 78, 79 and 80 and 81 have been offered into evidence.
19 Are there any objections to their receipt?

20 (NO RESPONSE.)

21 JUDGE WOODRUFF: Hearing none, they
22 will be received into evidence.

23 (EXHIBIT NOS. 75, 76, 77, 78, 79, 80 AND
24 81 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE
25 RECORD.)

1 JUDGE WOODRUFF: Then we can move to
2 Mr. Hanser.

3 MR. FISCHER: AmerenUE would call Phil
4 Hanser to the witness stand.

5 (THE WITNESS WAS SWORN.)

6 JUDGE WOODRUFF: Thank you.

7 DIRECT EXAMINATION BY MR. FISCHER:

8 Q. Mr. Hanser, your direct testimony, for
9 your information, has been marked as Exhibit 23 and
10 your rebuttal is 24.

11 A. Yes.

12 Q. Do you have any corrections you need to
13 make to either of those pieces of testimony?

14 A. I need to correct item 24, page 7,
15 line 21.

16 Q. Okay.

17 A. The sentence reads in the beginning,
18 "Almost 160,000," says "low-come." It should say
19 "low-income."

20 Q. Low-income?

21 A. Income, yes.

22 Q. Okay. Do you have any other
23 corrections?

24 A. Not that I know of.

25 MR. FISCHER: Your Honor, I tender the

1 witness for cross.

2 JUDGE WOODRUFF: All right. Any of the
3 parties wish to cross Mr. Hanser? Looks like MEG.

4 CROSS-EXAMINATION BY MS. LANGENECKERT:

5 Q. Good morning, Mr. Hanser.

6 A. Good morning.

7 Q. I'm Lisa Langeneckert and I represent
8 the Missouri Energy Group in this matter. All the
9 questions I have for you today are going to -- are
10 the ones that refer to your testimony, are going to
11 refer to your direct testimony which I believe is
12 Exhibit 23. I'd like to direct you to page 2, line 8
13 of that testimony.

14 A. Yes.

15 Q. You say that you've supervised ETRI
16 surveys of innovative rates. At what kind of rates
17 did you look?

18 A. A variety of rates, interruptible,
19 curtailable rates, marginal cost-based rates,
20 economic development rates, demand side, various
21 kinds of demand side option rates of one sort or
22 another.

23 Q. Did you look at any real time pricing
24 rates?

25 A. At the time initially there weren't any

1 real time pricing rates. There was one pilot that
2 came on -- that came into existence by Niagara Mohawk
3 which was a semi-real time pricing rate in the sense
4 it provided a 24-hour projection of rates for the day
5 ahead which were then provided to industrial
6 customers for the potential for them to either buy
7 out of the rate or interrupt their loads as a result
8 of the rate.

9 Q. Okay. In your testimony you say on
10 line 9 of that same page that one of the topics was
11 the measurement and evaluation of interruptible and
12 curtailable rates. What do you mean by measurement
13 and evaluation?

14 A. Well, interruptible rates, curtailable
15 rates, I'll leave that as the same class, treat them
16 as the same class, involve a reasonable amount of
17 uncertainty in the sense that what you observe in an
18 interruptible curtailable rate is the level of the
19 load of the customer prior to the interruption, and
20 then the level of the load after the period of the
21 interruption.

22 And so the level of actual benefit that
23 you derive from the customer has to be estimated over
24 that period of time, and there are a number of
25 different methods that are used for trying to

1 estimate, in fact, the level of benefit being derived
2 from it. In fact, I read a paper in the proceedings
3 of the Institute of Electrical and Electronics
4 Engineers about a method that we proposed that we
5 thought had better efficiency in terms of estimating
6 it. But there are lots of methods by which the
7 customer -- by which the utilities try to estimate
8 those levels of decreases in demand.

9 Q. So there's no one particular way to
10 measure or evaluate?

11 A. There are ways we thought based on the
12 paper that we put forward which we think are more
13 efficient than others, but --

14 Q. Is your paper in this case --

15 A. It's listed in my --

16 Q. As one of your items?

17 A. -- my curricula vita.

18 Q. Did you measure and evaluate the rates
19 with cost savings or customer response or how
20 effective they were or ...

21 A. The issues that we -- that we looked at
22 in those surveys were primarily what was the level of
23 actual estimated benefit that was -- actual level of
24 load reduction relative to the amount that was
25 subscribed for. Let's just say a customer says I've

1 got a 30-megawatt load, I believe I can reduce my
2 load by five megawatts. Part of the information we
3 tried to get out of that survey was of that five
4 megawatts, how much was actually provided by those
5 customers.

6 Q. Whether or not they gave the five that
7 they had originally promised?

8 A. Yes.

9 Q. Okay. But not such things as whether
10 the program was designed to lure customers to do it
11 or was a saving for the utility or a saving for the
12 customer, those were not the types of things you
13 evaluated?

14 A. We weren't trying to evaluate or perform
15 any kind of cost benefit analysis relative to the
16 program either from the customer's perspective or
17 from the utility's perspective. Our assumption was
18 that the program had been implemented and approved by
19 the public utility commissions, that there was
20 sufficient benefit to the utility to -- so that there
21 wasn't -- there's not a necessity on our part to do a
22 cost benefit analysis, and as far as a cost benefit
23 analysis of the customer's side, that would have
24 required information on a private nature that we
25 could never acquire. So those questions weren't

1 addressed in those surveys.

2 Q. Okay. Now, you indicated you're
3 familiar with real time pricing rates even though
4 that was not part of the survey that you did much
5 with other than the Niagara Mohawk?

6 A. Yes, I am generally familiar with real
7 time pricing.

8 Q. What would you say is the purpose of
9 real time pricing and how does that compare to
10 timely-use rate or interruptible rate?

11 A. Well, they're all variations on the same
12 theme which is to say to try to provide the customer
13 with an appropriate price signal one way or another
14 relative so that they can respond. But a real time
15 pricing rate presumably provides -- tries to provide
16 the customer a rate which reflects the cost that the
17 utilities are incurring at the time.

18 A time of use rate is a slightly
19 aggregated form in some sense, a real time pricing
20 rate, again, trying to be reflective of the cost that
21 the utility incurs. An interruptible rate,
22 presumably if it's based on the utility's costs,
23 marginal costs presumably often tries to provide some
24 mechanism for providing a price signal to the -- to
25 the customer.

1 Q. Okay. And that same testimony, please
2 turn to page 13 of your direct testimony. There you
3 discuss the economic redevelopment rider and the
4 economic development and retention rider. Do I
5 understand correctly that the ERR is intended to
6 attract customers to parts of the service territory
7 and the EDRR is intended to retain customers?

8 A. That's my understanding.

9 Q. Okay. Do both riders provide for a
10 maximum discount of 15 percent off of target charges
11 for five years?

12 A. That's my understanding.

13 Q. How did Ameren determine that 15 percent
14 was the appropriate discount?

15 A. I wasn't privy to the calculation about
16 the 15 percent.

17 Q. So you have no reason why they didn't
18 pick 20 or some other percentage?

19 A. I have no -- no.

20 Q. The economic development riders provide
21 a discount for five years. How did Ameren determine
22 that five years was the appropriate period?

23 A. I'm not sure how they decided that five
24 years was an appropriate time.

25 Q. Okay. Would you say that a five-year

1 period is a relatively short duration for this kind
2 of program?

3 A. Economic development riders are of all
4 lengths. I've seen as short as a year and as long as
5 ten. There's a great deal of variety in terms of the
6 time in which the riders are in existence.

7 Q. Okay. Well, in your testimony didn't
8 you say on page 16, lines 10 and 11 that five years
9 was a relatively short period?

10 A. Ten.

11 Q. Page 16.

12 A. Yes, I did.

13 Q. Okay. And why did you say that it was a
14 relatively short period?

15 A. A short period relative to the
16 investment that somebody moving in would make,
17 presumably they're making a long-term investment.
18 Five years is a relatively short time relative to
19 somebody making a permanent increase in their
20 capital.

21 Q. "They" being the customer --

22 A. Customers, the method. It is relatively
23 short from that standpoint.

24 Q. Do you see any inconsistency or perhaps
25 irony in the fact that on one hand Ameren is saying

1 to customers we'll give you a 15 percent discount,
2 but then on the other hand they say we're gonna raise
3 the rate 43 percent?

4 A. I'm sorry. My understanding is, is that
5 there's a stipulation in effect and that those issues
6 about the level of the rate increase that will be
7 affected by all customers has been largely stipulated
8 out.

9 Q. That is correct, but Ameren's proposal
10 was a 43 percent increase to industrial customers as
11 it was a 15 percent credit for the EDR and the EDRR.

12 A. I don't know that -- the 15 percent rate
13 discount would represent, in a sense, since it's new
14 load and since it had a positive margin, would reduce
15 fixed costs for those customers that remain for
16 these -- as a result of these customers coming on the
17 system.

18 So to the extent that they reduce fixed
19 costs and they would not have been there anyway,
20 then, in fact, they produce a reduction in rates
21 overall for everybody else. So on that, it's a
22 benefit to the system.

23 Q. But not a benefit to the customers who
24 are getting a 43 percent increase?

25 A. Oh, on the contrary. To the extent that

1 those customers provided a reduction in fixed costs,
2 that benefit then gets passed on to other customers.

3 Q. I'm talking about those very customers
4 that are getting --

5 A. Listen to me carefully. If you provide
6 a reduction in fixed cost, if you can produce a
7 reduction in fixed cost by producing a margin, in a
8 sense, as this rate would produce, that reduction in
9 fixed cost then goes into that calculation of
10 whatever potential rate increase, and so to that
11 extent provides a benefit.

12 Q. And Ameren included that in its revenue
13 requirement?

14 A. I would presume so based on -- if a --
15 based on the assumption that the rate goes through.

16 Q. Under some assumption that they'd know
17 how many people would take advantage of it?

18 A. I would assume so.

19 Q. All right. So now -- all right. Are
20 you aware that according to AmerenUE on a cost of
21 service basis a large primary service rate would have
22 had a 28 percent increase?

23 A. I haven't looked at the most recent
24 calculation in the class cost of service study.

25 Q. If Ameren has proposed -- had

1 previously, before the stipulation, proposed a large
2 part of the increase from the residential customers
3 shift to the commercial and industrial customers, is
4 there any guarantee it won't try to do the same thing
5 in the next case?

6 A. I would hate to predict what happens in
7 future rate cases.

8 Q. I'd hate to predict that too. What
9 basis do you have for assuming that the economic
10 development riders are really going to have any
11 effect?

12 A. There have been some surveys of economic
13 development riders and their impact. We -- when we
14 did the innovative rate surveys, there was questions
15 about economic development rates, and they did have
16 some impact in terms of attracting new load or
17 additional load in various service territories.

18 Q. But those, none of those were in the
19 Missouri service territory of Ameren?

20 A. You know, I'd have to look at those
21 surveys and I haven't seen them for a while so ...

22 Q. How would you respond to an industrial
23 customer who says that these economic development
24 riders could just be for show?

25 A. I need some explanation about what you

1 mean "just for show."

2 Q. That they really don't expect anyone to
3 sign up for them and that they are doing them to
4 appear to be friendly to large users and to encourage
5 economic development.

6 A. I don't know. I mean, that strikes me
7 as asserting a kind of guile on the part of Ameren
8 that I would find difficult to accept.

9 Q. Is it possible that Ameren will have
10 another rate case sooner than five years from the end
11 of this one?

12 A. It's possible.

13 Q. Do you believe that any discounts given
14 to customers on the economic development riders
15 should be borne by AmerenUE's shareholders or by
16 other customers?

17 A. Well, to the extent that it reduces the
18 rates of other customers by providing this rate, it
19 should be borne by customers.

20 Q. How much additional revenue has Ameren
21 included to reflect the additional customers that
22 would be attracted to the EDR?

23 A. As I said before, I haven't been privy
24 to the class cost of service study calculations.

25 Q. So you haven't seen any Ameren documents

1 that show any expectation of additional revenue in
2 the next five years?

3 A. No, I have not.

4 Q. Do you know what the 15 percent discount
5 is equal to on a per-kilowatt-hour basis?

6 A. No.

7 Q. I'd like to hand you a calculation
8 sheet, and this shows the monthly charge to a
9 customer with a demand of 20,000 kilowatts and a load
10 factor of 80 percent.

11 MS. LANGENECKERT: Actually, I'd like to
12 have this marked as MEG Exhibit 555.

13 JUDGE WOODRUFF: All right.

14 (EXHIBIT NO. 555 WAS MARKED FOR
15 IDENTIFICATION BY THE COURT REPORTER.)

16 BY MS. LANGENECKERT:

17 Q. Okay. As I previously said, this shows
18 a monthly charge to a customer with a demand of
19 20,000 kilowatts and a load factor of 80 percent
20 under the proposed rate for the EDR. Are you
21 familiar enough with rate design to accept this
22 calculation subject to check if you'd like?

23 A. Yes.

24 Q. Okay. Does this show that the proposed
25 LPS rate, a 15 percent discount on the bill would be

1 equivalent to \$4.62 a month? The bottom right --

2 A. Subject to the verification of my
3 calculation, I'll take your number as acceptable.

4 Q. Okay. Thank you. Now I'm going to hand
5 out another exhibit. I should have done this all at
6 once, and this is on the current rate that AmerenUE
7 has under the same set of expectations.

8 JUDGE WOODRUFF: And this will be 556.

9 MS. LANGENECKERT: Yes, it would.

10 (EXHIBIT NO. 556 WAS MARKED FOR
11 IDENTIFICATION BY THE COURT REPORTER.)

12 BY MS. LANGENECKERT:

13 Q. Now, the equivalent rate for this same
14 customer under the current rate 11-M would be \$3.22 a
15 month, is that correct, subject to check? The
16 proposed is 400 a month for the customer charge and
17 the current is 210 a month.

18 A. Yeah, subject to some verification.

19 Q. Okay. Did you know that all parties
20 agreed and Ameren committed to develop a demand
21 response rate in its settlement of the 2002 rate
22 application?

23 A. I believe I -- that I was told that.

24 Q. Okay. Do you know what Ameren's
25 proposal was in that settlement?

1 A. No.

2 Q. Or what they agreed to, I guess would be
3 a more appropriate definition.

4 A. No.

5 MS. LANGENECKERT: May I approach?

6 JUDGE WOODRUFF: You may.

7 MR. FISCHER: Your Honor, I would just
8 point out we are going to have an in-house witness
9 from Ameren tomorrow, Robert Mill, who might be more
10 appropriately available to discuss what was agreed to
11 in 2002.

12 MS. LANGENECKERT: This is my only
13 question but I'll be happy to ask him too.

14 BY MS. LANGENECKERT:

15 Q. Could you please read paragraph 9 from
16 the stipulation from the 2002 rate case for me?

17 A. Sure. "UE will make its best efforts to
18 increase the amount of demand response options
19 including interruptible load by 200 megawatts and to
20 facilitate the infrastructure needed for customer
21 participation such as special equipment including
22 customer-owned generation. A plan to accomplish this
23 will be developed as provided under Section 11 of
24 this agreement and implemented by UE."

25 Q. Thank you. Now, are you aware that the

1 workshops to develop that demand response rate Ameren
2 proposed a real time pricing or RTP rate?

3 A. No.

4 Q. So you do not know how many customers
5 signed up for the RTP rate?

6 A. No.

7 Q. If I told you none did, would you accept
8 that subject to check?

9 MR. FISCHER: Your Honor, I think it's
10 been asked and answered, he doesn't know.

11 JUDGE WOODRUFF: I'll sustain the
12 objection.

13 BY MS. LANGENECKERT:

14 Q. Do you know how many Ameren customers in
15 Illinois switched to the Illinois version of RTP?

16 A. No.

17 Q. Do you know what response AmerenUE has
18 projected for the IDR pilot?

19 A. The pilot they've suggested would be
20 100 megawatts.

21 Q. And do you know what response they
22 thought they'd get to that offer of 100 megawatts of
23 interruptible?

24 A. My presumption is that they're hoping to
25 get the full 100 megawatts.

1 Q. Have you seen any documents on this
2 or --

3 A. No.

4 Q. -- had conversations with members of
5 Ameren?

6 A. Well, I think I've had conversations
7 with members which said they would hope to get the
8 full 100 megawatts, but that historically such
9 programs offered in the past, only I think it's used
10 47 megawatts.

11 Q. Okay. Now, on page 16, line 12 of your
12 testimony, you say that the IDR pilot program is a
13 test-the-waters program?

14 A. Yes.

15 Q. Has AmerenUE asked your advice on how to
16 evaluate the results of such a pilot given that you
17 have experience in these matters?

18 A. No.

19 Q. What would your recommendations be if
20 they were to ask you?

21 A. About how to evaluate the pilot?

22 Q. Yes, on how the results are -- how to
23 evaluate the results.

24 MR. FISCHER: Calls for speculation,
25 your Honor.

1 MS. LANGENECKERT: Well, he's an expert.
2 I would think that I -- as has previously been said,
3 I'd be able to give him a set of hypothetical
4 questions.

5 JUDGE WOODRUFF: I'll overrule the
6 objection.

7 THE WITNESS: It's a fairly complicated
8 process. You'd need two parts to it. There's an
9 impact evaluation part to assess the actual level of
10 impacts that the program produced based at least in
11 part on the participation and the level of
12 interruption that was produced by the participants.

13 There's also a process evaluation part
14 to understand how the program design elements
15 affected the nature of the program, you know, how
16 the -- how service by the company relative to
17 questions asked, the general setup of the program,
18 and so on and so forth.

19 BY MS. LANGENECKERT:

20 Q. If the purpose is to test the waters,
21 what are the tests, what you've described or
22 something else?

23 A. Testing the waters would require doing
24 both -- usually require doing a process and an impact
25 evaluation of the program.

1 Q. And what other criteria for success?

2 A. Well, you'd like to see what the
3 participation rate was, what the level of the impacts
4 were, customer satisfaction, issues that might have
5 arisen in the implementation of the program, ways the
6 program might be improved, you know, the general
7 kinds of issues that arise with any kind of program
8 that's provided to a customer.

9 Q. Would economics be one of those factors?

10 A. Yes.

11 Q. Again in your testimony, same page on
12 line 13, you say that interruptible rates are very
13 common throughout the U.S. How many utilities would
14 you say have rates of this sort?

15 A. I couldn't give you an exact number.

16 Q. I don't need an exact, just a ball park.
17 Would you say 200?

18 A. I don't know about 200. I certainly
19 think they're some amount. I couldn't tell you
20 exactly.

21 Q. So very common could be two?

22 A. No.

23 Q. So it's somewhere between two and 200?

24 A. It could be somewhere between two and
25 200, yes.

1 Q. Given that such rates are very common
2 throughout the U.S., to use your words, would you say
3 that they are successful in achieving their goals?

4 A. Depends on the goal.

5 Q. Okay. Well, you had named quite a
6 variety of goals that you thought would be looked at
7 when evaluating these programs. Have those very
8 common programs achieved the goals that you think are
9 the important ones?

10 A. I mean, that's -- that's a question that
11 I can't answer because I haven't looked at all the
12 utilities' assessments of those programs.

13 Q. Okay. How about the ones that you
14 looked at in the EPRI survey of innovative rates?

15 A. Again, we did no judgment about whether
16 or not the programs were successful. We only try to
17 evaluate -- try to assess and let people know what
18 the impacts of the -- of the programs were. That
19 requires a separate assessment for each utility, and
20 EPRI was not about to take the task on of doing a
21 separate assessment for each utility.

22 Q. Okay. Well, how would you determine
23 success?

24 A. Again, as I said before, go through the
25 cost benefit analysis, do the impact evaluation, do

1 the process evaluation of the programs and so on.

2 Q. But the economics of it would be better
3 for the utility, I assume, than better for the
4 customer under your perspective?

5 A. No, not necessarily. I mean, often
6 interruptible rates are frankly offered as a kind of
7 economic development rate; that is to say the
8 likelihood of interruption is low, the customer
9 receives a discount on a megawatt basis, the customer
10 benefits a lot from that. So it's not necessarily
11 the case that those necessarily flow to the -- to the
12 utility.

13 Indeed, most of the time these such
14 rates as interruptible, curtailable rates are aimed
15 at benefits to the customers' side because they, in
16 turn, reduce overall costs for the utility and those
17 costs are then passed through to ratepayers.

18 Q. Okay. Let's go back to the RTP for a
19 minute. AmerenUE proposed a rate and no customers
20 signed up. Would you say that was a successful rate?

21 A. I don't know. I'd have to do a cost
22 benefit analysis about -- about what RTP looks like
23 for Ameren.

24 Q. Well, the one that they proposed had no
25 one sign up. Does that make it successful? Could a

1 successful RTP rate have no takers?

2 A. Sure. If it turned out there was no
3 economics that really generated a benefit for
4 AmerenUE and its customers for which it could offer a
5 price, then that's a completely successful program
6 from the standpoint of there's no detriment to
7 customers as a result of the rate.

8 Q. Well, it appears that if they developed
9 a RTP program that was not desirable for any of their
10 customers, then it would not be considered a
11 successful RTP program.

12 A. A success depends on the cost benefits.
13 I mean, if you can't offer a RTP program such that
14 the rates attract customers, and such that the rates
15 would cause -- would incur other customer classes
16 that incur cost as a result of that rate, then the
17 rate, you know, simply isn't economic, in which case
18 a successful program may mean zero participants from
19 the standpoint of economic efficiency.

20 Q. Okay. Well, imagine for a moment that
21 Ameren proposed an IDR with a credit of ten cents a
22 kilowatt hour and a duration of one year. Do you
23 think customers would sign up for that?

24 A. If that represented the economics to
25 AmerenUE in terms of the value to it of having these

1 kinds of interruptions and nobody signed up, it would
2 be perfectly successful.

3 Q. All right. That wasn't my question. I
4 asked if customers would sign up for it.

5 A. I don't know.

6 Q. Under the current situation, rates as
7 they currently stand, if Ameren were to propose an
8 IDR with a credit of ten cents and a duration of one
9 year, do you believe that any of AmerenUE's Missouri
10 customers would sign up for that?

11 A. I have no reason to believe -- I have no
12 basis for asserting what a participation rate for
13 such a burden would be like.

14 Q. Do you believe that it's possible to
15 design a rate that by its terms would be unattractive
16 to customers?

17 A. Absolutely there are --

18 Q. Okay. Thank you.

19 A. -- programs that are unattractive.

20 Q. Do other utilities in the U.S. have
21 successful interruptible rates?

22 A. Again, the fact that the programs exist
23 represents some measure in some sense of success of
24 the programs, but I don't have a basis by which to
25 decide what that measure of success was.

1 Q. So some utilities do have successful
2 programs?

3 A. By whatever measure they use as a basis
4 for success.

5 Q. Okay. What information does Ameren have
6 that its potential customers are similar to or
7 different from customers using interruptible power in
8 other places?

9 A. I'm sorry. I don't understand the
10 question.

11 Q. Okay. Are you aware of any information
12 that AmerenUE has that its current Missouri customers
13 who are potentially going to sign up for the IDR that
14 they have proposed are similar to or different from
15 any other customers in other jurisdictions using
16 interruptible rates?

17 A. I haven't been privy to the means by
18 which the program has been designed, so I don't know
19 what information Ameren is relying upon.

20 Q. The AmerenUE pilot is limited to a
21 two-year period; is that correct?

22 A. That's correct.

23 Q. Do you know why it got limited to a
24 two-year period?

25 A. No.

1 Q. All right. The pilot starts on June 1,
2 2007, but if this rate case goes to Commission
3 decision with a final order, that decision will not
4 come out until after June 1, 2007, will it?

5 A. I assume not.

6 Q. Okay. So under the IDR tariff as it is
7 currently written, a customer could not actually sign
8 up for it until June 1, 2008, correct?

9 A. I assume so.

10 Q. So this is really a one-year pilot?

11 A. I don't know how -- how that would work
12 out. I don't know that --

13 Q. Well, if it ends in 2009 --

14 A. Can I finish, please?

15 Q. I'm sorry.

16 A. I don't know how that would work out. I
17 don't know that Ameren wouldn't, as part of this rate
18 case, say I'd like to have this pilot be such that I
19 get the full two years' worth of participation. This
20 rate case hasn't concluded, and when the rate case
21 does conclude, then we'll know exactly how long that
22 would be.

23 Q. But the tariff that they have proposed
24 starts June 1, 2007. If --

25 A. As it is designed, it would have only

1 one year's length.

2 MR. FISCHER: Again, your Honor, I
3 would -- just to note again that we will have an
4 in-house witness that can address the mechanics of
5 what Ameren had in mind.

6 BY MS. LANGENECKERT:

7 Q. Okay. From an evaluation standpoint, a
8 one-year pilot really gives you less time to
9 evaluate, does it not, than a two-year pilot?

10 A. Yes.

11 Q. Okay. Do you see how an industrial
12 customer could say that this pilot could also be just
13 for show?

14 A. I'm not sure what you mean.

15 Q. I mean the same thing I did under the
16 EDR.

17 A. Again, that's an assertion on -- of
18 guile on the part of AmerenUE that I would find
19 unacceptable.

20 MS. LANGENECKERT: Thank you very much.

21 JUDGE WOODRUFF: Thank you. Is there
22 any other cross? Mr. Mills for Public Counsel.

23 CROSS-EXAMINATION BY MR. MILLS:

24 Q. Good morning, Mr. Hanser.

25 A. Good morning.

1 Q. My name is Lewis Mills. I represent the
2 Public Counsel in this proceeding. Let me just ask
3 you first off, what is the -- what is the role of The
4 Brattle Group in support of AmerenUE in this case?

5 A. My understanding is that I serve as an
6 expert witness and there's some other advice relative
7 to rate issues that may have been provided.

8 Q. So in addition to filing testimony,
9 you've provided other advice to the company in the
10 course of this proceeding?

11 A. No, not I, but other members --

12 Q. But the Brattle -- when I say "you" I
13 mean The Brattle Group.

14 A. Other members of The Brattle Group, yes.

15 Q. And what has the scope of their advice
16 been?

17 A. I don't know.

18 Q. Do you know the scope of the contract
19 for The Brattle Group?

20 A. I don't believe we have a contract
21 per se. We generally have letter agreements. So I
22 don't know what the scope of the services that are
23 being provided other than my own testimony.

24 Q. Okay. But you -- but you are aware The
25 Brattle Group is providing more services other than

1 those services that you yourself provide?

2 A. Yes, that's my understanding.

3 Q. But you don't know the scope of those
4 services?

5 A. I don't.

6 Q. Okay. And with respect to your role in
7 this case, what -- describe for me what your role is.
8 What were you hired to do?

9 A. I was -- The Brattle Group and I as a
10 witness was asked to look at these rates and to offer
11 an opinion about specific aspects of their design.

12 Q. Okay. So with respect to the EDR and
13 the IDR, you were presented with AmerenUE's proposal
14 and asked to evaluate and support it?

15 A. No. I was just asked to evaluate it and
16 asked -- and asked to offer my opinion about it.

17 Q. Okay. And you did, in fact, support it?

18 A. I did, in fact, support it.

19 Q. Okay. But you didn't design it?

20 A. No.

21 Q. Neither the EDR or the IDR?

22 A. I did not.

23 Q. Okay. Had you designed it, would you
24 have made changes?

25 A. I don't have the information to do such

1 a redesign of these rates. I took that the analysis
2 that Ameren had done was appropriate.

3 Q. Mr. Hanser, do you have a copy of
4 Mr. Mill's testimony with you?

5 A. No.

6 Q. Okay. Did you read Mr. Mill's
7 testimony?

8 A. No. I read it briefly but I can't say I
9 put it to memory or anything.

10 Q. Okay. Are you familiar with the IDR
11 tariff that's attached to Mr. Mill's testimony?

12 A. Yes, I am.

13 Q. Do you have a copy of that?

14 A. I believe so.

15 Q. Okay.

16 A. I think I have it as part of my backup.
17 I have it as a Union Electric, electric service,
18 Missouri service area, industrial demand response
19 pilot.

20 Q. Yes. That's -- that's the questions I'm
21 going to be asking you about. Well, let me --

22 MR. MILLS: Your Honor, may I approach?

23 JUDGE WOODRUFF: You may.

24 MR. FISCHER: That's direct?

25 MR. MILLS: Yes, and I gave him a copy.

1 That's okay.

2 BY MR. MILLS:

3 Q. Mr. Hanser, I've just handed you a copy
4 of the direct testimony of Robert J. Mill submitted
5 in this case, and if I could just get you to turn to
6 page 11?

7 A. Yes.

8 Q. I believe you said you looked at this
9 briefly. Is it -- is it your understanding that
10 Mr. Mill's testimony with respect to the industrial
11 demand response pilot consists of part of page 11 and
12 all of page 12 of his direct testimony?

13 A. Yes, that's the understanding.

14 Q. Okay. On page 11 at line 18, Mr. Mill
15 is talking about the market value of regulated
16 capacity. Are you familiar with the concept of
17 regulated capacity?

18 A. Yes.

19 Q. And what exactly is regulated capacity?

20 A. You know, roughly, it's a measure of the
21 value or the cost of capacity that's permissible
22 under typically cost of service regulation of one
23 sort or another; where alternatively it's the
24 capacity charge that may be found in a market.

25 Q. Is it also sometimes referred to as

1 regulatory capacity?

2 A. I believe so.

3 Q. Okay. So -- and at least as far as you
4 know, those two terms are synonymous?

5 A. They are often synonymous.

6 Q. Okay. Do you know whether Mr. Mill is
7 using it in a sense here that's synonymous with
8 regulatory capacity?

9 A. I believe so but I'm not sure.

10 Q. Okay. Now, with respect to the tariff
11 for IDR, and looking specifically at sheet 218 under
12 "demand credit," the credit of two dollars per
13 kilowatt of monthly curtailable demand, is that the
14 same discount that Mr. Mill is talking about at line
15 16 through 18 on page 11 of his testimony?

16 A. I believe so.

17 Q. Okay. So that two dollars is designed
18 to approximate the market value of regulatory
19 capacity?

20 A. I believe so.

21 Q. Okay. Now, in your direct testimony
22 page 15, line 11, and is it correct that this
23 question and answer from -- from line 9 through
24 line 18 on page 15 is talking about social benefits
25 for the IDR?

1 A. Yes.

2 Q. Okay. Now, the first benefit that you
3 enumerate is ensuring firm supplies to
4 nonindustrial -- noninterruptible customers; is that
5 correct?

6 A. Yes.

7 Q. And what do you mean by ensuring firm
8 supply to noninterruptible customers?

9 A. To the extent that there is some system
10 emergency or whatever and there may be a shortage of
11 capacity, by interrupting some customers, you may
12 improve the reliability of the remaining customers.

13 Q. Okay. What is your understanding of the
14 current capacity status on the AmerenUE system?

15 A. I don't have an assessment of its
16 current capacity status.

17 Q. Don't you need to know that to know what
18 the likelihood of an interruption in supply to
19 noninterruptible customers is?

20 A. I'm sorry, say that again.

21 Q. Don't you need to know what the capacity
22 status of the utility is to be able to assess the
23 likelihood of interruption to firm customers?

24 A. Yes.

25 Q. But you don't know the status of

1 capacity on the UE system?

2 A. No.

3 Q. So you don't know how likely it is that

4 there will be an interruption to firm customers; is

5 that correct?

6 A. No.

7 Q. Okay. Do you know when the last time on

8 the AmerenUE system there was any load shedding done?

9 A. No.

10 Q. Okay. Do you know of any time that firm

11 supply -- I mean, the supply to firm customers has

12 been shut off because of a system emergency on the UE

13 system?

14 A. No.

15 Q. Okay.

16 A. By the way, I do want --

17 Q. Well, I don't have a question --

18 A. Okay.

19 Q. -- so I think we're done for now.

20 A. Sorry.

21 Q. If you just wait a minute, I'll ask you

22 some more and then you can talk.

23 A. Oh, okay.

24 Q. Now, with respect to these -- the

25 benefits that you're listing in your answer on

1 lines 10 through 18 on page 15 of your direct
2 testimony, are some of those benefits to society and
3 some of those benefits to the utility?

4 A. My assumption is, is that to the extent
5 that these costs are reduced for all customers, they
6 represent, you know, across-the-board benefits.

7 Q. Well, let's talk about your benefit of
8 lowering enforcement costs. How is that a benefit to
9 society?

10 A. Well, to the extent that those are
11 administrative costs that go along with, you know,
12 administering the program, you know, those are a kind
13 of -- that's a kind of cost. Presumably, the pilot
14 program gives you information about the design of the
15 program and in the long run, if you were to interrupt
16 a large -- to have a larger program, you'd have a
17 better designed program. And to that extent, it's a,
18 quote, unquote, lowering of the enforcement cost.

19 Q. But isn't that lowering enforcement cost
20 as opposed to some level of enforcement cost in a
21 differently designed IDR program?

22 A. Well, it can also be, for example, if
23 you needed to enforce an interruption. Again, it is
24 a transfer of a reduced cost as a result of
25 interruption. For example, you might interrupt --

1 you might find the necessity for interruption not
2 just because of a, quote, unquote, large scale system
3 emergency, but you might find yourself in a position
4 you're at a local emergency in a sense. A part of
5 the transmission system or a part of the distribution
6 system was out. To the extent you have this program
7 in effect and that you can reduce that problem by
8 interrupting a few customers, you reduce those
9 overall costs.

10 Q. Is there anything in this program as
11 it's designed that would restrict or encourage
12 customers in a different location to take advantage
13 of the program?

14 A. There's no locational component to the
15 program, but the locations of the customers would be
16 known. And to the extent that the utility can take
17 advantage of those -- that locational information, it
18 would -- could then use it.

19 Q. So if by chance there is a local
20 emergency and if by chance one of the customers that
21 happened to sign up for this program was in that
22 vicinity, then there may be some benefit to that; is
23 that what you're saying?

24 A. That's right.

25 Q. Okay. Now, one of the other benefits

1 you refer to is potentially avoiding the use of
2 external purchases of high cost energy; is that
3 correct?

4 A. That's right.

5 Q. If there's no fuel adjustment clause for
6 AmerenUE, how do customers benefit from avoiding the
7 cost of high -- the use of external purchases of
8 high-cost energy?

9 A. Any -- any time that the utility has the
10 opportunity or the means by which it can lower its
11 costs, if it -- it has the opportunity for, you know,
12 providing some benefit to customers.

13 Q. My question was if there is no fuel
14 adjustment clause, how will customers benefit by the
15 utility avoiding the purchase of high-cost energy?

16 A. Well, in a -- with a fixed rate in an
17 existing rate case, the benefit would be presumably
18 some reduced cost of the utility -- I am not sure of
19 the mechanism, I'd have to think about the mechanism
20 by which that would be passed on to customers in a
21 fixed -- in a fixed rate situation, but to the extent
22 it lowers cost to the utility, there -- I presume
23 that there would be some mechanism for it to be
24 passed on.

25 Q. Okay. Tell me what that mechanism is.

1 A. I'd have to think about it for a moment.

2 Q. Please do.

3 A. Well, to the extent, for example, that
4 it had to do with highly volatile prices in the
5 market outside, and to the extent that it had -- it
6 would make an investment, for example, in dealing
7 with price volatility, the cost that would be
8 incurred with price volatility associated with it
9 would be reduced. There is no costless mechanism for
10 hedging, for example, prices. And so to the extent
11 that you can reduce hedging costs for the possibility
12 of outside power purchases, then you would, in fact,
13 reduce the cost to customers as a whole.

14 Q. And how -- how will customers take --
15 how will customers get the advantage of that -- and
16 my question was about mechanism. If the utility has
17 the lower cost, how do the customers benefit from
18 that lower cost, whether it's reduced cost of hedging
19 or whether it's reduced cost of power purchases; how
20 do customers benefit?

21 A. Well, again, with the fixed revenue
22 requirement, there's no immediate benefit to the
23 customers from -- from that sort of situation. But
24 to the extent that the program exists and it would be
25 carried forward into future rate cases, then those --

1 those benefits would carry forward. If you don't
2 have the program in place and you can't demonstrate
3 there were any benefits to the program and you'd like
4 to take advantage of the future, you have to start
5 somewhere and if you don't have someplace to start,
6 you can't do it.

7 Q. Okay. Now, in your direct testimony at
8 page 16, line 20, you say that the IDR pilot program
9 improves service reliability. Are you talking there
10 about reliability to customers in the face of
11 thunderstorms or ice storms?

12 A. Well, my -- the point there was simply
13 that to the extent that the utility that AmerenUE has
14 to use to take advantage of some means by which to
15 deal with system condition, and to the extent that's
16 a resource that's available to improve reliability,
17 then it's available.

18 Q. Okay. Is it your testimony here today
19 that this program will improve service reliability in
20 the face of thunderstorms and ice storms?

21 A. I would have to analyze the specific
22 impacts of thunderstorms and ice storms on the system
23 in order to make that assessment.

24 Q. Is that a yes, no, or I don't know?

25 A. It's an I don't know because I don't

1 have the information.

2 Q. Okay. So your testimony there is not
3 that this program will help in the face of
4 thunderstorms and ice storms?

5 A. My testimony is that I -- that's an
6 interesting situation to assess. I haven't done an
7 assessment and I don't know.

8 Q. Okay. Now, do you know when utilities
9 and other load serving entities typically try to
10 start marketing regulatory capacity, what time of
11 year?

12 A. My presumption would be it's times in
13 which they think there will be some problem
14 associated with capacity and so they go to market it.

15 Q. Do you know whether that market is
16 typically that bilateral -- bilateral contracts in
17 that market are typically calendar year contracts?

18 A. You mean for the entire calendar year?

19 Q. Yes.

20 A. I don't know exactly -- I know there are
21 some calendar year contracts. It depends on the
22 utility in the situation.

23 Q. Are you testifying today as an expert in
24 regulatory capacity? Is that -- is that within your
25 field of expertise?

1 A. I'm -- in terms of capacity contracts, I
2 know capacity contracts that exist for the entire
3 year. You know, that's -- when -- when -- that's the
4 nature -- I'm sorry. Let me say that again.

5 So there are capacity contracts that
6 exist for entire -- for the entire year.

7 Q. Okay. Did you distinguish between
8 regulatory capacity contracts and capacity contracts
9 in general?

10 A. No.

11 Q. Okay. Now, do you still have a copy of
12 Mr. Mill's testimony there?

13 A. Yes.

14 Q. And -- well, and you can look at this in
15 either place but I'm gonna talk about the tariffs.
16 They are attached to his testimony and I'm looking
17 specifically at sheet 19. 219, I'm sorry. With
18 respect to the terms and conditions paragraph on that
19 page, do you see that?

20 A. Yes.

21 Q. What specific MISO criteria and MISO
22 determination are referenced in that paragraph?

23 A. I don't know exactly.

24 Q. Do you know in general?

25 A. Generally the programs have a

1 requirement for a certain assuredness of
2 interruption, sizes and so on.

3 Q. And is that something that an electric
4 reliability organization or a MISO would look at?

5 A. Well, I believe that MISO acts as a
6 reliability organization in this regard. It's a
7 question about a resource that it can count -- count
8 on overall.

9 Q. Do you know what the SERC is? S-E-R-C
10 is the acronym.

11 A. Yes.

12 Q. What is that organization?

13 A. It's a reliability council.

14 Q. Okay. And do you know if they have any
15 role in this determination?

16 A. I'm sure they do.

17 MR. MILLS: Okay. That's all the
18 questions I have. Thank you.

19 JUDGE WOODRUFF: All right. Staff wish
20 to cross?

21 MR. WILLIAMS: No.

22 JUDGE WOODRUFF: All right. Come up for
23 questions from the bench, then. Commissioner Murray,
24 do you have any questions?

25 COMMISSIONER MURRAY: I have no

1 questions, thank you.

2 JUDGE WOODRUFF: I'm sorry.

3 MS. CARVER: That's okay. I had a
4 couple questions.

5 JUDGE WOODRUFF: Go ahead.

6 COMMISSIONER GAW: Judge, before --
7 could I interrupt real quickly? Mr. Mills?

8 MR. MILLS: Yes?

9 COMMISSIONER GAW: The last question was
10 off of a -- was off of a document and I didn't catch
11 it.

12 MR. MILLS: Oh, I'm sorry. It's the --
13 there's a -- there's a proposed tariff, proposed set
14 of tariffs for the industrial -- industrial demand
15 response program. I believe that this witness has a
16 copy on its own. It's also an attachment to UE
17 witness Bob Mill's direct testimony. And the
18 specific sheet I was talking about is sheet No. 219
19 which in Mr. Mill's attachment is RJM-3-4.

20 COMMISSIONER GAW: Thank you. Sorry to
21 interrupt.

22 MR. MILLS: Okay.

23 JUDGE WOODRUFF: Before you get started,
24 Ms. Carver, I wanted to ask Ms. Langeneckert, your
25 Exhibit 555 and 556, did you wish to offer them?

1 MS. LANGENECKERT: I do. I'm sorry.

2 Yes.

3 JUDGE WOODRUFF: All right. 555 and 556
4 have been offered. Are there any objections to their
5 receipt?

6 MR. FISCHER: Just a moment, your Honor.
7 Your Honor, I have an objection on lack of
8 foundation. We think there are some mathematical
9 errors included in here, and if counsel had wanted to
10 include this in the record, she should have included
11 it with her filing of her testimony in the case, so I
12 do object to 555.

13 JUDGE WOODRUFF: 555 as well as 556, or
14 just 555?

15 MR. FISCHER: I have no objection to
16 556.

17 JUDGE WOODRUFF: Okay. Well, 556 will
18 be admitted.

19 (EXHIBIT NO. 556 WAS RECEIVED INTO
20 EVIDENCE AND MADE A PART OF THE RECORD.)

21 JUDGE WOODRUFF: And what was your
22 objection again to 555?

23 MR. FISCHER: Lack of foundation and we
24 believe there are also inaccurate calculations
25 included.

1 JUDGE WOODRUFF: Well, the accuracy is,
2 of course, not a basis for objection to the
3 admission. It won't rise or stand on its accuracy,
4 and you can address that in your briefs. I believe
5 there was sufficient foundation laid and it will be
6 admitted into evidence. The objection is overruled.

7 (EXHIBIT NO. 555 WAS RECEIVED INTO
8 EVIDENCE AND MADE A PART OF THE RECORD.)

9 JUDGE WOODRUFF: All right. Ms. Carver?
10 CROSS-EXAMINATION BY MS. CARVER:

11 Q. Mr. Hanser, I'm Gaylin Rich Carver with
12 Missouri Association of Social Welfare, and my
13 questions pertain to your rebuttal testimony, in
14 particular, the part regarding the essential service
15 rate that begins on page 5.

16 On page 7 you begin discussing some of
17 the programs that AmerenUE and -- or that are
18 provided by both AmerenUE as well as the federal
19 government for financial assistance to low-income
20 persons, specifically the Dollar More Program which I
21 believe is implemented statewide as well, and then
22 the other one that's provided by AmerenUE is the
23 weatherization or energy efficiency programs that
24 mainly are provided, I think, in the St. Louis area.

25 Is there any reason that these programs

1 that are currently implemented would not work in
2 conjunction with this essential service rate program?

3 A. Well, to the extent that the lowered
4 rate reduces the incentive to do the weatherization,
5 that it interferes with those programs.

6 Q. But -- but the programs that are put --
7 that provide for the energy efficiency wouldn't
8 necessarily -- I mean, they would still -- could work
9 in conjunction with the essential service rate
10 program?

11 A. Right, but the participant incentives
12 would be reduced.

13 Q. Okay. That's fine. Thank you. My next
14 question would be in regards to page -- on page 9.
15 You make the point that the essential service rate
16 doesn't have as big an impact because natural gas is
17 the primary fuel especially in -- for heating for
18 most -- most homes in Missouri.

19 And I guess my question is that then you
20 would agree that if the essential service rate was
21 implemented not only in this case, what we're talking
22 about, but also in regard to natural gas, it would
23 have a bigger impact; would you agree with that?

24 A. No. I haven't studied the natural gas
25 issue and I don't know what the impact would be

1 relative to natural gas.

2 Q. Okay.

3 A. And I don't see the interaction between
4 having natural gas and the -- and the electricity
5 rate.

6 Q. Well, my -- that's what I'm asking you.
7 I mean, you state here that our program is not -- not
8 well targeted because natural gas is a primary fuel
9 for heat, so that's why I'm -- that's what I'm -- you
10 haven't studied the natural gas impact, then?

11 A. I have not.

12 Q. Okay. On page 10, basically in your
13 lines 1 through 10 you're making the reference that
14 the essential rate service -- the essential service
15 rate would, in fact, possibly be a dissuasion or
16 prevent higher income families from wanting to or
17 being -- having the incentive to make cost effective
18 energy investments in regards to their refrigerators
19 and other type of electronical appliances --
20 electrical appliances.

21 And my question is, do you -- are you
22 saying, then, is it your belief, have you done
23 studies that would back that the main -- the only
24 incentive to implement energy-efficient is monetary,
25 that that's the only incentive; is that what

1 you're -- I mean, is that what you're saying here,
2 that the only incentive to implement those new types
3 of appliances is truly monetary?

4 A. No, that's not what I said. What I said
5 was that if you were well -- if you were well enough
6 off to afford to insulate your home well and buy
7 energy efficient appliances, then this rate in some
8 sense creates a cross-subsidy from poor people to
9 rich people.

10 I mean, in the sense that those folks who
11 can afford to do that and who can get their consumption
12 low enough can take advantage of the rate. And that's
13 a kind of odd cross-subsidy if the rate for this is
14 to be meant for low-income individuals.

15 Q. And then your argument is that the
16 low-income individuals that would need the fuel to
17 take advantage of the essential services rate are not
18 necessarily using the most energy efficient
19 appliances?

20 A. That's right.

21 Q. But at the same time, as we all know, we
22 do have this weatherization and energy efficient
23 programs that are available for the low-income that
24 are not available for the wealthier; is that correct?

25 A. That's true, but then you've also

1 reduced the incentives for the low-income individuals
2 to participate in it.

3 Q. Except that we still -- we are providing
4 those services and incentives for them to implement
5 the energy efficient appliances; is that correct?

6 A. Well, you're continuing to offer it, but
7 whether or not somebody participates is another
8 question.

9 Q. Well, let me ask you this question: Is
10 there a -- if -- regarding the wealthy -- a wealthier
11 income family, upper -- upper income, upper middle,
12 upper income family, if they are implementing these
13 cost-efficient, energy efficient appliances, then
14 they're essentially going to be consuming -- ideally
15 consuming less units of energy, correct?

16 A. Presumably.

17 Q. So then a higher percentage of their
18 energy consumption would be in this -- you actually
19 call it an initial block in this essential service
20 rate; is that correct?

21 A. That's correct.

22 Q. So they -- so there would be not only a
23 monetary incentive for the upper income to implement
24 that program?

25 A. Well, it seems to me that that's

1 providing a double benefit to somebody who has
2 decided to make the investment and now they get an
3 additional incentive by virtue of having their rates
4 lowered.

5 Q. So you don't want to make a double
6 incentive?

7 A. Well, I just don't -- I think that's not
8 a consideration in the design of this -- this rate.
9 This rate is meant to be a rate that's supposed to
10 benefit low-income individuals and I think it doesn't
11 target anybody particularly well. It benefits those
12 who don't need those benefits and --

13 Q. Okay. But my question -- my question
14 specifically, though, was would you not agree,
15 though, that the incentive for the -- for
16 wealthier -- and you're the one who's saying that
17 this incentive -- that this program is only for the
18 low-income.

19 I think our argument all along has been
20 yes, this will help low-income families --
21 residential families the most, but it will also
22 benefit modest income as well as upper income to --
23 unless we're just pointing out here as you've agreed,
24 that the upper incomes' incentive -- their incentive
25 to -- to put in more energy efficient appliances will

1 be that a bigger percentage of their usage will be in
2 this initial block.

3 MR. FISCHER: Your Honor, I didn't hear
4 a question there. It seems more like testimony from
5 the counsel's table.

6 JUDGE WOODRUFF: Is there a question?

7 MS. CARVER: I think -- actually, I
8 think my question -- actually, no. I'll withdraw my
9 statement. I think he'd already answered it, but --
10 okay. I have one more question.

11 BY MS. CARVER:

12 Q. What assessments or studies have you
13 reviewed, in particular, other places where this kind
14 of -- this type of program, this essential service,
15 essential rate program, whether it was named that or
16 something else, have you done -- have you done other
17 assessments and looked in other areas where this type
18 of program has been implemented?

19 A. Well, I did pick up a study by Roger
20 Colton (phonetic spelling) who had done this -- a
21 study called, "Paid But Unaffordable; The
22 Consequences of Energy Poverty in Missouri and
23 Elsewhere."

24 Q. And does that in particular look at
25 areas where this program has already been

1 implemented?

2 A. Well, here's what he said about -- he
3 did a study called "Models of" -- can I finish?

4 Q. Just -- I'm sorry. No, just yes or no.
5 I'm sorry. I just want to know if you did -- have
6 you looked at other studies, have you not looked at
7 other studies?

8 A. I'm trying to say that I did look at
9 other studies and I just want to say --

10 Q. Thank you.

11 A. -- what that other study was.

12 Q. That's fine.

13 A. In a paper called "Models of Low-Income
14 Utility Rates."

15 Q. Okay. Thank you. I know that this
16 program's been implemented in Seattle, Washington,
17 for example. Have you done any studies in regards to
18 how it's been perceived and has it helped low-income
19 families?

20 A. No, I haven't looked at it because -- at
21 least in part, I haven't spent much time looking at
22 across the rates either, but Seattle utility, that
23 constitutes a municipal utility and its situation is
24 different than AmerenUE.

25 Q. Okay. Fair enough. Do you have any

1 idea what if -- in going back to the low-income
2 programs that we currently have in place, the Dollar
3 Share Program and these, do you have any numbers or
4 any idea on the number -- percentage of people who
5 could take advantage of those programs and do not?

6 A. I don't have -- there are lots of
7 numbers floating around. I know there are roughly
8 160,000 folks participating in LIHEAP.

9 Q. Right.

10 A. I remember --

11 Q. That was in your --

12 A. And I noticed that in this study that
13 was done by Colton, he seemed to indicate on page --
14 let's see -- let me see if I can find the page. His
15 estimate, there was about 160,000 people who are
16 below the poverty level, so it's sort of roughly
17 coincident with the number of folks who are
18 participating in LIHEAP.

19 Q. Okay. But what about the other two
20 programs? Do you have any numbers?

21 A. I don't have numbers on the other two
22 programs.

23 MS. CARVER: Okay. Thank you. I have
24 nothing further.

25 JUDGE WOODRUFF: Thank you.

1 Commissioner Murray, do you have anything?

2 Commissioner Gaw?

3 COMMISSIONER GAW: I do.

4 JUDGE WOODRUFF: Go right ahead.

5 QUESTIONS BY COMMISSIONER GAW:

6 Q. Good morning, sir. How are you?

7 A. Fine, thank you.

8 Q. I want to talk to you about, first of
9 all about demand response. The program in the pilot
10 that's -- that is offered here, is it the only demand
11 response program that's currently offered that would
12 currently -- that would be offered by UE if it were
13 implemented, or are there other tariffs out there,
14 are you -- are you aware?

15 A. I'm not aware of other tariffs.

16 Q. Okay. So is the scope of what you were
17 asked to do in regard to demand response just limited
18 to this particular offering by Ameren of this pilot
19 program?

20 A. Yes.

21 Q. Okay. You have knowledge, though, way
22 beyond this particular tariff; isn't that correct?

23 A. Yes.

24 Q. In fact, that's part of what you do is
25 to look at demand response programs and evaluate them

1 along with many other things, but that's one of the
2 things that you do?

3 A. Yes.

4 Q. All right. Now, when -- are you -- when
5 you're looking at this particular program, can you
6 tell me how it would compare to other like programs
7 that you have looked at in the past? And I'm gonna
8 confine this just initially to those kinds of
9 programs that offer a discounted rate in order to be
10 interrupted.

11 A. There's a wide -- wide variety in terms
12 of how the discounts operate and the size of the
13 discounts.

14 Q. Okay.

15 A. They all generally tend to be based on
16 essentially the value of avoided capacity that would
17 have been incurred but for the program existence. I
18 haven't seen the specific calculations of Ameren, but
19 reading the testimony of Mill and others suggests
20 that they've done the calculation for what avoided
21 capacity is for Ameren.

22 Q. Okay.

23 A. And, in fact, base the size of the
24 discount on the size of the -- the value of capacity
25 that -- or the cost of capacity that Ameren would

1 have to incur in order to do the program.

2 Q. All right.

3 A. In the absence of --

4 Q. You didn't -- you didn't evaluate that
5 yourself, you're just taking that -- that number and
6 building upon that assumption, correct?

7 A. That's correct.

8 Q. All right. Now, if you're looking at
9 evaluating that type of -- of cost, what is it that
10 you would normally do in making that evaluation, in
11 making a calculation, first of all, of what that
12 avoided cost would be?

13 A. I'd look at the value of capacity.
14 That's the primary determinate.

15 Q. Is that -- and when you say "the value
16 of capacity," break it down for me, if you would.
17 Are you talking about the avoided cost of actually
18 constructing generation, or are you talking about the
19 cost -- avoided incremental cost of running
20 generation? Give me an idea of what you mean?

21 A. Generally -- excuse me, generally if
22 it's a program like this, you'd just look at what the
23 market costs basically for obtaining capacity would
24 be. You could do it that way. Alternatively, you
25 could look at the value of the capacity cost that

1 you've incurred and use that as a proxy. Either one,
2 presumably in equilibrium, they're about the same,
3 so --

4 Q. Okay.

5 A. So that would be the basis for the
6 capacity charges, or in this case the capacity
7 discount.

8 Q. Now, if you were talking about replacing
9 capacity that would be the replacement of capacity or
10 the delay of build of capacity, knowing how long the
11 program was likely to last and how many customers you
12 could get into this or maybe how many megawatts you
13 potentially are shaving off would be important,
14 wouldn't it?

15 A. Well, I mean, generally, you can do a
16 calculation about the -- what is the impact -- let me
17 step back. There are lots of different ways to do
18 calculations of marginal capacity cost. One of them
19 is a, quote, unquote, system method which basically
20 looks at the cost of delaying capacity by a year --

21 Q. Okay.

22 A. -- all right? For example --

23 Q. Okay. Keep going. That's -- that's
24 what I'm looking for.

25 A. Could be -- you could take a year and

1 say, all right, let's look at the net present value
2 of the revenue -- revenue requirements associated
3 with building whatever you're gonna do versus net
4 present value of the revenue requirements
5 associated -- associated with delaying it a year.
6 And that difference, net of the fuel benefits
7 associated with the -- with the -- with the unit,
8 would be, in essence, the value of capacity.

9 Q. Okay. Now, I'm trying not to
10 intermingle demand response with a broader term of
11 demand supply, but we may cross over into that from
12 time to time. In this particular proposal, this is
13 purely a demand response category, correct?

14 A. That's my understanding.

15 Q. All right. Now, when -- when we look at
16 calculating those costs, then, if you were talking
17 about a program that would -- that would look at the
18 construct of new generation and the avoidance of that
19 or the delay of that for multiple years, that would
20 change your analysis on the value of that demand
21 response, wouldn't it?

22 A. Well, presumably, you'd be doing this in
23 such a way so that you could look year by year at the
24 value of capacity. That is to say, the value of
25 capacity would differ year by year. And in

1 general -- I mean, there's no fixed way to do it but
2 typically it's done a year at a time. That is to
3 say, I'd postpone it a year and see what happens.
4 And so you would generate a series if you wanted to
5 of capacity values as a result of doing that sort of
6 exercise.

7 Q. And what I'm really trying to understand
8 here is when we're looking at an analysis that
9 involves a window-of-time pilot, is the analysis
10 different in regard to the calculation of benefit
11 that could be derived from a demand response program
12 as opposed to having a program that you assume would
13 be in existence for a much longer period of time?

14 A. Sure. To the extent that you're looking
15 only at a delay of capacity for the two years of the
16 program, that would be a different number than, for
17 example, if I were to permanently add capacity of
18 that size for the lifetime of the equipment or
19 something like that.

20 Q. And I assume the value increases the
21 longer you're talking about, the delay or the longer
22 you're talking about --

23 A. Presumably --

24 Q. -- not building or acquiring capacity?

25 A. Presumably they should be increasing

1 every time.

2 Q. All right. And I believe you've already
3 said you don't know what calculation or how the
4 calculation was derived in this case?

5 A. No, I don't.

6 Q. Okay. When I look at, then, the signal
7 that is sent here to the load by this particular
8 tariff, in your opinion, what would -- what would be
9 the appropriate analysis for -- for load to make in
10 deciding whether or not this particular rider were
11 cost-effective to be signed up under?

12 A. It's simply a matter of doing a cost
13 calculation on the part of the participant. My
14 presumption is, is that those -- those companies or
15 market participants would be participating if they
16 would basically see that they could interrupt their
17 load at some amount and the cost of the interruption
18 was less than the discount that they were receiving,
19 because otherwise there wouldn't be a net benefit to
20 them.

21 Q. Yes. Now, with this type of a proposal,
22 the transparency -- well, let me back up. First of
23 all, when you're dealing with demand response issues,
24 generally we're talking about responding to spikes in
25 demand and spikes in prices for electricity, correct?

1 A. That would be the usual situation.

2 Q. All right. And when -- on the wholesale
3 side of the market, when that's -- when that's
4 occurring to -- a load serving entity can fairly
5 easily at this point in the Midwest gauge what demand
6 is and the price for -- on the spot for market for
7 that demand, wouldn't you agree?

8 A. I haven't done an analysis of the MISO
9 market, but my guess is there's a pattern at least at
10 this point of likely prices that you could -- you
11 could expect on the market.

12 Q. But at least there's a transparency at
13 the time, isn't there? I mean, you can -- are you
14 aware -- are you aware of how often the MISO market
15 settles on the spot market?

16 A. I believe it's -- at this point it
17 settles hourly, and I think there are actually price
18 signals every ten minutes for generating units, but
19 the --

20 Q. Or perhaps even five?

21 A. Or even five, I'm not sure. But the
22 price settles on an hour basis.

23 Q. All right. And those signals, then, as
24 it -- as you look at those -- at those signals, if
25 you're Ameren, for instance, you're able to pick up

1 pretty quickly what the trend is and how sharp the
2 prices are in comparison to what the average prices
3 are year round?

4 A. My assumption is they have a reasonable
5 handle, although it's fairly tricky. For example,
6 you know, there are situations in which the price of
7 fuel could change drastically, and that could change
8 fairly drastically the price of power that's
9 exchanged on the market.

10 Q. Well, that's not likely to impact a
11 five-minute cycle, is it?

12 A. It could affect the daily prices quite a
13 lot.

14 Q. It could, yes, but it's not likely to
15 impact -- when we're talking about demand response,
16 aren't we generally talking about portions of the
17 day, not necessarily a 24 or 48-hour period of
18 response?

19 A. Yes. The notification's about
20 60 minutes under this program, that's the minimum
21 notification. I don't know how successful the
22 program will be with only 60 minutes' notification,
23 so it may -- the program designers as they implement
24 the program may choose to want to have a longer
25 horizon for customers as opposed to, say, physical

1 equipment.

2 Q. Okay.

3 A. So to the extent that that's a problem,
4 that could affect the program in terms of how it's
5 operated.

6 Q. But in regard to -- in regard to the
7 price signals that are sent to those who are in the
8 wholesale market, those prices are posted and they're
9 public, correct?

10 A. That's correct.

11 Q. As a matter of fact, we could turn on
12 the computer right -- right now and see what the
13 day-ahead prices are in the MISO market and we can
14 look at what the -- what the settle prices were as in
15 the L&P prices were in the market just by looking at
16 the website, correct?

17 A. I believe so.

18 Q. Now, when we're talking about the issue
19 of transparency here on the retail side, in regard to
20 what the load actually sees out of this proposal,
21 there are no signals sent from an economic standpoint
22 that are transparent in regard to those wholesale
23 fluctuations, are there, in this proposal?

24 A. No. My understanding is, is that --
25 that Ameren would provide notification of its desire

1 to interrupt.

2 Q. And that -- that decision in regard to
3 interruption for the signal that they -- they were
4 going interrupt on the tariff would be entirely in
5 Ameren's discretion, correct?

6 A. That's my understanding.

7 Q. All right. Now -- and that's because
8 the way the program is built, it's a discount of the
9 overall rate paid by the load, correct?

10 A. That's correct.

11 Q. All right. Is there a limit under this
12 proposal to how often it may be exercised in a
13 particular period of time?

14 A. My understanding is it's 200 hours for
15 the period in which they subscribe.

16 Q. So it's a total of 200 per year?

17 A. I believe so, that's the yearly total.

18 Q. Okay. And if the load that's signed up
19 under this provision decides it doesn't want to back
20 off of load and it wants to continue to take service,
21 what occurs? There's a penalty provision or a price
22 that's provided for in this program, correct?

23 A. There's a buy-through provision is my
24 understanding.

25 Q. Okay. Do you remember what that is?

1 A. No, I'd have to look at the tariff
2 itself. But it's basically a buy-through at whatever
3 the market prices.

4 Q. All right. So at that point in time the
5 load decides not to back off, then it basically
6 pays -- pays some sort of a premium under this
7 provision and can go ahead and take service?

8 A. I believe so. Let me -- I can take a
9 look at the tariff.

10 Q. If you want, yes, sir.

11 A. Yeah, the buy-through is at 110 percent
12 of whatever the MISO hourly market clearing price is.

13 Q. Okay. So in -- in effect, then, the
14 transparency issue in regard to market signals on the
15 wholesale side really clouds up between the load
16 serving entity and the load under this particular
17 provision? I'm not making a judgment call about
18 whether it's good or bad, I'm just asking you whether
19 that would be the case.

20 A. Well, presumably -- I mean, my
21 assumption would be that if I were a large industrial
22 customer, I'd turn my computer on just like, you
23 know, Ameren does basically.

24 Q. Right.

25 A. Look at the market prices and see, you

1 know, whether there's likely to be a call on me as
2 far as -- as far as an interrupted is concerned.

3 Q. I suppose that from the standpoint of --
4 well, first of all, would you agree that there is --
5 that cloudiness is there in between the load-serving
6 entity and the load on this transparency in regard to
7 this particular proposal?

8 A. Well, I think -- I think is the -- I
9 wouldn't say cloudiness. Let's put it this way --

10 Q. Put a different word in it.

11 A. Do you mind if I use a different word?

12 Q. No, I don't.

13 A. I guess I would prefer to say that the
14 customer is not privy to the decision rule that
15 Ameren is going to use in terms of -- because the
16 customer can't know what the current resource mix is
17 and its availability. So there could be times in
18 which the price could be quite high in the MISO
19 market, but for which Ameren's resources are
20 completely adequate, and there may be a time when the
21 price is low on the MISO market and for other reasons
22 Ameren decides to interrupt the customer.

23 So it's -- there's -- because the
24 customer is not privy to know the resources that are
25 available to Ameren, it can't know fully the decision

1 criteria by which it would be interrupted.

2 Q. Sure. And you mentioned the fact that
3 they might be looking at the wholesale side, they
4 might decide to do that. I suppose one reason for
5 them to do that would be in the event that they had
6 noticed that there was an interruption to be called,
7 they could make a decision about whether to buy
8 through?

9 A. Exactly.

10 Q. But that would -- they still are -- the
11 initial decision about whether to interrupt or not is
12 the decision of the -- of AmerenUE in this case, not
13 of the load?

14 A. That's correct.

15 Q. Okay. Now, there are programs, are
16 there not, out there where there is a direct signal
17 sent to the load through the load serving entity as
18 to a price, a time of use price, that would provide a
19 very clear signal and a decision left up to the load
20 as to whether or not to back off because of that
21 price at that particular time. That's different --
22 that's a different kind of a proposal than what's in
23 front of us, but I'm asking whether that -- whether
24 you're familiar with those?

25 A. I am generally familiar with those

1 programs, although they tend not to be precisely a
2 real time price. To be perfectly --

3 Q. That doesn't surprise me, but why don't
4 you go ahead and explain that.

5 A. Mostly they tend to be projected prices
6 as opposed to -- so they are based on, for example,
7 what is the expectation of the day-ahead clearing
8 price of the market for the next day. And typically
9 in various ways that forecast is presented to the
10 customer for them to make a decision. As to whether
11 or not that price is actually what clears the market
12 at the time is another story.

13 Q. I understand. But in regard to the --
14 to the price, there is a -- there are programs out
15 there that have that type of a -- an aspect that
16 where there is a -- there is a past due or a price
17 signal and the decision on backing down is basically
18 in the hands of the load?

19 A. That's correct, and those programs are
20 generally called price responsive demand programs,
21 PRD's.

22 Q. Do you know if there is any such program
23 currently at Ameren?

24 A. I -- no, I don't know if there is one or
25 not.

1 Q. All right. And in regard to the
2 participation of how this particular program fits
3 into the wholesale market, is this program of such
4 sophistication that it might be able to be employed
5 in the energy markets for Ameren in any way? In
6 other words, is there a -- are the characteristics of
7 this program such that Ameren can take it into
8 account when it is bidding -- offering or buying in
9 the MISO market?

10 A. Well, I think that there's a
11 requirement, and I don't know the exact details, for
12 operating reserves which Ameren has to meet and which
13 at least other utilities use interruptible load as a
14 means for -- by which they meet their operating
15 reserves.

16 Let's say I have a program, I estimate a
17 certain number of megawatts are gonna be associated
18 with it and the Reliability Council or the --
19 alternatively, the RTO has cited criteria that says
20 okay, you say there are 80 megawatts, we have a rule
21 that discounts by 50 percent, whatever those -- those
22 megawatts are, we'll give you 40 megawatts of credit
23 on, say, 30-minute operating reserves or some form of
24 reserves.

25 Q. Do you know whether that's the case in

1 this particular pilot?

2 A. My presumption was that the criteria
3 that -- that said subject to the MISO rules --

4 Q. Yes.

5 A. -- was specific specifically aimed at
6 the possibility that if there was the possibility of
7 using it as reserves or something that it might be
8 employed that way.

9 Q. Okay. Now, that's -- when you're
10 talking about reserves to me, you're talking about
11 capacity in the short term, I assume --

12 A. Right.

13 Q. -- rather than -- rather than how it
14 impacted the ability of MISO to adjust in the energy
15 market itself. So I guess what I'm asking is --
16 because I'm asking a little different question, and I
17 do want to ask you a little bit more about -- about
18 what you just stated.

19 A. Well, I believe -- I don't know the
20 exact operating procedure for MISO, but if MISO had
21 an emergency, then if it had interruptible load in
22 its member utilities, then it might call upon that --

23 Q. Will that -- okay.

24 A. -- and that would be part of the overall
25 way in which MISO would be operating.

1 Q. Now, there are also emergency tariffs
2 that are involuntary reductions of load in essence,
3 correct?

4 A. I believe every -- almost all of the
5 RTO's have some means by which they shed load
6 involuntarily.

7 Q. That's a different kind of a shedding of
8 load criteria than what this particular proposal is
9 about, correct?

10 A. That's correct. That's a noneconomic
11 shedding of load in the sense that there's no
12 economic criteria by which the load is being shed.

13 Q. Right. And if there's an emergency
14 declared of some sort by a region, MISO region, for
15 instance, those curtailments can start happening in
16 varying -- varying degrees, correct? There may be
17 initially some response on those loads that are --
18 that can be -- can be cut back on a voluntary basis,
19 and then eventually if it -- if it's still not
20 sufficient, then you may be talking about emergency
21 curtailments of load?

22 A. That's right. It's a nonrationing
23 mechanism because you basically start shedding parts
24 of the system subject to -- subject to requirements
25 for certain loads, for example, that have backup

1 generation and, you know, that sort of thing.

2 Q. Okay. Now, how does this program fit in
3 with -- well, okay, let me finish my thought here on
4 this other one before we move on to this question.

5 In regard to ancillary services and --
6 and those things that you were talking about just a
7 few minutes ago, are you -- I think you have already
8 said that you're not familiar with the provisioning
9 of ancillary services in the MISO marketplace?

10 A. That's correct.

11 Q. So you're not familiar with whether or
12 not this program would allow this demand response
13 program to be utilized in operation reserves or some
14 other segment of the ancillary services provided in
15 the MISO market?

16 A. No, I can't say that for certain.

17 Q. Okay. There were some questions asked a
18 little bit earlier, by the way, in regard to whether
19 or not this -- this -- if Ameren had sufficient
20 resources or didn't have sufficient resources to meet
21 its requirements that -- and how this program
22 interplays with that, and I thought I heard you say
23 something to the effect that that question is
24 important, whether or not Ameren can meet its load.

25 When you were answering that question,

1 were you talking about Ameren meeting its
2 requirements strictly with its own generation, or
3 were you talking about something where there might be
4 something outside of Ameren's footprint in addition
5 to Ameren where it could meet its needs to serve
6 reliably?

7 A. Well, I was thinking of it in terms of
8 whatever capacity Ameren had and whether contracts
9 for capacity or whatever that it had. So those are
10 the resources that Ameren has available for its -- it
11 to meet its own load.

12 Q. Well, Ameren -- Ameren's ability to
13 being access -- access additional capacity is not
14 confined to Ameren's footprint, is it?

15 A. No, it's not.

16 Q. Okay. When you're saying that, you can
17 also -- Ameren can also access capacity off of the --
18 in the system itself with a much wider footprint
19 basis, correct?

20 A. Absolutely.

21 Q. And in the access of that -- of that
22 capacity or Ameren's provision of capacity is such
23 that it may have pooling arrangements with other
24 utilities on a much broader basis to provide reliable
25 service and adequate capacity, correct?

1 A. There may be contractual -- I don't know
2 the contractual arrangements that -- that AmerenUE
3 has. It does participate in the MISO market and to
4 the extent that the MISO market provides a capacity,
5 it can access, then that's another resource for it.

6 Q. It could also provide -- it could also
7 get capacity out of those contracts with other
8 entities who own generation, though, as well to share
9 in the -- in the capacity needs of the broader
10 system, correct?

11 A. That's correct.

12 Q. You don't know whether or not those
13 contracts are in existence?

14 A. No, I don't.

15 Q. And are you familiar with -- you were
16 asked about SERC. Are you familiar with whether or
17 not Ameren is in the SERC reliability?

18 A. I believe that SERC is in part -- is in
19 the SERC Reliability Council.

20 Q. And, in fact, they recently, within the
21 last couple of years switched, did they not, to SERC
22 from another reliability --

23 A. That's right.

24 Q. -- organization?

25 A. That's correct. That's correct.

1 Q. Do you know what the minimum reserve
2 level is required by SERC --

3 A. No, I don't.

4 Q. -- on a long-term basis?

5 A. I don't. I mean, there are two
6 different kinds of reserves and there's those
7 operating and planning reserves, and I don't know
8 what the requirements are that SERC has.

9 Q. Would it surprise you if I told you that
10 SERC did not have any requirements on planning
11 reserves?

12 A. No. Most resort reliability councils
13 don't have planning reserve requirements but they
14 generally tend to have operating reserve
15 requirements.

16 Q. Really?

17 A. Yes.

18 Q. Can you name the ones that do and don't?

19 A. I believe that PJM, because it's become
20 the reliability council for, I guess the interim, or
21 MAAC I guess it was called. The Mid -- I'm trying to
22 remember it -- the Mid-Atlantic -- I'm trying to
23 remember what the other A stands for -- Council. And
24 since PJM now has or has had for some time a planning
25 reserve requirement, my presumption is that -- and

1 since they're a coincident at this point in time,
2 that that now constitutes having a planning reserve
3 requirement for the --

4 Q. You're not sure about that, though, are
5 you?

6 A. Well, I know that PJM has the planning
7 reserve requirement, and I presume that because they
8 are now the reliability council for the area, that
9 implies that --

10 Q. For the entire PGM footprint?

11 A. No. For the part that was -- the PJM
12 classic, so to speak, as they call it. Pardon my use
13 of that terminology, but --

14 Q. Yes. There are other -- there are other
15 organizations, reliability organizations operating
16 within the PJM footprint as it exists today, is what
17 I'm asking?

18 A. That's right, yes, that's right.

19 Q. All right. Well, let's not belabor
20 this. We can go on and on.

21 JUDGE WOODRUFF: Commissioner Gaw, we
22 need to take a break for lunch now.

23 COMMISSIONER GAW: That's fine. I've
24 got more questions.

25 JUDGE WOODRUFF: We'll take a break for

1 lunch now. We'll come back at one o'clock, and when
2 we come back, we will be doing the on-the-record
3 presentation regarding the stipulations that have
4 been filed in this case. We'll go until we're
5 finished with that, and then we'll resume the hearing
6 of these witnesses.

7 All right. So with that we are in
8 intermission until one o'clock.

9 (THE NOON RECESS WAS TAKEN.)

10 (THE ON-THE-RECORD PRESENTATION IS
11 CONTAINED IN VOLUME 37, PAGE 3948 OF THE TRANSCRIPT.)

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1 JUDGE WOODRUFF: All right. Let's come
2 to order, please. Welcome back to the Ameren rate
3 case hearing. We completed our on-the-record
4 presentation, and we're back for further testimony.
5 And when we broke for lunch, Mr. Hanser was on the
6 stand, so if you'd please retake the stand.

7 MR. CONRAD: Judge, I had mentioned to
8 you while we were off the record, if you wanted to
9 take an opportunity to try to mark those exhibits. I
10 don't know if this is -- I don't want to interfere
11 with your plan, but when did you --

12 JUDGE WOODRUFF: Let's go ahead and
13 finish Mr. Hanser, and then remind me and we'll --
14 we'll do it then.

15 Mr. Hanser, you're still under oath and
16 we'll continue with questions from Commissioner Gaw.

17 (EXHIBIT NOS. 23 AND 24 WERE MARKED FOR
18 IDENTIFICATION BY THE COURT REPORTER.)

19 CONTINUED QUESTIONS BY COMMISSIONER GAW:

20 Q. Good afternoon again, Mr. Hanser.

21 A. Good afternoon again too.

22 Q. This -- I left off, I think, discussing
23 with you this demand response question and I want to
24 pursue that just a little bit further and then switch
25 to another topic. In regard to the demand response

1 program that -- that's proposed, can you tell me how
2 it would fit in in -- in regard to the ability of a
3 customer that has a distributed generation source to
4 respond with that resource?

5 A. I don't -- I mean, I don't know that the
6 rate precludes you from having a distributed
7 resource. Some, for example, interruptible rates,
8 preclude you from having a distributed resource.

9 Q. Oh, okay. Thank you for that
10 explanation. Keep going.

11 A. So I don't know exactly. I'd have to
12 leave that up to the company witness, but I don't
13 believe there's a preclusion for distributed
14 generation in this -- in this rate. So presumably,
15 one could respond with some form of distributed
16 generation as a means by which you accessed or
17 participated in the rate.

18 Q. And the -- the response time, the notice
19 that's given in -- in regard to this program, is it
20 sufficient in -- in time, in advance time for a
21 distributed generation resource to respond in your
22 opinion, if you know?

23 A. It depends on the generation equipment,
24 but if you're talking about a -- it's like a diesel
25 genset which is sort of typical for distributed

1 generation. That wouldn't be a problem at all.

2 Q. Okay. Might be problematic for other
3 types. Give me an example where it would be
4 problematic.

5 A. Depends on the size of the generator.
6 For example, some backup generators are reasonably
7 large and they're not necessarily utilized often, and
8 so they need more notification to sort of put --
9 bring those up and running.

10 Q. How much notice is given in this, by the
11 way, if you remember?

12 A. The minimum amount, I believe, is one
13 hour.

14 Q. One hour, okay. And if we had an
15 industrial customer that had cogeneration capability,
16 this -- would this be a tariff provision that they
17 would be interested in at all, or would it be --
18 would need to be some other arrangement in regard to
19 how that would work?

20 A. That entirely depends on how the
21 cogeneration system is set up. I mean, some
22 cogeneration systems are set up basically to just --
23 they're just run off whatever steam is available.
24 And so whatever electrical load they can produce from
25 whatever steam they're producing is -- that's the

1 limit on the set.

2 So it depends on how the -- it's set up.

3 You know, a lot of them -- I mean, I don't know what
4 the current arrangements for cogeneration systems are
5 here, but there are folks who have contracts with
6 those cogenerations, and so that output is sort of
7 fixed at a certain level, so to take advantage of it
8 we require some modification of contracts for
9 cogeneration. So -- but it sort of depends on the
10 situation.

11 Q. It really would make more sense for them
12 to be under some sort of a different provision than
13 this particular one, would it not?

14 A. I would think so.

15 Q. Now, in regard to the ability of this --
16 of this -- of an entity functioning under this
17 tariff, does this provide for the possibility of an
18 aggregator in any way to gather up load responses?

19 A. You know, I don't know. I don't know
20 whether that -- it's precluded or not. I know
21 that -- I mean, for this kind of a program, you
22 likely wouldn't be aggregating large industrials but
23 rather smaller industrial or even commercial folks to
24 form some kind of a group load curtailment --

25 Q. Yes.

1 A. -- specifically is sort of what we've
2 done.

3 Q. Yes.

4 A. And so you'd aggregate across. And that
5 typically means going to some form of common metering
6 across the group because what you're looking at is
7 the aggregate load. I don't know whether -- how the
8 provisions are set up for that. They would be -- an
9 entrepreneur certainly could investigate if they
10 could go to an aggregation mechanism and do that, but
11 I don't see that the provision per se is set up to
12 sort of do that.

13 Q. It didn't appear to me either that that
14 was the case. I was just wanting to see whether
15 there was something I wasn't seeing.

16 A. Yeah, I think it would depend entirely
17 on whether Ameren would permit somebody to go and
18 group folks together, provide a common meter and then
19 do it on that basis.

20 Q. Okay. There's nothing -- there's
21 nothing in this particular proposal that reflects
22 that that is contemplated?

23 A. No, it's not like other utilities who
24 set up group load curtailment rates and who have
25 mechanisms in place to do group load curtailment.

1 Q. And I think you probably have already
2 generally answered this, but you're not familiar with
3 whether or not there was another provision within
4 Ameren's tariffs that would allow for that?

5 A. No, I'm not.

6 Q. Okay. I want to switch for a moment to
7 this -- this issue of the retention rider, and I'm
8 not sure if that's the right terminology. Do you
9 know what I'm talking about?

10 A. It's the economic development rate?

11 Q. Yeah, there's an economic development
12 and retention rider. I don't know if those are two
13 separate things or one.

14 A. There are two different kinds of
15 economic development rates.

16 Q. Okay.

17 A. One is EDRR and one is EDR. I believe
18 that's it essentially.

19 Q. All right. Which one has to do with
20 encouraging entities to switch over to electric from
21 other sources of energy?

22 A. I think that's the EDR rate.

23 Q. Okay. Assuming that's the case, can
24 you -- can you tell me, if I'm understanding this
25 correctly, the purpose of this is mainly just as an

1 incentive to get individuals over to -- to what in
2 some cases would be an all-electric energy supply?

3 A. That's right.

4 Q. And is this -- is this again an
5 experimental program?

6 A. I think it's limited in terms of the
7 total load that's permitted to join the rate.

8 Q. Okay.

9 A. I don't know whether it's experimental
10 in quite the same sense in which the IDR rate is
11 experimental.

12 Q. Okay.

13 A. Because the IDR rate still has issues
14 about the degree of participation, the level of
15 response by customers in terms of interruption and
16 those sorts of things. So I think it's a -- it's a
17 different -- sort of a different issue from that
18 perspective.

19 Q. Okay. And I -- I just wondered whether
20 or not you had been -- well, let me ask you this:
21 How long is this -- this particular provision
22 contemplated to last under this proposal?

23 A. These riders, I understand, are supposed
24 to last five years.

25 Q. Okay.

1 A. So that's -- makes it available for a
2 customer to come on and receive the rate for five
3 years. So it's clearly aimed at somebody who's gonna
4 make a substantial capital investment change of
5 location come to the service -- the Ameren service
6 territory, and they're trying to provide a long
7 enough period of time in which to make that
8 economically meaningful.

9 Q. Okay. Now, tell me why -- first of all,
10 who funds this particular program, this incentive
11 program to go to electric?

12 A. My understanding it's a rates program
13 that's funded by, in some sense, Ameren customers.

14 Q. Okay. Tell me why it is to their
15 benefit to fund this program.

16 A. It's to their benefit to fund -- to fund
17 the program because the program brings new load that
18 would not necessarily locate in Ameren service
19 territory in at a rate that provides a contribution
20 to the fixed costs which are implicit in the rates.

21 That is to say, the rate exceeds
22 marginal cost of providing service to these
23 customers. That margin, therefore, provides a
24 positive benefit to everybody else in the sense that
25 it reduces their rates in turn because it provides a

1 revenue source that didn't exist beforehand.

2 Q. Okay. Is there a profile on a customer
3 that's acceptable in this program?

4 A. There are load factor -- or load factor
5 requirements and things like that that sort of
6 provide against the kind of profile in terms of
7 customer characteristics.

8 Q. And the reason I'm asking is whether or
9 not that load profile has any particular advantages
10 to having customers of that profile on the system as
11 opposed to either a narrow or a more open profile.

12 A. Sure. I mean, you're trying to bring in
13 loads that are not peaky, for example, to use a
14 colloquialism, but rather have fairly high load
15 factor, and therefore they provide a reasonable
16 contribution to the -- to the utility's margin to
17 defray the cost of the program.

18 Q. Okay. Now, I'm going to raise a concern
19 here and I don't know if you have any -- any
20 background in this. Have you been following the news
21 in Illinois in regard to Ameren and electric rates in
22 general?

23 A. Only in a very distant way.

24 Q. Okay. Have you heard anything that
25 you've had a chance to analyze in regard to the

1 all-electric customers in Illinois and how they have
2 been specifically impacted by some of the rate hikes
3 that have occurred in Illinois?

4 A. I'm sorry. But I -- I'm -- I try to
5 keep myself in some sense at arm's length from that
6 sort of thing just because of the potential somebody
7 will ask me a question about it, what do you think of
8 that.

9 COMMISSIONER GAW: Well, at least
10 that -- that -- that ensures that when -- when they
11 qualify you as an expert, then you definitely do
12 qualify that. You're able to make that kind of an
13 analysis. All right. Well, in that event I'll leave
14 that alone and allow that good excuse to work for
15 you. Let me see if I can -- if I've got anything
16 else here. I think that is all I have. Thank you,
17 sir.

18 JUDGE WOODRUFF: Commissioner Appling,
19 do you have any questions for Mr. Hanser?

20 COMMISSIONER APPLING: I don't think so,
21 Judge.

22 JUDGE WOODRUFF: All right. Any recross
23 based on questions from the bench? Looks like MEG
24 would be first on the list.

25 MS. LANGENECKERT: I just have one.

1 RE CROSS-EXAMINATION BY MS. LANGENECKERT:

2 Q. Hello again.

3 A. Hello.

4 Q. Commissioner Gaw asked you about how
5 much time the utility had to give an interruptible
6 customer before interrupting the power, and you said
7 one hour; is that correct?

8 A. I believe that the minimum time that
9 the -- minimum identification time is one hour. I
10 can go check the -- take a look at the --

11 Q. It's in Mr. Mill's tariff at sheet 217
12 under the second A.

13 A. I have sheet 218.

14 Q. 217, sorry, the second A.

15 A. Oh, sorry. It says two hours' notice.

16 Q. And then what does it say after that?

17 A. No less -- oh, and the -- or the lesser
18 of 30 minutes. I'm sorry. It says 30 minutes.

19 MS. LANGENECKERT: That's all I have.

20 Thank you.

21 JUDGE WOODRUFF: Anyone other than
22 Public Counsel want to cross? Okay. Public counsel.

23 MS. VUYLSTEKE: I do.

24 JUDGE WOODRUFF: What's that?

25 MS. VUYLSTEKE: I'm sorry. Go ahead.

1 JUDGE WOODRUFF: You would be actually
2 on the list before Public Counsel. That's why I
3 asked.

4 MS. VUYLSTEKE: Okay. Thank you.

5 JUDGE WOODRUFF: I wasn't sure what
6 hands I saw go up back there.

7 MS. VUYLSTEKE: I'm sorry.

8 RE-CROSS-EXAMINATION BY MS. VUYLSTEKE:

9 Q. Good afternoon. I'm Diana Vuylsteke. I
10 represent the Missouri Industrial Energy Consumers.
11 I just have one question for you. Commissioner Gaw
12 was asking you about when the EDR terminates, and I
13 just want to understand, what's your understanding of
14 how long the rider will actually be in effect, the
15 tariff itself?

16 A. I believe I answered. I believe it's
17 five years, but let me check to make sure that I was
18 correct.

19 Q. I have a copy of the tariff if you
20 want --

21 A. I have the ERR and the -- let's see.

22 Q. And there's a --

23 A. It says limited -- let see. "Customer
24 is executing contracts prior to December 2008 for the
25 EDRR." And this one says -- yeah, it says, the ERR

1 says, "This contract will remain in effect for up to
2 60 months." That's the ERR. You have sign by
3 December 31st, 2008. And this one says it will be
4 available -- it says the contract may not extend more
5 than five years if you signed up by December 31st,
6 2008. That's the EDRR.

7 Q. Okay. So is it correct that the EDRR
8 will expire by December 31, 2008, it will terminate?

9 A. The rider exterminates (sic) by 2008 but
10 the rate itself that would apply to you continues for
11 the period of up to five years.

12 Q. All right. You can enter into a contract,
13 correct, prior to December 31st, 2008, for up to five
14 years under the incentive provision paragraph?

15 A. That's my understanding.

16 Q. But the rider itself of the tariff will
17 terminate by December 31, 2008?

18 A. Oh. Yes, when I was -- when I was --

19 Q. Yes, that's all I wanted to know is when
20 the rider terminates.

21 A. The rider terminates in 2008, yes.

22 MS. VUYLSTEKE: Thank you.

23 JUDGE WOODRUFF: Now Public Counsel?

24 RECROSS-EXAMINATION BY MR. MILLS:

25 Q. Mr. Hanser, do you remember Commissioner

1 Gaw asking you about whether there's an amount of
2 cloudiness with respect to the customers and their
3 view of the decision-making process from AmerenUE; do
4 you recall those questions?

5 A. Yes, I do.

6 Q. And I believe you said that customers
7 won't be privy to UE's decision rule. Is that how
8 you phrased your response?

9 A. Roughly.

10 Q. Isn't UE's decision rule limited by the
11 factors at the top of sheet 217? And I'm talking
12 about the IDR now, not the -- any of the various E
13 tariffs.

14 A. You mean conditions A -- do you mean
15 conditions A through E?

16 Q. Correct. So that -- and tell me if
17 this -- if this is a correct understanding. UE
18 cannot ask for load curtailment unless at least one
19 of those conditions A through E is met; is that
20 correct?

21 A. That would be my understanding.

22 Q. Okay. So to some extent this limits
23 UE's decision-making because one of these conditions
24 must be met before curtailment can be called for?

25 A. Yes. I did not mean to imply that

1 the -- that the decisions that Ameren would make
2 would be arbitrary or capricious, they would be
3 motivated by economics or liability considerations.
4 But the exact nature of those conditions isn't
5 necessarily perfectly spelled out in these
6 conditions. These are fairly broad categories.

7 Q. Okay. Well, and let's -- let's talk
8 about some of those categories. For example, D. Is
9 it your understanding that under -- under condition D
10 that UE could ask for IDR customers to curtail so
11 that it would continue to sell into the market, so
12 that UE could continue to sell into the market?

13 For example, say UE wanted to sell 100
14 megawatts into the market because prices are high,
15 only had 50 megawatts of capacity. Can it ask the
16 IDR customers to curtail so that it can sell into the
17 market the additional 50 megawatts?

18 A. I don't know.

19 Q. You don't know if that's what this
20 provision in the tariff --

21 A. I don't know that that would be
22 permitted under this tariff.

23 Q. Okay. Do you think somebody from UE
24 would know?

25 A. I would presume the witness Mill would

1 know.

2 Q. But -- but at least from your expert
3 opinion, the tariff is not clear on that point?

4 A. Well, I don't know enough about
5 regulations within Missouri. Other utilities who
6 have similar provisions are precluded from doing that
7 because there are provisions in other public utility
8 regulations which sort of say such programs can only
9 be used relative to native load and can't be used for
10 off-system sales, et cetera. So I don't know what
11 regulations exist within the public utilities'
12 Commission rules and regulations regarding utilities
13 that say one way or another.

14 Q. And in your opinion, are those
15 restrictions a good idea?

16 A. Well, they're regulations. They attempt
17 to keep separation between the activities on the
18 wholesale -- wholesale side of the business from the
19 retail side of the business and try to ensure that
20 there's no negative impact.

21 Q. If there aren't Missouri regulations
22 that address that question, would it be your expert
23 opinion that UE should be able to curtail people in
24 order to sell more into the market?

25 A. I'd have to -- I couldn't give you an

1 analysis, you know, immediately and say one way or
2 another whether that would be permissible or not.

3 Q. Okay. Then let's talk about condition
4 E. What sorts of other conditions which may be eased
5 by reduction in the system load does that
6 contemplate?

7 A. I'm not sure.

8 Q. Mr. Hanser, what -- what is the purpose
9 of your testimony again?

10 A. Well, there are lots of -- many
11 conditions and I don't know what in terms of the
12 nature of those conditions -- for example, you might
13 interrupt a demand -- a load for a voltage support
14 because from an electrical standpoint, reducing a
15 load in an area might produce voltage support. You
16 might reduce a load because you've got a contingency
17 existing in some part of the distribution or
18 transmission system. Those are all conditions.

19 Q. Let me ask you this: If you don't know
20 what this tariff means, how will the manager at a
21 cement plant know?

22 A. Well, presumably, if you're going to
23 institute the program and you're going to let folks
24 know you're going to try to bring -- have them
25 participate, you may be able to perhaps, I would

1 assume, they'd parameterize or make clear these
2 conditions to ensure conditions of participation.

3 Q. Okay. Now, with respect to some
4 questions that you had from Commissioner Gaw about
5 the terms and conditions, and I believe he was asking
6 you about whether or not UE would be able to use the
7 fact that it has some -- some load subject to the IDR
8 in order to reduce its MISO capacity obligations; do
9 you recall that?

10 A. Yes.

11 Q. Okay. And I believe your answer was,
12 "My presumption was that it might be used that way."
13 Is that -- do you recall answering that?

14 A. Yes.

15 Q. Okay. Do you know what the MISO rules
16 are with respect to the use of IDR as a capacity
17 offset?

18 A. No.

19 Q. Okay. You gave an example that perhaps
20 the rule might say if the utility says they have
21 80 megawatts, the RTO would apply a 50-percent factor
22 and say, okay, then you have 40 megawatts. Do you
23 know if that's the MISO rule?

24 A. I don't know the MISO rule.

25 Q. Do you know any RTO's that have that

1 rule or was that just an example?

2 A. Let's see. Maine formerly had a rule
3 that was essentially that. Whatever interruptible
4 curtailable load you had, it was essentially
5 discounted by a factor which they believed to be a
6 basis for -- PJM Classic originally had a similar
7 rule, whatever was the connected interruptible load
8 was discounted by a fixed percentage based on the
9 likely availability of such load. It's a fairly
10 common rule, actually, across, you know, various
11 reliability councils.

12 Q. But you don't know whether MISO has that
13 rule and if they do what percentage might apply?

14 A. I don't know what MISO's rule is.

15 Q. Okay. Now, in response to a recent
16 question by Commissioner Gaw, you talked about the
17 EDR rate being above UE's marginal cost; do you
18 recall that?

19 A. Yes.

20 Q. How do you know that the EDR rate is
21 above UE's marginal cost?

22 A. My recollection is -- and I just -- that
23 marginal energy costs for Ameren were around
24 somewhere in the two cents to two and a half cents,
25 and the rate, as I looked at it, was above that two

1 and a half cent for marginal energy costs.

2 Q. Okay. Did you conduct any analysis to
3 confirm that?

4 A. No.

5 Q. Did UE show you any analysis to confirm
6 that?

7 A. No.

8 MR. MILLS: No further questions.

9 JUDGE WOODRUFF: All right. Any
10 redirect?

11 REDIRECT EXAMINATION BY MR. FISCHER:

12 Q. Just briefly, let's start from the back
13 and go toward the beginning. You were just asked a
14 question regarding the purpose of your testimony, and
15 I'd like for you to elaborate on that as far as the
16 economic foundation that you're providing here.

17 A. I was asked just simply to examine the
18 rates and discuss and evaluate the rates relative to
19 what's fairly standard practice across other
20 utilities and the economics associated with those
21 rates.

22 Q. Was the purpose of your testimony to get
23 into any of the tariff details of the proposals that
24 Ameren is providing here on a --

25 A. No.

1 Q. Okay. You were also asked a question by
2 Commissioner Gaw regarding the purposes of the
3 economic development retention rider and the economic
4 development rider, and I'd like to refer you to your
5 direct testimony, page 13 beginning at line 9 through
6 14. Does that -- does that explain the differences
7 between the purposes of those two programs?

8 A. Yes.

9 Q. Okay. And could you briefly just --
10 he's just left the room. Could you elaborate on
11 that? Elaborate upon the differences between those
12 two programs, the purposes.

13 A. Well, the ER is aimed at bringing new
14 customers in or new loads, new nonresidential
15 customers to locate within the City of St. Louis.
16 The EDRR is basically to avoid somebody from leaving
17 St. Louis or to attract additional load from those
18 customers.

19 Q. It's not intended as a fuel switching
20 program designed to keep someone from switching
21 fuels; is that right?

22 A. That in part is one of it's ...

23 Q. Well, also, but they'd have to leave the
24 system in order to --

25 A. Yes, to take advantage they'd have to

1 leave the system.

2 Q. Yes, okay. You were asked some
3 questions regarding Exhibit 555, the economic
4 development rider calculation; do you recall those?

5 A. Yes.

6 Q. Did you prepare that exhibit?

7 A. No.

8 Q. Are you vouching for the calculation
9 shown on that exhibit?

10 A. No.

11 Q. And do you know who prepared that
12 exhibit?

13 A. No.

14 Q. Does UE have a proposal to give a
15 10-percent discount for customers that have
16 80-percent load factors or higher?

17 A. I believe so.

18 Q. Would that be reflected on this exhibit,
19 do you think?

20 A. I don't see such a calculation on these
21 sheets.

22 Q. Okay. Thank you. You were asked some
23 questions, I think, from Mr. Lewis regarding how the
24 IDR program and whether it was intended to help
25 improve service reliability in thunderstorms; do you

1 recall those?

2 A. Yes, I do.

3 Q. Would you explain how the IDR program
4 improved service reliability in other instances?

5 A. Well, I mean, generally, the IDR is
6 aimed at improving service reliability by providing
7 some prediction in load. Presumably, if there was
8 some sort of system emergency for the system as a
9 whole, you would call on the interruptible customers
10 and interrupt them.

11 You could also provide, if you wanted
12 to, more local kinds of reliability things in the
13 sense of if you knew you had an outage in part of the
14 transmission system or distribution system that could
15 benefit from such a reduction in load, you could take
16 advantage of it.

17 Theoretically, you could also take
18 advantage of it for certain kinds of electrical
19 situations, and I think I mentioned the possibility
20 of reducing load for the purpose of dealing with
21 voltage sag or some problem that arises around that
22 sort of situation. So there are a variety of ways in
23 which it might be used.

24 Q. Okay. You were also asked a question, I
25 think by Mr. Lewis regarding how customers would

1 benefit from the IDR if fuel costs were going down.

2 Do you recall those questions in the absence of a
3 fuel adjustment clause?

4 A. Yes, I believe that's -- that's correct.

5 Q. How could customers benefit from the IDR
6 if fuel costs were going down with or without a fuel
7 adjustment clause?

8 A. Well, I mean, if you have a fuel
9 adjustment clause in -- in -- in place, then there's
10 a very direct way in which that affects the customers
11 because any costs that are reduced as a result of the
12 IDR flows directly to the fuel adjustment clause,
13 presumably, and that's a reduction for customers.

14 In the long run, in a -- in a fixed rate
15 case, there's no direct benefit to customers but
16 there would be a direct -- a customer benefit for the
17 next rate case in the sense that the information and
18 the program itself would be in place and then you
19 could take advantage of it.

20 Q. If there are lower fuel costs in a test
21 period, that would be reflected in the next rate
22 case; is that what you're saying?

23 A. Presumably.

24 Q. You were also asked some questions from
25 Ms. Carver, I believe, regarding the essential

1 services rate; do you recall those?

2 A. Yes, I do.

3 Q. Is it your understanding that that
4 proposal targets low-income customers only?

5 A. No, it doesn't.

6 Q. Would you explain who would benefit from
7 the adoption of the essential services rate or who
8 would get a discount, perhaps, is a better way to say
9 it?

10 A. Everybody. There's no differentiation
11 by the type of customer relative to the rate. So
12 essentially, all residential customers would get a
13 benefit from this reduction -- this rate.

14 Q. And what's your understanding of where
15 that discount would be recovered in the rate
16 structure?

17 A. Well, somewhere it's got to be
18 recovered. I don't know whether it would be isolated
19 to the residential class or whether it would require
20 some change in rates for other classes. I don't
21 know. If you isolated to the residential class, it
22 wouldn't necessarily mean that the upper block of
23 that rate would have to go up.

24 Q. So if it was isolated to a residential
25 class, you're saying that the higher usage customers

1 would recover that discount?

2 A. I presume so.

3 MR. FISCHER: Okay. Your Honor, I think
4 that's all the questions I have. I think this would
5 be the last time Mr. Hanser would be on the witness
6 stand, so I'd move for the admission of his direct
7 and rebuttal testimony at this time.

8 JUDGE WOODRUFF: Okay. Do you know
9 which numbers they were? Looks like 23 and 24.

10 MR. FISCHER: That's correct.

11 JUDGE WOODRUFF: Okay. Exhibits 23 and
12 24 have been offered. Are there any objections to
13 their receipt?

14 (NO RESPONSE.)

15 JUDGE WOODRUFF: Hearing none, they will
16 be received into evidence.

17 (EXHIBIT NOS. 23 AND 24 WERE RECEIVED
18 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

19 JUDGE WOODRUFF: And Mr. Hanser, you can
20 step down.

21 THE WITNESS: Thank you.

22 JUDGE WOODRUFF: I believe the next
23 witness on the list, then, is Mr. Watkins.

24 THE WITNESS: Thank you.

25 JUDGE WOODRUFF: And I will remind

1 everyone that that interference we heard a few
2 minutes ago coming over the sound system is sounds of
3 someone's wireless device, cell phone or other
4 device, and you need to turn it off because it will
5 continue to send out signals that will interfere with
6 our system.

7 All right, Mr. Watkins, I believe this
8 is the first time you've testified. We swore you in
9 earlier this afternoon, I believe, so you are still
10 under oath.

11 THE WITNESS: Thank you.

12 DIRECT EXAMINATION BY MR. WILLIAMS:

13 Q. Good afternoon, Mr. Watkins.

14 A. Hello.

15 Q. Did you prepare two pieces of testimony,
16 one of which is your rebuttal testimony and another
17 which is your surrebuttal testimony which has been
18 marked for identification as Exhibit Nos. 240 and
19 241, respectively?

20 A. Yes, I did.

21 Q. Do you have any corrections to either of
22 those exhibits?

23 A. I do have a correction on my rebuttal
24 testimony -- not related to any issue, but in the
25 rebuttal testimony on page 4, near the middle of the

1 page --

2 Q. Line 13, perhaps?

3 A. Yes. Very good, thank you. It says
4 "Transmission service rate schedule from .0325 per
5 kWh" to now it says "0.3024" which would be 30 cents.
6 It obviously has the decimal placed in the wrong
7 place. It should be "0.03024."

8 Q. And when you said it wasn't relative to
9 this case, you just meant to the issues we're trying
10 today, right?

11 A. To the issues we're trying.

12 MR. WILLIAMS: I offer Exhibit Nos. 240
13 and 241.

14 JUDGE WOODRUFF: All right. Exhibits
15 240 and 241 have been offered. Are there any
16 objections to their receipt?

17 (NO RESPONSE.)

18 JUDGE WOODRUFF: Hearing none, they will
19 be received into evidence.

20 (EXHIBIT NOS. 240 AND 241 WERE RECEIVED
21 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

22 MR. WILLIAMS: I tender the witness.

23 JUDGE WOODRUFF: All right. And is
24 there any party that wishes to cross-examine this
25 witness? Okay. I see the State and Ameren, and the

1 State would go first.

2 CROSS-EXAMINATION BY MR. CARLSON:

3 Q. How you doing, Mr. Watkins?

4 A. Pretty good.

5 Q. My name is Bob Carlson. I represent the

6 State of Missouri. I'm not sure if we've met yet.

7 Just a few quick questions, jump right in. In your

8 testimony you say you support AmerenUE's proposed

9 EDR, right?

10 A. I do.

11 Q. Okay. Have you reviewed the proposed

12 EDR?

13 A. Yes.

14 Q. Okay. Now, you say that the incentives

15 in AmerenUE's proposed EDR is similar to the ones in

16 its expired EDR, right?

17 A. That's correct.

18 MR. CARLSON: Okay. Can I get an

19 exhibit marked?

20 JUDGE WOODRUFF: Certainly.

21 MR. CARLSON: I have no clue what our

22 next number is.

23 JUDGE WOODRUFF: It's 524.

24 (EXHIBIT NO. 524 WAS MARKED FOR

25 IDENTIFICATION BY THE COURT REPORTER.)

1 BY MR. CARLSON:

2 Q. Mr. Watkins, do you know what I just
3 gave you?

4 A. It appears to be the expired economic
5 development rider you were talking about.

6 Q. Okay. And if you could take a look at
7 that and the proposed EDR, and let me know how these
8 two are different.

9 A. Got to keep which one's which.

10 Q. Okay.

11 A. On the first sheet of the proposed
12 rider, EDRR sheet No. 122.6 of the final paragraph,
13 provides that, "The customer must furnish company
14 such documentation as necessary by company to verify
15 customer's intent to select a viable electric supply
16 option outside of company's service area, including
17 an affidavit stating customer's intent."

18 JUDGE WOODRUFF: Mr. Watkins, if you
19 could speak a little bit more into the microphone.
20 It's hard to pick you up.

21 THE WITNESS: They both provide for a
22 load factor of at least 55 percent.

23 BY MR. CARLSON:

24 Q. I'm just worried about the differences.

25 A. The new version provides a No. 2 on page

1 122.6 that the average monthly peak demand that the
2 customer's qualifying load is at least 500 kW during
3 the contract year. In the old sheet on 122.2 in
4 No. 2, it requires it be at least 200. On sheet
5 122.2 where you see the double asterisks --

6 Q. Uh-huh.

7 A. -- the service under this rider is
8 evidenced by a contract of -- the form contract which
9 is actually attached to the sheriff -- to the tariff
10 as sheet 122.4 and 122.5. And I don't believe
11 there's a form contract attached with this one.
12 The -- the term of the rider is a little tricky. On
13 the --

14 Q. We'll come back to that.

15 A. Do you want me to identify that now? I
16 just said the term is different.

17 Q. What is the term?

18 A. Oh. On the -- well, it has dates in it.

19 Q. Okay.

20 A. However, the date on the old one which
21 was issued -- which went into effect April 1 --

22 Q. Of what year?

23 A. -- 2004, expired on March 31 of 2005,
24 one year. I believe the term on the new one is more
25 like two years except for what we've used up this

1 year. I would comment that on the old economic
2 development rider it was customary that every year
3 before the expiration date, the company filed to
4 extend it, following the exact same rider but changed
5 the -- like in this one they changed March 31, 2005,
6 they changed it to 2006.

7 Q. Okay. But there is no rider in effect
8 right now, is there?

9 A. That's correct.

10 Q. Okay. Because they -- I assume because
11 they didn't file another one?

12 A. That's correct.

13 Q. Okay. Then when does the proposed rider
14 expire?

15 A. The rider itself expires December 31st,
16 2008.

17 Q. Okay. And so if nothing else is filed,
18 then there will be no rider after December 31st,
19 2008?

20 A. That's correct.

21 Q. Okay. Now, speaking more generally, if
22 there is no economic development rider, that's not
23 good for general economic development, right?

24 A. Well, I haven't actually done the
25 analysis but I tend to agree with you.

1 Q. Okay. Now, with that in mind, would the
2 Staff support changing the EDR so that it is in
3 effect until AmerenUE's next rate case?

4 A. Would you ask that again?

5 Q. Okay.

6 A. I'm not sure I understood exactly what
7 you said.

8 Q. Would the Staff -- would the Staff
9 support an economic development rider that would keep
10 that rider in effect until AmerenUE's next rate case?

11 A. We would not oppose that.

12 MR. CARLSON: Okay. That's all I have.

13 JUDGE WOODRUFF: Thank you.

14 MR. CARLSON: Now I would like to offer
15 Exhibit 524, I think you said.

16 JUDGE WOODRUFF: Sounds right. Yes, 524
17 has been offered. Are there any objections to its
18 receipt?

19 (NO RESPONSE.)

20 JUDGE WOODRUFF: Hearing none, it will
21 be received into evidence.

22 (EXHIBIT NO. 524 WAS RECEIVED INTO
23 EVIDENCE AND MADE A PART OF THE RECORD.)

24 JUDGE WOODRUFF: And were there any
25 other parties that wished to cross-examine

1 Mr. Watkins?

2 MR. FISCHER: (Raised hand.)

3 JUDGE WOODRUFF: Ameren?

4 CROSS-EXAMINATION BY MR. FISCHER:

5 Q. Mr. Watkins, not Mr. James, I just had a
6 couple questions for you. Counsel for the State just
7 asked you about the affidavit that's required under
8 the current -- or the proposed economic development
9 rider.

10 A. The affidavit?

11 Q. In the tariff provision --

12 A. Oh.

13 Q. -- under 122.6.

14 A. Yes.

15 Q. Is it your understanding that that
16 provision was added to cut down on free riders, or at
17 least partially added for that purpose?

18 A. Yes, I believe that was the intent of
19 Union Electric was not to offer the rider to
20 customers who would relocate in Ameren's territory or
21 in those specific areas that Ameren would like to
22 have more fully utilized on their distribution
23 system.

24 Q. Okay. The Staff has supported the
25 stipulation and agreement on rate design and cost of

1 service, and I just wanted to make sure I understand
2 your position on the unresolved issues.

3 I'd like to refer you to your rebuttal
4 testimony of page 2, at line 13 where you state, "The
5 Staff supports AmerenUE's economic development
6 efforts and recommends the Commission approve both of
7 these riders." Is that still the position of the
8 Staff after deciding the stipulation.

9 A. Yes, it is.

10 Q. Are you familiar with Ameren's previous
11 economic development rider generally?

12 A. Yes.

13 Q. Do you know if the PSC ever imputed
14 revenues related to Ameren's economic development
15 rider in any coal rate case?

16 A. I believe not.

17 Q. Okay. And then turning to page 3 of
18 your rebuttal testimony, at line 4 you say, "The
19 Staff does not oppose AmerenUE's undertaking this
20 limited two-year pilot," and I believe you're
21 referring to the demand response pilot --

22 A. I got lost in your reference. I'm
23 sorry.

24 Q. I'm sorry. Page 3 of your rebuttal on
25 line -- beginning at the end of line 4.

1 A. Okay. Sorry.

2 Q. You indicate that, "The Staff was does
3 not oppose AmerenUE undertaking this limited two-year
4 pilot that requires an evaluation by AmerenUE by
5 November 30, 2009." There you're referring to the
6 demand response pilot; is that correct?

7 A. Yes, although I think I called it DRP
8 and it's really some other initials.

9 Q. Right. Okay. And you still support the
10 adoption of the industrial demand program?

11 A. Yes, I do.

12 Q. Okay. And then finally, on page 5 of
13 your rebuttal testimony at line 10 you state, "The
14 Staff's objection to offering an initial essential
15 service rate block for residential customers is that
16 it distorts the price of electricity for all
17 customers while providing only limited assistance of
18 those who need it the most"; is that correct?

19 A. That's correct.

20 Q. You're there expressing your opposition
21 or reservation about the essential service rate that
22 is being proposed; is that correct?

23 A. That's correct.

24 Q. And that's still your testimony?

25 A. Yes, it is.

1 MR. FISCHER: That's all I have. Thank
2 you.

3 JUDGE WOODRUFF: All right. Any
4 questions from the bench? Commissioner Gaw?

5 QUESTIONS BY COMMISSIONER GAW:

6 Q. Mr. Watkins, I'm waiting to be able to
7 flip that over to Dr. Watkins. As soon as you've got
8 that dissertation done, will you let me know?

9 A. Oh, I will.

10 Q. All right. I want to -- I want to ask
11 you in regard to the demand response program, did
12 anyone else with Staff examine the demand response
13 proposal here?

14 A. I'm certain that MEG did, and I think --

15 Q. No, I mean with Staff. I'm sorry.

16 A. Oh, with Staff, I'm sorry.

17 Q. I think I probably didn't put that in
18 the question.

19 A. That was pretty much just me.

20 Q. Okay. Did you have any opportunity to
21 look at a broader range of possibilities on demand
22 response as a part of this case?

23 A. No, I really didn't.

24 Q. Are you -- have you done some research
25 on demand response outside of this case that would

1 give you some perspective on the kinds of demand
2 response programs that might be available on the
3 retail side?

4 A. Well, I've been involved in initiating
5 real time pricing rates, other interruptible rates.
6 I was involved in getting rid of Ameren's old 10-M
7 rate.

8 Q. That's a rate that you say is similar to
9 the one that you're supporting in this case?

10 A. Yes.

11 Q. What was the reason for getting rid of
12 the old one?

13 A. Well, the big one was -- the credit
14 was -- that was paid was too high, and they had
15 difficulty enforcing it. Now, I probably only heard
16 one side of the story mostly, again, but the story I
17 heard was they'd call up somebody to -- to curtail.

18 Q. Mr. Watkins, I don't want to get you
19 into a whole bunch of hearsay here. If you know --
20 if you can verify what the problem was, I want you to
21 tell me, but I'm sure there's people squirming out
22 there in this audience about whether they should
23 object or not when I'm asking this question and
24 you're giving that kind of response. Try to confine
25 it to what you know.

1 A. What I know is that Union Electric was
2 not happy with difficulties that they had with their
3 customers failing to interrupt at all or fully.

4 Q. So in other words, there was an issue
5 about whether or not the penalty or the premium that
6 was paid if they didn't interrupt was sufficient in
7 order to get them to perform and back -- back load
8 off when they were given the signal to do so?

9 A. I believe that it had to do with the
10 listing of the situations in which AmerenUE could
11 call for a curtailment.

12 Q. Oh, so that would have had to do with
13 the specifics --

14 A. Whether -- whether -- yeah, whether that
15 particular one was included on the list or not.

16 Q. I see. In the end, that -- that
17 particular tariff provision went away, correct?

18 A. That's correct.

19 Q. All right. Now, when -- when we're
20 looking at this -- this particular program, have you
21 done an analysis to weigh the -- first of all, the
22 amount of the discount that is given for those
23 consumers who will -- who will opt into this tariff
24 provision on demand response?

25 A. No, I have not.

1 Q. So you cannot can't tell me, then,
2 without an -- without having done that analysis
3 whether or not this discount is -- is enough of an
4 incentive, too much of an incentive or just right?

5 A. Well, the amount of the incentive should
6 be avoided cost, and I think it's roughly around that
7 number.

8 Q. How do you know that? That's what I'm
9 looking for.

10 A. I couldn't tell you other than just from
11 like general knowledge, people talking around here.

12 Q. Yeah.

13 A. I haven't been directly involved.

14 Q. You have not done an analysis, correct?

15 A. No, I have not.

16 Q. All right. So on the other side in
17 regard to the premium that is attached to not backing
18 down load under this tariff provision, is it -- is it
19 in -- in -- in your opinion an appropriate level?

20 A. This is the 150 percent of the MISO?

21 Q. Well, first of all, tell me what it is
22 in your opinion if you want to, if that's what you
23 think it is.

24 A. I think it's 150 percent of the MISO
25 price to buy --

1 Q. I'm not sure that I heard that number
2 earlier, and if you don't --

3 A. Well, let me -- let me verify.

4 Q. All right.

5 A. That's better.

6 Q. Yes, it would be.

7 A. The buy-through energy option on sheet
8 No. 217 is 110 percent of the MISO hourly market
9 clearing price.

10 Q. Okay. So in other words, it's 110
11 percent of the spot price on MISO --

12 A. That's correct.

13 Q. -- is that correct? All right. Now,
14 when we're -- when you're looking at that again, have
15 you evaluated whether or not what the potential
16 impact is on that in regard to a customer backing off
17 and as -- as opposed to buying through?

18 A. No, I have not.

19 Q. Okay. I want to broaden this back out
20 just for a little bit again, and I want to ask you
21 whether or not you've had experience with time of use
22 rates in regard to industrial customers?

23 A. Yes.

24 Q. All right. Tell me where.

25 A. I think virtually all of the electric

1 utilities have a time use rate for every rate class.

2 Q. Okay. Are you --

3 A. There are hardly any customers on them.

4 Q. Yes, I've heard that before somewhere.

5 Now, do you know what explanations exist as to why
6 there are not very many customers on those particular
7 tariffs?

8 A. Well, I have my own explanation I could
9 give you.

10 Q. All right. Okay. Go ahead.

11 A. Which is, if you calculate the time of
12 day rates as an average rate, okay, which was
13 appropriate back in the day where utilities generated
14 their own power or exchanged with their neighbor
15 at -- you know, like split the difference and those
16 things, that were probably okay. In today's world
17 what you would want to avoid is the big spikes.
18 But --

19 Q. And -- go ahead.

20 A. Those really need to be designed to pay
21 customers when there's a big spike to lower their
22 rate. Union Electric did do a demand response --
23 excuse me, a critical pricing pilot program for
24 residential customers that had that feature in it.

25 Q. Right. Have they done that for

1 industrial customers or commercial customers or do
2 you know?

3 A. I'm not aware that they have ever.

4 Q. Okay. If we were looking for -- for --
5 for avenues to create more demand response programs
6 in the industrial commercial sector, wouldn't that be
7 an area that would be appropriate for explanation?

8 A. Absolutely.

9 Q. Okay. Is Staff interested in pursuing
10 that type of a program as a general matter?

11 A. As a general matter, yes. We're
12 involved in a lot of collaboratives.

13 Q. Yes, but it wasn't introduced as an
14 issue in this particular case, correct?

15 A. The -- an alternative form of Union
16 Electric's proposal?

17 Q. Or an additional one.

18 A. No, no.

19 Q. I'm not trying to suggest that it has to
20 be a replacement. I'm looking for -- for additional
21 capabilities for demand response mostly.

22 A. As far as I know there were no
23 alternative proposals, you know, or additional
24 proposals.

25 Q. And Staff didn't make one?

1 A. No.

2 Q. Makes it a little difficult for the
3 Commission to try to implement those kinds of things
4 in a rate case if no party is proposing them for
5 examination, doesn't it?

6 A. It doesn't encourage them.

7 Q. No, it doesn't. Are you familiar
8 with -- with recent FERC initiatives to encourage
9 demand response?

10 A. No, I'm really not.

11 Q. Are you familiar with recent initiatives
12 within MISO to encourage demand response?

13 A. No, I'm really not.

14 Q. Are you familiar with recent initiatives
15 within the regional state committee known as the
16 organization of MISO states to encourage demand
17 response?

18 A. No, I'm not familiar with that.

19 Q. The provision that -- that provides
20 for -- let me -- I want to understand and make sure
21 whether this is settled or not. The 10 percent
22 discount for high load factor, is that now settled or
23 is that --

24 A. That is settled. That would not happen.

25 Q. So that's off the table?

1 A. Yes.

2 Q. The other provision that I was asking
3 about a little earlier from a previous witness
4 regarding the incentive to attract entities into --
5 into more electric usage --

6 A. Uh-huh.

7 Q. -- can you explain that to me just very
8 briefly about how that works?

9 A. You'll have to be more specific in your
10 question.

11 Q. That's all right. If you're not
12 familiar with it, I'll -- you may not have been in
13 here earlier. I thought you were.

14 A. I was.

15 COMMISSIONER GAW: I may not have --
16 it's hard for me to keep all of these little initial
17 things straight in this particular part of the
18 testimony, I've noticed. I may not be the only one
19 in that category. That's all I have, Judge, thank
20 you.

21 JUDGE WOODRUFF: Thank you.
22 Commissioner Appling?

23 COMMISSIONER APPLING: No, thank you.

24 JUDGE WOODRUFF: All right. Any recross
25 based on questions from the bench?

1 MR. FISCHER: Just briefly.

2 RECROSS-EXAMINATION BY MR. FISCHER:

3 Q. Mr. Watkins, is it correct that
4 expansion of demand response programs would be an
5 appropriate subject for the collaboratives in the IRP
6 process that are ongoing with the electric companies
7 and in particular Ameren?

8 A. Yes, it would be.

9 MR. FISCHER: Thank you.

10 JUDGE WOODRUFF: Okay. Any redirect?

11 MR. WILLIAMS: No, Judge.

12 JUDGE WOODRUFF: All right. Then
13 Mr. Watkins, you can step down. And I believe the
14 next witness is Ms. Meisenheimer.

15 MR. MILLS: I believe Ms. Meisenheimer
16 is on her way forward.

17 JUDGE WOODRUFF: I see her coming. And
18 Ms. Meisenheimer, you were sworn earlier this
19 afternoon, you're still under oath.

20 MR. MILLS: Judge, I believe this is
21 Ms. Meisenheimer's last appearance, so I would like
22 to offer her testimony, and if I could beg your
23 indulgence and have you tell me what those numbers
24 are?

25 JUDGE WOODRUFF: I certainly will.

1 Meisenheimer direct is 411, rebuttal is 412,
2 supplemental rebuttal was 413. I also have something
3 on my chart that was typed as Meisenheimer --
4 Meisenheimer/Trippensee. I'm not sure what that was.
5 Did she have surrebuttal?

6 MR. MILLS: She does.

7 JUDGE WOODRUFF: That must be
8 surrebuttal.

9 MR. MILLS: 414. Okay. I'd like to
10 offer Exhibit 411 through 414 and tender the witness
11 for cross-examination.

12 (EXHIBIT NOS. 411 THROUGH 414 WERE
13 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

14 JUDGE WOODRUFF: Okay. 411, 412, 413
15 and 414 have been offered. Are there any objections
16 to their receipt?

17 (NO RESPONSE.)

18 JUDGE WOODRUFF: Hearing none, they will
19 be received into evidence.

20 (EXHIBIT NOS. 411 THROUGH 414 WERE
21 RECEIVED INTO EVIDENCE AND MADE A PART OF THE RECORD.)

22 JUDGE WOODRUFF: Do any parties wish to
23 cross-examine Ms. Meisenheimer?

24 (NO RESPONSE.)

25 JUDGE WOODRUFF: I don't see any hands

1 going up. We'll come up for questions from the
2 bench, then. Commissioner Gaw?

3 QUESTIONS BY COMMISSIONER GAW:

4 Q. Ms. Meisenheimer, is there -- in
5 particular, do you have anything to -- still, are
6 you-all in favor of all these Ameren proposals that
7 have been discussed in regard to economic development
8 riders and demand response?

9 A. With -- with respect to the economic
10 development riders, those are something that I
11 testified to.

12 Q. All right.

13 A. And then Mr. Kind will address other
14 issues that he testified on. Primarily with the
15 economic development riders, I mean, Public Counsel
16 in the past has, at times opposed, at times supported
17 various economic development riders. I had some
18 experience with that in the areas outside of
19 electric. And one of the primary concerns that I had
20 with these economic development rider proposals
21 relates to --

22 Q. Did you say you were for them or against
23 them?

24 A. Well, it depends. It depends on what's
25 in them.

1 Q. In this case.

2 A. Oh, in this case?

3 Q. Yes.

4 A. I saw testimony saying that we would not
5 oppose them if the company paid for them.

6 Q. All right. And --

7 A. That shareholders paid for them.

8 Q. The company is saying they'll pay for
9 them or not?

10 A. Well, I think that the company's
11 surrebuttal testimony indicates that at least for
12 some period of time they -- they will cover the cost
13 of them until the next rate case. Now, at the next
14 rate case, the issue will be, you know, do you
15 believe that you should look back at them to
16 determine whether on a going-forward basis for the
17 remainder of those contract periods or for those
18 periods, whether they're gonna recover that -- that
19 in rates.

20 And the way I read these tariff filings,
21 number one, I don't think that they envision you
22 necessarily revisiting them to determine whether you
23 think that they were appropriately given discounts,
24 whether they're truly something that was given that
25 was necessary to encourage that economic development

1 or whether they're -- they're just kind of a
2 giveaway.

3 Q. Okay.

4 A. And so those are our -- those are the
5 primary concerns that I have with respect to these
6 types of economic development riders.

7 Q. So what is it that you're asking the
8 Commission to do if it orders the various economic
9 development riders to be allowed?

10 A. If you allow them, I would first of all
11 recommend that you have Ameren modify the tariff
12 language to indicate that the -- you know, that the
13 Commission will review the appropriateness of
14 recovery going forward in the next rate case.

15 Q. Okay.

16 A. That would be one recommendation that I
17 would make. And just number two, a statement to that
18 effect and the order will help if I'm still here the
19 next time to remind the Commission that that was an
20 issue we raised.

21 Q. Okay. Do you have any concerns about --
22 about granting discounts in order to get more
23 customers on to electric?

24 A. More large industrial customers, is that
25 what you're asking?

1 Q. Well, in regard to the proposals that
2 are here.

3 A. Okay. The economic development
4 proposals?

5 Q. Any others that would do that, other
6 than what you've stated already?

7 A. If they -- if an economic development
8 rider could be shown to actually produce a net
9 benefit to, you know, all customers, then there --
10 then there may be a reason to provide that discount.
11 If it can't shown -- or if it's not shown to be the
12 case, then I don't -- I don't know why they should
13 receive a lower rate than other -- other customers in
14 the same class.

15 And to that end, some of the things -- I
16 mean, certain -- certain elements, the company in
17 their testimony identifies as being relevant
18 considerations, I think. In their testimony they
19 specifically refer to that the intent is to provide a
20 discount to customers that might otherwise be able to
21 get a lower rate elsewhere is the way I read it.

22 However, I don't think the tariff
23 language really gets there. It just says that the
24 customer has a viable alternative. Well, what does
25 it mean to be a viable alternative? I think you

1 could put more parameter -- you know, more definition
2 on what that means.

3 So that would be a type of concern that
4 I would have about whether it was appropriate to
5 collect money from other ratepayers to give a
6 discount to industry.

7 Q. Okay. I've got a couple questions to
8 follow that up. One is, is there any -- any issue at
9 all in regard to discrimination when you get into
10 those kinds of discounts? That's my first question.

11 A. Well, I believe that you have the
12 flexibility to approve economic development riders.
13 I mean, that's not something that -- that I raised as
14 an issue. I think that for it to be not unduly
15 discriminatory, you need to have things that indicate
16 it will produce a net benefit, that it was necessary
17 to attract that business to the -- to the area, they
18 wouldn't have come otherwise, then, in fact, they're
19 going to help lower overall system costs as opposed
20 to raise overall system cost. Issues like that.

21 Q. When they -- when we're talking about
22 other alternatives, what are you -- what do you
23 envision that to mean?

24 A. Other alternatives?

25 Q. Yes.

1 A. Well, my understanding is, say, for
2 example, with an economic development rider you might
3 have -- you might have an industry considering
4 various areas to locate.

5 Q. Okay.

6 A. And some may be in Missouri, some may
7 not. And if they're not in Missouri and can offer
8 potentially a lower price, not just for -- I mean,
9 electricity is one component of operating and running
10 a production plant or a production facility, but you
11 know, if in total you've convinced yourself that that
12 one thing tips the balance to get them to come, then
13 maybe there's a reason to do so.

14 Q. Okay.

15 A. I --

16 Q. When we -- when we -- when you use the
17 word alternatives, is that strictly addressing the
18 issue of location, can it mean other things such as
19 fuel used for energy?

20 A. It could mean other things. The other
21 thing that I'm thinking of would be like bypass.

22 Q. Bypass meaning what? I'm not sure --

23 A. Well, I'm thinking more in the context
24 of the gas world right now in terms of, you know,
25 bypass might be an alternative that would encourage

1 you to give some -- some kind of discount if there
2 were a reasonable threat of bypass.

3 Q. Is it -- is it -- is it possible -- I'm
4 trying to understand if this rider or one of these
5 riders can be utilized in competition with another
6 supplier of energy such as -- such as gas, for
7 instance, or is it totally inapplicable to that
8 situation?

9 A. And I'm not sure I'm following the
10 question or it may be that this is an area that would
11 be best addressed --

12 Q. It may not apply at all. It may not
13 apply at all. I'm just trying to understand whether
14 this discount can be used to either keep somebody
15 from switching over to gas in regard to some portions
16 of heat, for instance, or to encourage someone to
17 move away from that. And it may not be applicable at
18 all. I just want to understand.

19 A. It's my understanding that that's not
20 the intent. If, in fact, that could be a result, I
21 would encourage you to ask that same question to
22 Mr. Kind.

23 Q. Okay. It may not have anything to do
24 with this. I just want to make sure I follow it.
25 The only other question I have in regard to this is

1 you mentioned trying to ensure what the benefits
2 were. Do -- do we need to know to have some sort of
3 a tracking mechanism established at the beginning of
4 this rather than trying to do something in a
5 retrospective fashion? If not, that's fine. If so,
6 what kind of tracking mechanism needs to be set up?

7 A. Well, the -- in terms of a tracking
8 mechanism, I mean, I guess you could ask the company
9 to devise something so that it would have evidence
10 going forward if it did seek recovery of these costs
11 in the next rate case to verify if that there were,
12 in fact, savings. Have them quantify, you know,
13 what -- what did they consider in that cost benefit
14 analysis, if you will.

15 In addition, it would be very helpful to
16 have copies of whatever contracts that they enter
17 into with any entity that they provide this discount
18 to.

19 Q. Is it necessary for that to occur at
20 this stage or can that be done as a matter of a
21 request in another case going forward?

22 A. Those records need to be maintained so
23 that they will be available to us and have sufficient
24 details. So now, I guess I should say more than just
25 maintained. I should also say that the reason that

1 they chose to give the discount at the time they gave
2 the discount to me seems relevant. You know, what
3 were the factors that they considered. Making a good
4 record of that would be helpful in our ability to
5 evaluate on a going-forward basis whether we think
6 other ratepayers ought to have to pick up that tab.

7 COMMISSIONER GAW: Okay. That's all I
8 have. Thank you.

9 JUDGE WOODRUFF: Commissioner Appling?

10 COMMISSIONER APPLING: No questions.

11 JUDGE WOODRUFF: All right. Anyone wish
12 to recross based on questions from the bench?

13 MS. VUYLSTEKE: I just have a couple.

14 JUDGE WOODRUFF: Okay. MIEC.

15 RE-CROSS-EXAMINATION BY MS. VUYLSTEKE:

16 Q. Ms. Meisenheimer, I just want to clarify
17 your interpretation of Ameren's EDRR proposal. My
18 understanding of your testimony -- or I should ask
19 you, is your testimony that these tariffs would apply
20 to a customer who's just switching fuel sources, or
21 does the customer actually have to be considering
22 leaving the company's service area?

23 A. And I'm sorry. You used the acronym.
24 Could you give me that -- they're pretty similar so I
25 just want to be sure I'm answering --

1 Q. Sure. I'm talking about the tariff
2 sheets 122.6 and 122.7, that's the EDRR economic
3 development and retention rider.

4 A. Okay.

5 Q. And I'm talking about the availability
6 provisions in the second paragraph.

7 A. Okay. I think I could probably answer
8 the question without looking at it. Can you just ask
9 me again?

10 Q. Sure. Do you have a copy -- would you
11 like to look at my copy?

12 A. I do have a copy but I was just trying
13 to figure out which one you were talking about to
14 begin with, and now I think I could answer your
15 question if you can answer it -- or ask it again.

16 Q. Sure. I just wanted to know if you
17 thought that that tariff applied to a customer that
18 was switching fuel sources?

19 A. I think it was intended to apply to
20 customers that were -- that we were either entering,
21 potentially leaving or perhaps moving under certain
22 conditions, not necessarily the fuel type.

23 Q. So --

24 A. Yeah, not the fuel type.

25 Q. Not the fuel type. So is it correct

1 that this tariff is only available to a customer
2 who's considering leaving the company's service area
3 or locating new or expanding facilities in the
4 company's service area?

5 A. I -- I think that there's also a
6 possibility that a customer can move, and it would
7 also qualify, move from one location to another in
8 the service territory. I think there is a limited
9 ability for that as an option as well.

10 Q. Are you saying that you think that if a
11 customer moves from one location to another in the
12 service area, that move may make them eligible for
13 the discount?

14 A. Maybe I can find specifically what I was
15 referring to.

16 Q. Because -- and again, I'm just focusing
17 again on the EDRR, not the ERR. It is confusing.
18 There's two proposal -- there's the old EDR and then
19 there's the current EDRR proposal, and then it's the
20 ERR, so we really have the old one and the two new
21 ones.

22 A. Okay.

23 Q. And my question is simply confined to
24 the rider EDRR.

25 A. All right. And I'm on 122.6?

1 Q. Right.

2 A. Okay. And it specifically says,
3 "Electric service under this rider is only available
4 in conjunction with local regional or state
5 government economic development activities. When
6 incentives have been offered and accepted by a
7 customer who is requesting service to locate new or
8 expanding facilities in the company's service area or
9 whose exit from the company service area is
10 imminent."

11 Okay. I think I was thinking of the
12 other one where they could move from one location to
13 another.

14 Q. All right. Okay.

15 A. So, yes.

16 MS. VUYLSTEKE: Thank you.

17 JUDGE WOODRUFF: Any other recross?

18 (NO RESPONSE.)

19 JUDGE WOODRUFF: Any redirect?

20 MR. MILLS: Just very briefly.

21 REDIRECT EXAMINATION BY MR. MILLS:

22 Q. Ms. Meisenheimer, I believe in response
23 to one of Commissioner Gaw's last questions you
24 talked about the kind of information that the company
25 would need to keep going into the next rate case; do

1 you recall that?

2 A. Yes.

3 Q. And is it -- would it be your proposal
4 that in a subsequent rate case that the company would
5 have the burden of proving that their granting of any
6 of these discounts was necessary for the terms of the
7 tariffs?

8 A. Absolutely. They --

9 Q. So they -- go ahead.

10 A. They -- in -- in the way the tariff is
11 currently written, the company has a lot of
12 discretion and when it -- when it allows the
13 discount. And it seems perfectly reasonable that
14 before other ratepayers are required to pick up the
15 tab, that our office Staff and ultimately the
16 Commission have the ability to determine whether they
17 think those were appropriately given.

18 MR. MILLS: Okay. That's all I have.

19 Thank you.

20 JUDGE WOODRUFF: Thank you. And
21 Ms. Meisenheimer, you can step down. Next name on
22 the list, then, is Mr. Kind. And welcome back
23 Mr. Kind, and you are still under oath.

24 (EXHIBIT NOS. 404 THROUGH 407 WERE
25 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

1 MR. MILLS: I don't believe that
2 Mr. Kind's -- well, I believe Mr. Kind's testimony
3 has previously been offered and perhaps even
4 admitted.

5 JUDGE WOODRUFF: Actually, I don't show
6 either of them as having come in.

7 MR. MILLS: Then I would like to offer
8 Mr. Kind's testimony.

9 JUDGE WOODRUFF: All right. I show it
10 as 404, 405, 406 and 407. 404 is his direct on rate
11 of return --

12 MR. MILLS: Right.

13 JUDGE WOODRUFF: And 405 is his direct
14 on the FAC, 406 is rebuttal and 407 is surrebuttal.

15 MR. MILLS: And I would like to offer
16 those exhibits at this time.

17 JUDGE WOODRUFF: All right. 404, 405,
18 406 and 407 have been offered into evidence. Are
19 there any objections to their receipt?

20 (NO RESPONSE.)

21 JUDGE WOODRUFF: Hearing none, they will
22 be received into evidence.

23 (EXHIBIT NOS. 404 THROUGH 407 WERE
24 RECEIVED INTO EVIDENCE AND MADE A PART OF THE RECORD.)

25 JUDGE WOODRUFF: And does any party wish

1 to cross-examine Mr. Kind?

2 (NO RESPONSE.)

3 JUDGE WOODRUFF: I don't see any hands
4 going up. Once again, back to Commissioner Gaw.

5 COMMISSIONER GAW: I'm gonna pass this
6 time.

7 COMMISSIONER APPLING: See you on the
8 other side of the river.

9 JUDGE WOODRUFF: I have no questions so
10 there's no need for recross or redirect and you can
11 step down.

12 And the next name on the list, then, is
13 Ms. LaConte. Welcome back, and I believe you were
14 sworn earlier also in this proceeding.

15 THE WITNESS: Yes.

16 JUDGE WOODRUFF: And you're still under
17 oath.

18 MS. LANGENECKERT: I believe that we
19 offered and plus had accepted Ms. LaConte's
20 testimony. We were not certain if we would get to
21 this point in the hearing with the impending rate
22 design.

23 JUDGE WOODRUFF: I show her as offered
24 and received.

25 MS. LANGENECKERT: She does have one

1 change to 554, her surrebuttal testimony that we had
2 not noticed before, so she probably would like to
3 make reference to that now.

4 JUDGE WOODRUFF: Okay.

5 THE WITNESS: If you'll look at page 2,
6 line 5, the end of the sentence, it says "three
7 years," it should say "two years." On the same page,
8 line 19 it says "three-year" and that should be
9 "two-year." Those are all my changes.

10 JUDGE WOODRUFF: All right. Does anyone
11 wish to cross examine Ms. LaConte? I see Public
12 Counsel. Go ahead.

13 CROSS-EXAMINATION BY MR. MILLS:

14 Q. Good afternoon, Ms. LaConte. Let me --
15 let me just start out with maybe some background
16 questions. Who are your clients that would be likely
17 to take advantage of the IDR proposal in this case?

18 A. We have some clients that run cement
19 companies.

20 Q. Okay. You also have some hospitals as
21 clients; is that correct?

22 A. Yes, they're not interested in those.

23 Q. All right. So this is primarily of
24 interest to the cement companies; is that correct?

25 A. Yes.

1 Q. Okay. Now, with respect to the way the
2 discount works, those clients will be better off if
3 the -- if the dollar amount for capacity is higher;
4 is that correct?

5 A. Yes, I think that they would be more
6 inclined to sign up for the tariff because they'd be
7 receiving a high enough credit that would justify
8 them having to interrupt their load.

9 Q. And if they do sign up, they'll get more
10 money if the discount is higher rather than lower; is
11 that correct?

12 A. Well, yeah. If you look at the math,
13 that's right.

14 Q. Now, let me -- let me just sort of zero
15 in on the correction you just made with respect to
16 the two years and the three years. What is your
17 understanding of when the Commission's report and
18 order in this case will be issued?

19 A. Well, I assume end of May, beginning of
20 June.

21 Q. Do you know what the -- what the
22 operation of law date is?

23 A. 11 months from the date the company
24 filed their tariff which I think is July 7th; is that
25 correct, was when you filed?

1 Q. Actually, I'm not really supposed to be
2 answering your question but that's an easy one so
3 I'll say yes.

4 A. Sorry. I didn't ask that.

5 Q. Okay. So -- and is it your
6 understanding that in Missouri typically the -- an
7 order is issued with the ten-day effective date to be
8 effective on the operation of law date?

9 A. I couldn't answer that.

10 Q. Okay. Well, let me ask you another
11 question sort of about Missouri procedure: Is it
12 your understanding that after the Commission issues
13 its report and order that the company will file
14 compliance tariffs sometime in a few days or a week
15 or two after the final order is issued?

16 A. I would assume they would. I ...

17 Q. Okay. And then those tariffs are
18 approved by a separate order; is that correct?

19 A. I'm not sure.

20 Q. Okay. Well, with respect to the IDR
21 tariff, and in particular on page 218, does the
22 tariff require a customer to enter into a contract by
23 June 1 of a particular year in order to have the
24 benefits of the IDR for the following year?

25 MS. LANGENECKERT: Are you talking about

1 Mr. Mill's testimony?

2 MR. MILLS: Well --

3 MS. LANGENECKERT: Are you talking about
4 the particular tariff sheet 218?

5 MR. MILLS: Yes.

6 THE WITNESS: Yeah, I don't have that in
7 front of me but from what I recall, that's correct.

8 BY MR. MILLS:

9 Q. Okay. And given your understanding of
10 the way the -- the tail end of this rate case may
11 play out, that may not be available, this tariff may
12 not be in effect by June 1; is that possible?

13 A. Yes, we're aware of that.

14 Q. Okay. So that it may be that the first
15 time a customer can sign up under the tariff as it's
16 proposed would be June 1 of 2008?

17 A. Yes, as it's proposed right now, yes,
18 that's correct.

19 Q. Okay. Now, in your direct testimony on
20 page 3 at line 8, there you're talking about the --
21 the benefits to Union Electric; is that correct?

22 A. Yes.

23 Q. And if UE already has excess capacity at
24 this point, how is that a benefit?

25 A. I'm not aware that -- well, I'm not sure

1 how much excess capacity UE has.

2 Q. Well, assume for the purposes of my
3 question that they have several hundred megawatts of
4 spare capacity.

5 A. And you're asking me what the benefit of
6 interruptible load would be if they have excess
7 capacity like that?

8 Q. Uh-huh.

9 A. Well, I -- under that assumption I don't
10 think there would be much benefit to UE so I don't
11 understand why they would propose a tariff like this
12 if they wouldn't benefit from it.

13 Q. Okay. With respect to your surrebuttal
14 testimony, let's see if I can get the right page, and
15 I'm gonna ask you a question too about page 9. And
16 in particular at line 7, and just to orient yourself
17 and perhaps the Commission, you're talking here about
18 some advantages to the IDR program; is that correct?

19 A. Yes.

20 Q. In response to Mr. Hanser's argument.
21 At page 7 you talk about losses. How under the --
22 the proposed IDR program are losses reduced?

23 A. Well, if Ameren was to run a CT to
24 provide that load -- to provide for the load, there
25 would be loss as a generation trans -- goes across

1 the lines. If, instead, Ameren said I'm gonna back
2 down this load, then there aren't any -- there's not
3 actually any generation that's traveling over the
4 line, so the loss is reduced.

5 Q. Okay. So you're saying here the
6 losses -- this is -- you're not talking here about
7 the customer having on-site generation?

8 A. No.

9 Q. Okay. Okay. Well, let me -- let me get
10 you to turn back to your direct testimony, page 2,
11 lines 17 through 18. What sort of the process
12 changes are you talking about there?

13 A. Well, as it shows in the example, that
14 would mean that if they have to back down their load,
15 they could store some of their -- their product.

16 Q. Okay. So to put this in the context of
17 a cement manufacturer, if there's a whole long
18 production line, what you're saying is that they
19 could put in some storage so that they can stop and
20 store some of the intermediate product and then
21 continue --

22 A. Well, I don't know if it refers
23 specifically -- I don't think it refers specifically
24 to a cement --

25 Q. Okay. Well, tell me what it is that you

1 mean by the process changes, then.

2 A. Well, just what it says there,
3 additional storage of intermediate product. I can't
4 give you any other --

5 Q. Okay. What's an intermediate product?

6 A. Well, I guess it's product that hasn't
7 come to a finish yet, hasn't been completed.

8 Q. So at some stage in the production line
9 of whatever kind of product this is, the customer
10 would put it in storage so they could pick up and
11 resume production at a later time; is that correct?

12 A. Yes.

13 Q. Okay. So in that situation, is -- is
14 there actually less energy being produced overall, or
15 is it just that the production process stops for a
16 while and then continues later?

17 A. Well, how do you define "for a while"?

18 Q. Well, I don't know. You're talking
19 about the losses are reduced, and it's my
20 understanding that what you're talking about here in
21 your direct testimony is that the purpose of this
22 program is not to reduce the energy produced by the
23 company but rather that the company can stop
24 production at a particular time and continue later.
25 Or is it your -- is it your intention that pursuant

1 to this rider that customers that take advantage of
2 it will, over the course of a year, produce less
3 product?

4 A. Well, I think if you -- you have to
5 measure it, you have to have a time frame. If a
6 customer interrupts, they will produce less product.

7 Q. Over the course of a year or over the
8 course of the interruption?

9 A. Well, as compared to if they didn't
10 interrupt at all.

11 Q. Okay. So it's your testimony that, say,
12 that if it's a customer that's gonna produce 100 tons
13 of cement in a year, that when they're subject to
14 interruption they will produce 99 tons that year
15 instead?

16 A. That could be, that could happen.

17 Q. Could it also be that they will simply
18 stop production for a while and then pick it up later
19 at a different time and produce the same amount
20 during the course of the year?

21 A. I don't think they can overproduce to
22 make up for the losses that they suffered during
23 their interruption.

24 Q. This program is available to customers
25 with as low as a 65-percent load factor, isn't it?

1 A. I think that's what the tariff says,
2 yes.

3 Q. Is a customer at 65-percent load factor
4 producing at full output the full time?

5 A. No.

6 Q. So if the customer is producing at a
7 65-percent load factor, they would have some slack
8 time, as it were, to pick up for production later in
9 the year, would they not?

10 A. That's correct.

11 Q. And if, in fact, that is the case, would
12 losses be reduced or would losses simply be shifted
13 from sometime to a later time?

14 A. The losses to the customer?

15 Q. No. The line losses that we started
16 this conversation about. In your surrebuttal
17 testimony --

18 A. Well, if the customer is asked to reduce
19 their load at peak time, the amount of losses that
20 occur during a peak time are higher than during
21 nonpeak times. So if you're assuming that the
22 customer is going to make up that loss in production
23 during a time that is not peak, that will reduce
24 losses.

25 Q. Okay. So depending on what time of day

1 or time of year the customer uses a kilowatt hour of
2 energy, you're saying the losses can be different?

3 A. Yes, losses are higher in the summer
4 than in the winter.

5 Q. Okay. And is that what you were getting
6 at on page 9 of your testimony? Page 9, line 7 of
7 your surrebuttal testimony?

8 A. No. There I was just pointing out that
9 if you reduce load, the losses are less than if you
10 have to generate that power.

11 Q. Okay. But if you're simply shifting
12 load, the only savings on losses is if the shifted
13 load comes at a different time of year when the loss
14 factor is lower?

15 A. Well, I think different time of day too.
16 I think if there's -- the losses are less when the --
17 when you're at peak you have more losses than when
18 you're at nonpeak, so you could ...

19 Q. Okay. And for a typical LPS customer
20 like a cement manufacturer, what is the difference in
21 percentage or losses off-peak to on-peak?

22 A. I couldn't answer that.

23 Q. Okay. What's the typical percentage
24 throughout the year of losses?

25 A. From my understanding I think that

1 AmerenUE has suggested their losses are around
2 5 percent.

3 Q. Okay. And do you believe that the
4 differences between on-peak and off-peak are
5 significant?

6 A. How do you define significant?

7 Q. Does it vary from half a percent to 20
8 percent, or does it vary from -- if you're correct
9 about 5 percent, or does it vary from 4 to 6?

10 A. I can't tell you how much it varies.

11 Q. Okay. Now, in your surrebuttal lower
12 down on page 15, you note that a CT may not start up
13 when dispatched. Do you know what the failure rate
14 of combustion turbines is?

15 A. No, I don't.

16 Q. Okay. Do you know how often customers
17 under this program, when called upon to curtail, will
18 decide instead to buy through?

19 A. No, I don't.

20 Q. Now, do you understand that it's Public
21 Counsel witness Kind's position in this case that the
22 details of an IDR program should be developed
23 throughout the -- through the collaborative process
24 in conjunction with UE's IRP planning process?

25 A. Yes.

1 Q. Are you aware that collaborative
2 workshops established as a result of EC-2002-1 have
3 come up with some ideas that have been filed as
4 tariffs by UE and been approved by this Commission
5 since the close of that case?

6 A. I'm sorry. Can you repeat the question?

7 Q. Sure. Well, let me break it down a
8 little bit. Are you familiar that -- familiar with
9 the settlement of case number EC-2002-1 in that it
10 established a series of workshops and collaborative
11 processes that the parties would work together to try
12 to come up with some DSM programs?

13 A. Yes, I'm aware of that.

14 Q. All right. And are you aware that as a
15 result of those workshops and collaborative
16 processes, that some DSM programs have been developed
17 and UE has filed tariffs to implement those?

18 A. I'm aware of some of those.

19 Q. And that the Commission has approved
20 those tariffs?

21 A. Yes.

22 Q. Okay. Now, do you agree that in the IDR
23 program that it's possible to set a rate so high that
24 the program would not be cost-effective?

25 A. Yes.

1 Q. Okay. Or conversely, so low that nobody
2 would participate?

3 A. Yes.

4 Q. Okay. I'm gonna check and see if
5 something is still highly confidential here, if
6 you'll bear with me here just a minute. Ms. LaConte,
7 in your direct testimony you calculate -- and this is
8 schedule BSL-1?

9 A. Yes.

10 Q. And it's marked as highly confidential
11 but I've just confirmed with UE that the actual
12 credits that you calculate, the range of credits, are
13 not highly confidential.

14 A. Okay.

15 Q. Did you calculate that the -- depending
16 on different assumptions which may be highly
17 confidential, that the range of credit should be from
18 \$3.10 to \$3.55?

19 A. Yes.

20 Q. Okay. Now, to the extent that the --
21 the costs for CTs that you used are found not to be
22 accurate by the Commission, would your calculation of
23 interruptible credits also be inaccurate?

24 A. Yes, if the Commission finds my
25 underlying numbers to be incorrect.

1 Q. Okay. And are you aware that at least
2 for some of those units there is some controversy in
3 this case over the proper value to assign to them?

4 A. Yes, that's why I put in a range.

5 Q. And in your surrebuttal testimony, do
6 you stick with that range or do you -- do you come
7 down to a particular number?

8 A. In my surrebuttal testimony, actually, I
9 stick with the range and the lower end of the range
10 is incorrect.

11 Q. Okay. So that 3.15 really should be
12 3.10 --

13 A. Yes, thank you.

14 Q. -- on line 14, page 12?

15 A. Yes, that's an error. I apologize for
16 that.

17 Q. Okay. Now, under the IDR program, is
18 it -- is it at UE's sole discretion to call on
19 customers to curtail?

20 A. I don't think a customer would ask to be
21 curtailed.

22 Q. Well, and that really wasn't my
23 question. My question was even if the UE system
24 faces the most horrible catastrophe ever seen, they
25 have the sole discretion whether or not to curtail

1 these customers; is that not correct?

2 A. Yes.

3 Q. And other than conditions of system
4 emergency, would UE ever want to curtail customers
5 unless it could make money by doing so?

6 A. You'd have to ask UE that.

7 MR. MILLS: Okay. That's all the
8 questions I have.

9 JUDGE WOODRUFF: All right. We'll come
10 up for questions from the bench. Commissioner Gaw?

11 COMMISSIONER GAW: Thank you.

12 QUESTIONS BY COMMISSIONER GAW:

13 Q. Ms. LaConte, can you tell me, do you
14 have a specific proposal for an adjustment of this
15 demand response program?

16 A. Yes, I do. I recommend that the term of
17 the tariff be expanded from two years to five years.
18 I also recommend that the amount of load that can
19 sign up should be increased. And I recommend that
20 the credit be increased from two dollars to a range
21 and the range is 3.10 to 3.55. And the reason I give
22 a range is because there's some controversy within
23 the rate cases to the value of some CT capacity that
24 UE has recently added.

25 Q. Okay. I don't see anything in here in

1 regard to some sort of a different kind of proposal
2 on demand response. There isn't anything else in
3 here other than some modification of the proposal
4 that's put forth by Ameren?

5 A. That's correct.

6 Q. Have you done much work in regard to
7 demand response programs for this case?

8 A. I'm sorry. Can you say that again?

9 Q. Have you done much work or have you
10 gathered much information in regard to demand
11 response programs before you were involved in this
12 case?

13 A. I did some research on demand response
14 for other utilities.

15 Q. Okay. Have you seen other programs that
16 you think are helpful from an industrial or
17 commercial customer standpoint?

18 A. Well, I have to confess that I looked at
19 interruptible rates that were similar to the tariffs
20 that UE has offered --

21 Q. All right.

22 A. -- just to see how many were out there.

23 Q. Okay. Did you have any -- so you didn't
24 specifically look at demand response programs at the
25 retail level for industrial commercial customers that

1 would be more time-of-use oriented?

2 A. No, I did not.

3 Q. And you don't have any experience in
4 that regard?

5 A. No, I'm sorry. I do not.

6 Q. Can you tell me what it is in regard to
7 this particular program that a customer would find
8 attractive?

9 A. Well, I think it gives a customer some
10 transparency and allows him to see how much they
11 would be paid ahead of time, and then they can decide
12 whether they want to sign up for the tariff and
13 whether it'd be cost-effective for them if they are
14 called up to 200 times during a year. To back down,
15 they're gonna have some losses in their production,
16 obviously, and so this way they can figure out how
17 much losses they might experience, and then how that
18 can be countered by the credits they're receiving
19 from the utility.

20 Q. Is it up to 200 times or 200 hours, do
21 you know?

22 A. I don't have the tariff in front of me.

23 MS. LANGENECKERT: Would you like a copy
24 of it?

25 THE WITNESS: Yes. 200 hours.

1 BY COMMISSIONER GAW:

2 Q. Okay. And in regard to -- to the
3 question of how many times that could occur, is it
4 your understanding that there is a limit on the
5 number of times or no limit, just an -- just an hour
6 limit?

7 A. I think it's an hour limit. I don't
8 think there is a number of times.

9 Q. Is there a duration time frame, a
10 minimum duration time frame?

11 A. I don't see a minimum duration time for
12 each interruption. All I see is a limit on the
13 duration of the total interruptions of 200 hours per
14 year.

15 Q. Is there a maximum duration time? Oh,
16 we can read that. I think -- I think that's probably
17 clear that --

18 A. Oh, I'm sorry. "No single interruption
19 events shall continue for more than 48 hours
20 consecutively."

21 Q. All right. But there -- but you don't
22 see a minimum duration there, do you?

23 A. No, I do not.

24 Q. Is that of any -- is there any problem
25 with that?

1 A. Well --

2 Q. Just strictly speaking from your -- from
3 those who you're representing.

4 A. Yes, I could see a problem with that.

5 Q. And what would that be?

6 A. Well, if the utility called up and said
7 we need you to back down, the customer backs down.
8 Half an hour later they call up and say you can start
9 running again, and an hour later they call again and
10 say you need to back down, that cause a problem for
11 them to have to start and stop, start and stop.

12 Q. All right. And that can be of varying
13 levels of burden depending upon the type of customer
14 that we're talking about?

15 A. Yes.

16 Q. If you have a customer when the
17 interruption takes place that it takes a significant
18 amount of time to get up and running again, that's
19 more problematic than someone who has a lot of
20 flexibility in regard to starting and stopping,
21 correct?

22 A. Yes, that's correct.

23 Q. How does this fit in with -- if at all,
24 with what those entities that you're representing in
25 this testimony may have as far as distributed

1 generation assets are concerned? In other words, if
2 they have a generator on-site, does this -- does this
3 particular provision have any attractiveness to them,
4 if you know?

5 A. The clients that are interested in this
6 tariff do not have distributed generation.

7 Q. All right. Do you know whether or not
8 Ameren offers some other type of a tariff that is
9 attractive to customers that do have distributed
10 generation as a -- as a hedging source?

11 A. I'm not aware of one.

12 Q. All right. You mentioned some cement
13 plants as being a part of the customer list, correct?

14 A. Yes.

15 Q. Do you know whether they have currently
16 the capability of doing cogeneration in those plants?

17 A. I don't know the answer to that.

18 Q. You make arguments here and Public
19 Counsel asked you some questions in regard to line
20 loss. You also add to some of these arguments that
21 there may be other avoidances of issues if a
22 combustion turbine does not need to run, including, I
23 think, carbon dioxide output, perhaps maybe there's
24 some other things. Do you quantify the value of
25 those avoidance costs somewhere in your testimony?

1 A. I don't quantify any environmental
2 impact in terms of the carbon dioxide output. I do
3 quantify losses.

4 Q. The line losses?

5 A. Line losses, yes.

6 Q. How do you do that?

7 A. Well, in my schedule -- I'm not sure if
8 you have a copy of that, but I calculate the average
9 cost per kW and then I levelize that and then I just
10 adjust that upwards by a percentage to account for
11 the losses.

12 Q. And how do you come up with that
13 percentage?

14 A. I made a conservative estimate of
15 3 percent.

16 Q. Okay. Do you have any basis for that
17 other than just --

18 A. Well, I know that Ameren --

19 Q. -- some sort of figure off of 5 percent
20 that you mentioned earlier?

21 A. Yeah, I just wanted to make a
22 conservative estimate so I did 3 percent.

23 Q. Okay. So -- and Mr. Mills pointed out
24 that we're not talking about a -- participating in a
25 program that is actually lowering overall its use

1 necessarily. Do you recall when he was questioning
2 you about that?

3 A. Yes.

4 Q. That we're talking about generally a
5 shifting off of peak onto some other time frame,
6 correct?

7 A. Yes, if that's possible for the
8 customer.

9 Q. And you said if I understood you
10 correctly, something to the effect that because the
11 load may be lower in those time frames, that the
12 losses may be lower?

13 A. Yes.

14 Q. And what I -- and then I want to go back
15 and ask you this same question again in regard to
16 your measurement of line losses. Is there some --
17 something that you utilize to determine what that
18 difference would be between the losses at peak and
19 the losses at a nonpeak that would -- that would come
20 up to some 3 percent figure?

21 A. No, there wasn't.

22 Q. Okay. As I understand it, you would
23 like to do something about this demand response issue
24 in this rate case rather than putting off some of
25 these issues into a resource planning discussion. Am

1 I following --

2 A. Yes, that's correct, I would like to.

3 COMMISSIONER GAW: I think that's all I
4 have. Thank you, Ms. LaConte.

5 THE WITNESS: You're welcome.

6 JUDGE WOODRUFF: Thank you. Does anyone
7 any recross of questions based on questions from the
8 bench? I see Public Counsel again.

9 RECROSS-EXAMINATION BY MR. MILLS:

10 Q. Now, with respect to that last question
11 from Commissioner Gaw, Ms. LaConte, if your
12 understanding of the way the tariff is currently set
13 out is correct in that the first contract period
14 would be June 1, 2008, does that not leave a fair
15 amount of time for a collaborative process to work on
16 putting together a tariff that doesn't have some of
17 these flaws?

18 A. Well, if that's what happens.

19 Q. Okay. And for example, if you were --
20 if you were working on revising the tariff, would you
21 change the tariff to provide for a maximum number of
22 curtailments rather than simply a maximum hour of
23 curtailments?

24 A. That would be something I'd consider.

25 Q. Okay. Possibly even a minimum duration

1 of curtailment so your -- so your clients are being
2 called every ten minutes to curtail for five minutes
3 at a time?

4 A. Yes.

5 Q. And you'd probably want to change the
6 term of the rider, would you not?

7 A. We'd like to do that, yes.

8 Q. Okay. Now, with respect to the term of
9 the rider, I believe in response to Commissioner
10 Gaw's question you said it was your proposal that it
11 should run for five years?

12 A. We suggested that, yes.

13 Q. Okay.

14 A. I did.

15 Q. In your direct testimony at page 4,
16 line 12, does that statement mean that -- at least in
17 your direct testimony, you were proposing an
18 unlimited term for the period of the rider?

19 A. Yes.

20 Q. Okay.

21 A. And then I changed that in my
22 surrebuttal to "Should be extended to at least five
23 years."

24 Q. Okay. Is it your understanding that
25 this program is designed as a pilot program?

1 A. Yes, the way UE has presented it, they
2 want it to be a pilot.

3 Q. Okay. And in order to be a pilot, would
4 it -- would it not need a finite term?

5 A. It's my opinion that demand response
6 tariffs such as this, UE had one before, there's
7 several other utilities that have them, it's an
8 accepted form of demand response. There's no need
9 for it to be a pilot.

10 Q. But if it is a pilot, should a pilot not
11 have a finite term?

12 A. Yes.

13 Q. Followed by an evaluation?

14 A. Yes.

15 MR. MILLS: That's all the questions I
16 have. Thank you.

17 JUDGE WOODRUFF: Any redirect?

18 MS. LANGENECKERT: Yes, just a few
19 questions.

20 REDIRECT EXAMINATION BY MS. LANGENECKERT:

21 Q. You were asked some questions -- excuse
22 me, by both Mr. Mills and Commissioner Gaw about the
23 possibility of producing less product. Now, while we
24 represent cement companies, I have a better handle,
25 no pun intended, on kind of the car manufacturers.

1 If a car manufacturer were to use an
2 interruptible rate, would it be possible for them if
3 they were not using all of their lines at once to get
4 notice that they were going to be interrupted and use
5 two different lines to make a bunch of door handles,
6 and then when one other door handle line has been
7 interrupted they can continue with the rest of their
8 production and make their cars without having to stop
9 the remainder of their production because they would
10 still have that product needed for the process.

11 A. Yes, that could happen.

12 Q. And is it also possible that, again, in
13 the cement company example, that there are X amount
14 of customers that need a cement product, and if you
15 can't produce it and give it to them when they need
16 it if they're doing a construction project, building
17 the road, they'll go to someone else and they'll
18 never be able to make back that business?

19 COMMISSIONER APPLING: Your Honor, I
20 have to object to the leading nature of that
21 question. I'm sorry, but --

22 JUDGE WOODRUFF: It clearly is leading.

23 MS. LANGENECKERT: Didn't think you'd
24 catch me.

25 MR. MILLS: Her first question created

1 an entire production line.

2 THE WITNESS: It's late in the day.

3 MS. LANGENECKERT: Yes.

4 BY MS. LANGENECKERT:

5 Q. Do some industries have a business such
6 that if they do not produce a product at a particular
7 time they may not be able to produce that product at
8 all?

9 A. Yes.

10 Q. And if that were the case, would that
11 customer lose that business?

12 A. Yes.

13 Q. Okay. You were asked some questions
14 about the IRP and the value of it versus receiving a
15 particular rate in this case. Is it possible under
16 the IRP that while you could get a maximum and a
17 minimum of interruptions and a term that you would
18 like, you could also get a much lower number that
19 would not be desirable at all?

20 A. That could happen as well.

21 Q. So while an IRP can have values it can
22 also create uncertainty?

23 A. Yes. I'm not against the IRP process.
24 I would like to get this tariff accepted now. I
25 would also like to see what other types of demand

1 response tariffs come out of the IRP process.

2 Q. So something that maybe looked at both
3 options?

4 A. Yes.

5 MS. LANGENECKERT: Okay. That's all I
6 have.

7 JUDGE WOODRUFF: All right. Thank you.
8 And Ms. LaConte, you may step down. We'll take a
9 short break before we go on with Mr. Quinn to
10 conclude the day. We'll come back at 4:30.

11 (A RECESS WAS TAKEN.)

12 JUDGE WOODRUFF: All right. Well,
13 welcome back from break. I believe there's some
14 preliminary matters we need to take care of before we
15 bring Mr. Quinn up. Mr. Conrad?

16 (EXHIBIT NOS. 602, 603 AND 604 WERE
17 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

18 MR. CONRAD: Yes, your Honor. I have
19 provided the court reporter with a copy of
20 Exhibit 602, the direct testimony -- prepared direct
21 testimony of Mr. Steve McPheeters, 603 the prepared
22 direct testimony of Mark Baker, and 604, the prepared
23 direct testimony of Harvey Cooper.

24 All three of those witnesses were
25 sponsored by Noranda and it is my understanding that

1 all counsel have waived those.

2 They also were on the list of those that
3 would be admitted without objection, waiver,
4 whatever, pursuant to the acceptance by the
5 Commission of the nonunanimous stipulation on class
6 cost of service and rate design.

7 Subject to that, I would propose to
8 offer those into the record at this time and see if
9 there are objections.

10 JUDGE WOODRUFF: All right. 602, 603
11 and 604 have been offered. Are there any objection
12 to their receipt?

13 (NO RESPONSE.)

14 JUDGE WOODRUFF: Hearing none, they will
15 be received into evidence.

16 (EXHIBIT NOS. 602, 603 AND 604 WERE
17 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
18 RECORD.)

19 MR. CONRAD: And in addition, your
20 Honor, it's not clear now, given the scope and
21 the operation of things, whether Mr. Johnstone
22 will need to take the stand again. I had
23 previously supplied copies to the reporter of 602,
24 605 and 606 --

25 JUDGE WOODRUFF: Actually, it was 601.

1 MR. CONRAD: Excuse me, 601, 605 and
2 606, and if he is not to be on the stand again, I
3 would like to offer those. He also is on the list of
4 people who would be.

5 JUDGE WOODRUFF: And the question of
6 whether he would appear again is, I assume, based on
7 whether the Commission would accept that stipulation?

8 MR. CONRAD: I believe that is correct,
9 sir.

10 JUDGE WOODRUFF: All right. 601, 605
11 and 606 have been offered into evidence. Are there
12 any objections to their receipt?

13 (NO RESPONSE.)

14 JUDGE WOODRUFF: Hearing none, they will
15 be received into evidence.

16 (EXHIBIT NOS. 601, 605 AND 606 WERE
17 RECEIVED INTO EVIDENCE AND MADE A PART OF THE
18 RECORD.)

19 MR. CONRAD: And to close my list out, I
20 believe we had previously offered the testimony back
21 on, I believe, the 16th of Mr. Swogger and it was
22 received at that time.

23 JUDGE WOODRUFF: That's correct.

24 (EXHIBIT NOS. 800 AND 801 WERE MARKED
25 FOR IDENTIFICATION BY THE COURT REPORTER.)

1 MS. TATRO: And, your Honor, before we
2 put Mr. Quinn up, I also have a late-filed exhibit.

3 JUDGE WOODRUFF: Okay. Well --

4 MS. TATRO: I believe during the
5 testimony of Lee Nickloy the Commissioners asked for
6 information on the fees paid rating agencies --

7 JUDGE WOODRUFF: Uh-huh.

8 MS. TATRO: -- and I have that
9 information.

10 JUDGE WOODRUFF: Okay.

11 MS. TATRO: I don't know what number
12 this is.

13 JUDGE WOODRUFF: Well, let me find it
14 here. It will be 129.

15 (EXHIBIT NO. 129 WAS MARKED FOR
16 IDENTIFICATION BY THE COURT REPORTER.)

17 JUDGE WOODRUFF: All right. 129 has
18 been offered. Are there any objections to its
19 receipt?

20 (NO RESPONSE.)

21 JUDGE WOODRUFF: Hearing none, it will
22 be received into evidence.

23 MR. MILLS: Your Honor, I was just about
24 to say, I haven't even had a chance to read it.

25 JUDGE WOODRUFF: Oh, I'm sorry.

1 MR. MILLS: Can we hold off for a
2 minute?

3 JUDGE WOODRUFF: I won't call you
4 Mr. Lewis, but I just about did.

5 MR. WILLIAMS: I would like to ask a
6 question about it. Is that a reference to Ameren?

7 MS. TATRO: The first paragraph is just
8 talking generally. The second paragraph,
9 specifically UE pays the 481, Ameren Corp. pays the
10 87 which is for two different services.

11 MR. WILLIAMS: Okay. Thank you.

12 MR. MILLS: So can I ask another
13 question?

14 JUDGE WOODRUFF: Go right ahead.

15 MR. MILLS: So is the 481, is that for a
16 one-year period from -- during 2005/2006, or is that
17 a two-year subscription?

18 MS. TATRO: That's annual.

19 MR. MILLS: Annual average amount is
20 481, okay.

21 MS. TATRO: Yeah.

22 MR. MILLS: All right. You Honor, I
23 don't -- I don't -- I don't really have any way to
24 verify any of this information, but I'm not gonna
25 object.

1 JUDGE WOODRUFF: All right. 129 is
2 admitted into evidence, then.

3 (EXHIBIT NO. 129 WAS RECEIVED INTO
4 EVIDENCE AND MADE A PART OF THE RECORD.)

5 JUDGE WOODRUFF: All right. I believe
6 we're ready for Mr. Quinn.

7 (THE WITNESS WAS SWORN.)

8 JUDGE WOODRUFF: Again, welcome back to
9 the Commission.

10 THE WITNESS: Thank you.

11 MS. CARVER: Your Honor, I have the
12 testimony that has previously been filed, and they
13 have been marked, I believe, as Exhibit 800 and 801,
14 800 being the direct testimony of Robert Quinn,
15 Missouri Association for Social Welfare, and 801
16 being the surrebuttal testimony of Robert Quinn.

17 JUDGE WOODRUFF: All right. Thank you.

18 MS. CARVER: At this time I would ask
19 they be admitted and offered.

20 JUDGE WOODRUFF: Are there any
21 objections?

22 (NO RESPONSE.)

23 JUDGE WOODRUFF: Hearing none, they will
24 be received into evidence.

25 (EXHIBIT NOS. 800 AND 801 WERE RECEIVED

1 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

2 MS. CARVER: Then I tender the witness
3 for cross-examination.

4 JUDGE WOODRUFF: All right. Does any
5 party wish to cross-examine Mr. Quinn? Go ahead for
6 Ameren.

7 CROSS-EXAMINATION BY MS. TATRO:

8 Q. Good afternoon, sir. My name is Wendy
9 Tatro. I don't think that we've had the opportunity
10 to meet. I have questions for you based off of your
11 direct testimony.

12 A. Okay.

13 Q. I understand that you're proposing what
14 you call an essential services rate?

15 A. Yes, ma'am.

16 Q. Do you provide a tariff for the
17 Commission to review?

18 A. No.

19 Q. I believe on page 4 of your testimony,
20 you define an essential services rate as the rate
21 charged to a residential customer for a set number, I
22 think later on you say 600, kilowatt hours needed for
23 essential services, correct?

24 A. Yes.

25 Q. What is that set rate? Do you

1 propose --

2 A. I do not propose a rate, no.

3 Q. Do you propose a methodology for the
4 Commission to determine what that rate should be?

5 A. Only that it would be -- as stated in
6 direct testimony, it would be if there's to be an
7 increase, the rate would be the rate that is charged
8 today. So the increase would go on kilowatt hours
9 above the essential service block.

10 Q. Just to make sure that I understand
11 that, if the Commission proposes an increase, the
12 essential services rate would be whatever's in effect
13 today?

14 A. Yes.

15 Q. And then that increase would solely be
16 borne in 601 above?

17 A. Yes, that's correct.

18 Q. Okay. Can we turn to some of the
19 examples that you cite on page 8?

20 A. Yes, ma'am. Did you say 8?

21 Q. Yes, please.

22 A. Yes.

23 Q. And I think the first example you give
24 is City of Seattle; is that correct?

25 A. Yes.

1 Q. And there they call it something
2 different?

3 A. That's correct.

4 Q. But -- they call it life line rates?

5 A. That's right.

6 Q. Now, you cite, I guess it's a glossary
7 there, your citation for that?

8 A. Yes, from -- from the -- from the
9 Seattle utility's website.

10 Q. And does that website contain a
11 definition of life line rates?

12 A. It does.

13 Q. And do you know what that is?

14 A. I can't quote it to you verbatim. The
15 analogy that they use is to the -- and the reason
16 they use that term is to the phone industry where
17 it's often the practice that there's a essential
18 local service, you know, dial tone rate, that's --
19 that if you just want to have that service, that cost
20 is set and sometimes that cost is below the actual
21 cost of delivering the service on the theory that
22 that's something that should be available to everyone
23 because it's essential to have it.

24 So that was the analogy and that's why
25 they used that term to define it on the electric

1 side. Obviously, it's not an exact analogy but
2 that's where it comes from.

3 Q. All right. You cite a couple or states
4 or areas that have rates. I think they are mostly
5 discounted rates for low-income customers?

6 A. Yes, ma'am, discounted rates for
7 low-income customers, that's correct.

8 Q. So they're different than what you're
9 proposing?

10 A. That's correct, that's different.

11 Q. What type of utility is the City of
12 Seattle?

13 A. It's a municipal utility as your witness
14 earlier testified to. It is.

15 Q. So it's not an investor-owned?

16 A. It is not.

17 Q. And it didn't produce this tariff as
18 part of a regulatory proceeding, do you know?

19 A. I do not know. I do not know how they
20 arrived at putting this in place.

21 Q. Do you know if the municipality is
22 regulated by a state agency?

23 A. I do not know.

24 Q. What is the life line rate for the City
25 of Seattle?

1 A. I don't know that rate. I didn't
2 specify in the testimony as to exactly what the rate
3 was. I know it's -- it's discounted. It's a lower
4 rate than the rate -- than the regular rate for
5 electricity.

6 Q. In your testimony you say that this life
7 line rate used by City of Seattle is -- I'll turn to
8 the language you use. "Which is similar in design
9 and purpose to the essential service rate I am
10 proposing here."

11 A. Yes.

12 Q. So are you familiar with the tariff?

13 A. I'm familiar with it to the extent that
14 in reviewing it, it established a lower rate for what
15 it defined as an essential level that was -- that
16 approximates the usage in a typical household for
17 Central Electric appliances.

18 Q. And what would that central level of
19 service be under that -- the Seattle --

20 A. I don't recall what sales. It says --
21 it says on the -- on that website what it is, but I
22 do not recall the number.

23 Q. Do you know how they determined that
24 number?

25 A. I do not.

1 Q. And perhaps you don't know the answer to
2 this. If you don't know what the life line rate is,
3 but do you know what the next block --

4 A. I'm sorry. I don't, no.

5 Q. Okay. Do you have any idea in relation
6 how close or far apart they are?

7 A. I don't recall how deep the discount is
8 or what the rate differential was.

9 Q. Do you know if that initial life line
10 rate is below cost?

11 A. I do not recall.

12 Q. Okay. Can you turn to page 5, please?

13 A. Yes.

14 Q. And I'm still on your direct. It
15 appears that you came up with a 600 kilowatt hours
16 number by using some national averages?

17 A. That's correct.

18 Q. And that information comes from where?

19 A. The Energy Information Agency at the
20 Department of Energy.

21 Q. And they said the average use was 680
22 kilowatts hours?

23 A. Yes.

24 Q. And then you took 85 percent of that and
25 that's where you come to your 600?

1 A. Right. The 85 percent being based on
2 their -- their analysis of the proportion that was
3 spent for various types of electric uses to ferret
4 out what are the essential uses to the arguably
5 nonessential uses.

6 Q. And the amount of electricity used on
7 average by a household would vary?

8 A. Of course.

9 Q. And the number that you're using as the
10 national average is just that, an average?

11 A. Absolutely.

12 Q. Are you familiar with the average use in
13 Ameren's service territory by its customers?

14 A. I don't know what that number is. As I
15 stated in -- and I can't recall if it was my direct
16 or surrebuttal, I think in both, that -- I mean, this
17 is a -- these numbers are for illustration of how the
18 concept would work, and certainly recognize that
19 there are experts in this room and have been in this
20 room for the last three weeks that could pinpoint
21 what those numbers are that you're asking about.

22 Q. So you're proposing a concept rather
23 than a specific proposal -- or a specific tariff?

24 A. Yes.

25 Q. Okay. Now, under this model, the

1 Seattle model which you call similar in design and
2 purpose --

3 A. Yes.

4 Q. -- let's say for sake of answering the
5 question that the rate basically doubles after you
6 leave the life line rate, okay?

7 A. Okay.

8 Q. A household that doesn't have control
9 over its electric use, a renter, summers get a little
10 hot and muggy here, if that individual goes over the
11 average, their -- regardless of their income level,
12 they're gonna pay hire rate, correct?

13 A. That's how it would work, yes.

14 Q. In fact, the life line rates are indeed
15 subsidized by those who use amounts above that level?

16 A. That's correct, yes.

17 Q. Okay. So it's not based -- it's
18 different than the class cost of service that you
19 would traditionally see before this Commission?

20 A. Yes.

21 Q. Okay. Back on page 8, I think the
22 second example you give us is from New Hampshire.

23 A. Yes.

24 Q. And are you familiar with that program
25 in New Hampshire?

1 A. To the extent that I stated in the
2 testimony as to that which is based on low-income
3 households paying a set percentage of their income
4 for utility bills.

5 Q. All right. Is it limited to low income
6 or is it available to all customers?

7 A. It's limited to low income, yes.

8 Q. So it's very different from what you're
9 proposing in this case?

10 A. In -- yes.

11 Q. The next example that you give is
12 New York?

13 A. Yes.

14 Q. And are you familiar with that program?

15 A. I am not familiar with the details of
16 that. It is -- it is a discounted rate for
17 low-income ratepayers.

18 Q. So again, it's limited to low income?

19 A. That's correct.

20 Q. All right. Do you know how it's
21 structured?

22 A. I'm sorry. I don't know anything more
23 than that about it.

24 Q. Okay. Let's go back to your proposal.

25 A. Okay.

1 Q. I think the end of your testimony, and I
2 think now I'm talking about your rebuttal testimony.
3 Do you have that with you?

4 A. I do.

5 Q. I'm sorry. It's surrebuttal, isn't it?

6 A. That's correct, ma'am, yes.

7 Q. On page 8.

8 A. Okay.

9 Q. And tell me if it's a correct summary of
10 your position. Your position is that all customers
11 regardless of their income should be able to purchase
12 electricity at less than cost because it's necessary?

13 A. I don't think that we specified that it
14 would be less than cost. It's -- if I can expand my
15 answer a little bit for you. It's a public policy
16 concept similar to when the state repealed the sales
17 tax on -- on nonprepared food like you get at the
18 grocery store. That primarily benefits or its major
19 benefit is to low-income families because they spend
20 a higher proportion of their income on those sorts of
21 necessities.

22 But it's avail -- everyone, even the
23 very richest who go to the grocery store receive that
24 same benefit of not paying state sales tax on food
25 because it was a public policy decision that food

1 should not be subject to that tax, even though it has
2 the effect of assisting low-income people to a
3 greater extent than others, is adjudged to be a good
4 public policy across the board. That's -- that's
5 similar to what we're talking about here from our
6 perspective.

7 Q. But it would only benefit low-income
8 customers who are able to keep their usage, using
9 your number, for lack of a better number to use --

10 A. Sure.

11 Q. -- at 600 or below, 600 kilowatt hours
12 or below a month?

13 A. I don't know that I would agree with
14 that entirely because the first 600 would be at this
15 protected rate regardless of what your total usage
16 was, so if your total usage was 800, you would still
17 be receiving that benefit on the first 600.

18 Q. But if you have an individual who rents
19 their home so that they have no incentive to
20 weatherize it, it's not weatherized because the
21 landlord doesn't have an incentive to, and it's 100
22 degrees and very muggy outside, they're air
23 conditioning outside as well as their home, aren't
24 they?

25 A. Well, yes, of course.

1 Q. And so their usage is probably going to
2 exceed the average usage?

3 A. Well, yes, but whether this proposal is
4 adopted or not, the rates would be higher if there's
5 a rate increase.

6 Q. Absolutely, but you're attempting --
7 part of the justification here is to help low-income
8 individuals, is it not?

9 A. Yes.

10 Q. All right. So some of those individuals
11 could actually be harmed?

12 A. If their -- let's say it was 600.

13 Q. Uh-huh.

14 A. If their usage exceeded 1200 --

15 Q. Uh-huh.

16 A. -- then they would be paying more under
17 that scenario than they would under the same rate
18 increase with no program like this, that's true.

19 Q. Okay. Now, under your proposal, a
20 middle-class customer who doesn't have a problem
21 paying their electric bill would still get this break
22 on the first 600, correct?

23 A. Yes, that's correct.

24 Q. And a high-income user who uses much
25 more than 600 and also is a high-income individual,

1 they get the same break, I believe you used the term?

2 A. Yes.

3 Q. So there is subsidization that will
4 be -- well, there's a benefit given to people who
5 have no need for that benefit other than if you
6 believe the argument that because it's essential they
7 should get it at below cost --

8 A. Yes.

9 Q. -- for that --

10 A. Yes, that's right. Similar to what I --
11 what we had said earlier about the phone service,
12 that there's a certain, you know, low ball, you know,
13 bare minimum package that anybody can buy, and that
14 rate is set purposefully low so that even low-income
15 people can afford to have that because it's adjudged
16 that everyone should have it, but you don't have to
17 be low-income to use it. Everyone could.

18 Q. Let's look at that telephone example.
19 Is that set by statute?

20 A. I'm sorry?

21 Q. The authority to set that life line
22 rate, is that set by statute? Is it allowed by
23 statute?

24 A. I would have to go back and look to see
25 whether that's statutory or whether that's been

1 decided in rate cases over the years.

2 Q. So you don't know the genesis of where
3 that comes from?

4 A. No.

5 MS. TATRO: Okay. I have no further
6 questions.

7 JUDGE WOODRUFF: Chairman Davis, do you
8 have any questions for Mr. Quinn?

9 QUESTIONS BY CHAIRMAN DAVIS:

10 Q. Good evening, Mr. Quinn.

11 A. Good evening.

12 Q. Just -- just a couple. Are you familiar
13 with the origin of electric rates at all on how they
14 came about?

15 A. I'm not sure I understand your question.

16 Q. Well, just -- just the history of the
17 development that, you know, essentially rates were
18 originally designed to be -- to be cheap so they
19 could be affordable to the masses so companies could
20 sell more electricity and make profit?

21 A. Sure.

22 Q. Okay. You're -- you're familiar --
23 you're familiar with that general concept?

24 A. Yes.

25 Q. And I think I understand -- I think I

1 understand your proposal, and let me ask you, does
2 your proposal have anything in it that basically
3 would penalize customers for above-average usage? I
4 mean, do customers who would use more than the normal
5 consumer pay higher rates?

6 A. It could have that effect depending on
7 how much higher than average their use was. As I
8 said, just -- you know, just doing -- doing rough
9 math, if you say the number is 600 and you're usage
10 is 1,200, I would assert that your -- your monthly
11 bill would be the same given whatever rate increase
12 might -- should one be decided on, would be the same
13 under this proposal or absent this proposal because
14 your first 600 are discounted and then you're paying
15 the increase on your next 600.

16 Q. Right.

17 A. Okay. So 50 percent of it was
18 discounted, 50 percent you paid at the increased
19 rate. Probably you get to the same place after
20 1,200. So if your usage was over 1,200, using those
21 numbers, then, yes, probably you'd be paying more
22 under this proposal with the same rate increase than
23 you would absent this proposal.

24 Q. Where a company has a finite amount of
25 base load generation available and they have to go

1 out to the market to supply, you know, some of
2 their -- their peak needs which will obviously, under
3 the conventional wisdom, cost more money than it
4 would if they were -- were generating their own, do
5 you think in those instances that that residential
6 customers who consume more should pay more?

7 A. Well, in the context of your question, I
8 think that -- that might make some sense in terms of
9 giving an incentive to those customers to find ways
10 to conserve, whether it's through weatherization,
11 energy efficient product -- you know, appliances or
12 that sort -- or just cutting back on usage.

13 CHAIRMAN DAVIS: No further questions,
14 Mr. Quinn. Thank you.

15 THE WITNESS: Thank you, Mr. Chairman.

16 JUDGE WOODRUFF: Thank you. Any recross
17 based on questions from the bench?

18 (NO RESPONSE.)

19 JUDGE WOODRUFF: Any redirect?

20 REDIRECT EXAMINATION BY MS. CARVER:

21 Q. I think my only question, Mr. Quinn, is
22 just, there was the assumption, I believe, in the
23 cross-examination that taking the argument of number
24 600 that the next sort of tail block or the next
25 group of units after that would be double that rate,

1 but is that -- was that your perception when you sort
2 of --

3 A. Well, I mean, it doesn't -- it doesn't
4 have to be. And again, the proposal doesn't specify.
5 And much of that would depend on if there's a rate
6 increase granted. And I mean, if it's a relatively
7 small increase, it might be that, you know, the
8 difference is just fractions of a penny per kilowatt
9 hour when you go above the 600. If it's a more
10 significant rate increase, then, you know, you'd see
11 a bigger difference.

12 Q. And then you heard the discussion, I
13 believe, when Mr. Hanser was testifying regarding the
14 reason, one of the reasons he's against it is that he
15 claims that the lower income residents in a way are
16 subsidizing the wealthier. Could you explain if you
17 agree with that or disagree and why?

18 A. Well, you know, again, you could -- I
19 think the scenario he painted could happen. It would
20 strike me that that would happen in an extreme
21 minority of circumstances at times, that more often
22 it would be the case that those of us that have
23 better incomes and tend to use more electricity would
24 be subsidizing those who use less and would be fully
25 under whatever number would be set here. But again,

1 it's -- it's the concept of making an essential
2 service available at a lower rate than what are
3 arguably nonessential.

4 MS. CARVER: I have nothing further.

5 JUDGE WOODRUFF: All right. Then
6 Mr. Quinn, you can step down.

7 THE WITNESS: Thank you.

8 JUDGE WOODRUFF: And that will be our
9 last witness for tonight.

10 A couple matters that we need to take
11 care of. I believe there's still an attachment
12 coming from Mr. Brosch's deposition that was -- it
13 was in Washington, D.C. and was being mailed back was
14 the last word I heard it.

15 MR. MICHEEL: I would hope so. It is
16 his -- it is the EE, Inc. contract --

17 JUDGE WOODRUFF: Yes.

18 MR. MICHEEL: -- to Exhibit 1 to
19 Mr. Brosch's deposition. Last I heard from
20 Mr. Lowery was it was being overnighted.

21 MS. TATRO: He should have that in the
22 morning to offer.

23 JUDGE WOODRUFF: All right. Thank you
24 very much. Then I want to go over what's on tap for
25 tomorrow. In looking at the list I know we have

1 Mr. Beishir, Mr. Desmond, Mr. Naslund and Mr. Mill.

2 Were there any other witnesses?

3 (NO RESPONSE.)

4 JUDGE WOODRUFF: And I wanted to ask
5 what order you wanted to take them in.

6 MR. MILLS: Your Honor, just so that we
7 can finish this one up, I would prefer to do Mr. Mill
8 first.

9 JUDGE WOODRUFF: Okay.

10 MR. MILLS: And with respect to the
11 union witnesses and Mr. Naslund, I don't really have
12 a preference.

13 JUDGE WOODRUFF: Does Ameren have a
14 preference?

15 MS. TATRO: I think that's fine.

16 JUDGE WOODRUFF: All right. Let's do
17 Mr. Mill first, then we'll do Beishir second, Desmond
18 third and Naslund fourth. I also wanted to ask the
19 parties if they have any idea how long it will take
20 to do these witnesses? Does anyone have extensive
21 cross for any of them?

22 MR. MILLS: I probably have about the
23 same amount of cross for Mr. Mill as did I for
24 Mr. Hanser and probably about the same for
25 Mr. Naslund.

1 JUDGE WOODRUFF: Okay.

2 MR. MICHEEL: The state has questions
3 for three of the four witnesses. We don't have any
4 questions for Mr. Naslund but we will for Mr. Mill,
5 Mr. Beishir and Mr. Desmond, but they should be not
6 extensive depending on their answers.

7 JUDGE WOODRUFF: Sure. If they give the
8 answer you want then it will go a lot faster, won't
9 they.

10 MR. MICHEEL: That's the way I work.

11 MR. WILLIAMS: I can only speak to
12 Mr. Mill and Mr. Naslund. I won't have any -- I
13 don't anticipate any questions for Mr. Mill. I do
14 have some examination for Mr. Naslund.

15 JUDGE WOODRUFF: All right. Well, we'll
16 see how it goes.

17 CHAIRMAN DAVIS: Judge, can I -- can
18 I -- whenever you get a chance, can I ask the parties
19 one question?

20 JUDGE WOODRUFF: Go right ahead. I was
21 just about done.

22 CHAIRMAN DAVIS: Are there any new
23 issues in this case that we are not aware of that you
24 will be expecting a ruling on? And if so, do we need
25 to have them submit something to us in writing

1 preferably with a citation to the record so if and
2 when anyone decides that oh, there's a new issue to
3 be raised, that, you know, the judges and we don't
4 have to go scouring through the record for it. We'd
5 be most appreciative.

6 JUDGE WOODRUFF: If there are any such
7 issues out there, stealth issues we'll call them,
8 please let us know as soon as possible.

9 MR. CONRAD: Nor are we planning any
10 stealth witnesses.

11 JUDGE WOODRUFF: Okay. All right.
12 Well, with that, then, we will adjourn and we'll
13 reconvene tomorrow at 8:30.

14 (WHEREUPON, the hearing of this case was
15 recessed until March 29, 2007, at 8:30 a.m.)

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1 I N D E X

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	Cross-Examination by Mr. Coffman	3806
5	Questions by Commissioner Gaw	3812
	Recross-Examination by Mr. Lowery	3817

7 AARP'S EVIDENCE

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13 MINI OPENINGS

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	Opening Statement by Mr. Williams	3865
15	Opening Statement by Mr. Mills	3865
	Opening Statement by Mr. Micheel	3866
16	Opening Statement by Ms. Langeneckert	3867
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	BILLIE S. LACONTE	
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2		MARKED	RECEIVED
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4	Exhibit No. 23		
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6	Exhibit No. 24		
7	Phil Hanser's rebuttal testimony	3990	4015
8	Exhibit No. 75		
9	Direct testimony of William Warwick	3871	3871
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11	Rebuttal testimony of William Warwick	3871	3871
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15	Direct testimony of Will Cooper	3871	3871
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17	Rebuttal testimony of Will Cooper	3871	3871
18	Exhibit No. 80		
19	Rebuttal testimony of Will Cooper	3871	3871
20	Exhibit No. 81		
21	Surrebuttal testimony of Will Cooper	3871	3871
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23	Order of the Wyoming Commission	3832	3850
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25	Information on the fees paid rating agencies	4082	4084

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2		MARKED	RECEIVED
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4	Rebuttal testimony of		
5	James Watkins	*	4017
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36	Supplemental rebuttal		
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3	Exhibit No. 556		
4	Information on Ameren's rates	3885	3914
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6	Direct testimony of Donald Johnstone	3805	4081
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10	Direct testimony of Mark Baker	4079	4080
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16	Later filed surrebuttal testimony of Donald Johnstone	3805	4081
17	Exhibit No. 750		
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20	Surrebuttal testimony of Nancy Brockway	3820	3859
21	Exhibit No. 800		
22	Direct testimony of Robert Quinn	4081	4084
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24	Surrebuttal testimony of Robert Quinn	4081	4084
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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)
3) ss.
4 COUNTY OF COLE)
5

6 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,
7 within and for the State of Missouri, do hereby
8 certify that the testimony of said witnesses were
9 taken by me to the best of my ability and thereafter
10 reduced to typewriting under my direction; that I am
11 neither counsel for, related to, nor employed by any
12 of the parties to the action to which this hearing
13 was conducted, and further that I am not a relative
14 or employee of any attorney or counsel employed by
15 the parties thereto, nor financially or otherwise
16 interested in the outcome of the action.

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PAMELA FICK, RMR, RPR, CSR, CCR #447
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