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STATE OF MISSOURI

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PUBLIC SERVICE COMMISSION

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TRANSCRIPT OF PROCEEDINGS

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On-The-Record Presentation

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March 28, 2007

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Jefferson City, Missouri

Volume 37

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In the Matter of Union)

Electric Company d/b/a AmerenUE)

14

for Authority to File Tariffs)

Increasing Rates for Electric)Case No. ER-2007-0002

15

Service Provided to Customers)

in the Company's Missouri)

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Service Area)

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MORRIS L. WOODRUFF, Presiding,

DEPUTY CHIEF REGULATORY LAW JUDGE

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JEFF DAVIS, Chairman,

CONNIE MURRAY,

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STEVE GAW,

ROBERT M. CLAYTON III

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LINWARD "LIN" APPLING,

COMMISSIONERS.

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REPORTED BY:

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1 O-N - T-H-E - R-E-C-O-R-D P-R-E-S-E-N-T-A-T-I-O-N

2 JUDGE WOODRUFF: All right. Well, let's
3 come to order, and as more people join us on the
4 phone, we'll acknowledge them as they come on. Let
5 me get the system back into operation. All right.
6 Well, welcome back from lunch. And during lunch we
7 changed hats a little bit here, and are now operating
8 as a on-the-record proceeding to consider the various
9 stipulations and agreements that have been filed in
10 this case.

11 The way I anticipate doing this is this
12 is an opportunity for the Commissioners to ask
13 questions about the stipulations and agreements, and
14 unless one or more of the parties want to make an
15 opening statement, we'll just go ahead and start with
16 Commissioner questions.

17 MR. MILLS: I just have a question. Are
18 we addressing the nonunanimous depreciation
19 stipulation agreement that has been objected to and
20 we've tried issues with respect to as well?

21 JUDGE WOODRUFF: I understand that
22 those agree -- there's been objections filed to that.
23 I'm not clear at this point as to whether there's any
24 part of that that is still viable, so to that extent
25 we can look at it.

1 MR. MILLS: Okay.

2 JUDGE WOODRUFF: But I certainly
3 understand that there's been objections filed.

4 MR. MILLS: Okay. Thank you.

5 JUDGE WOODRUFF: All right. So we'll
6 begin with Commissioner Murray.

7 COMMISSIONER MURRAY: Well, Judge, I am
8 not -- I'm really not wanting to ask questions.

9 JUDGE WOODRUFF: Okay.

10 COMMISSIONER MURRAY: I was hoping there
11 would be a little -- a little bit of an opening
12 statement.

13 JUDGE WOODRUFF: All right. Well,
14 let's -- Staff filed a couple of these statements so
15 go ahead and explain what -- what we have.

16 MR. DOTTHEIM: Well, the Staff is a
17 signatory to all four of the stipulations and
18 agreements. The Staff would not be a signatory if
19 the Staff didn't believe that the resolutions were
20 appropriate and just and reasonable.

21 The Staff has attempted to make the
22 proceedings as manageable as possible. Of course,
23 originally, only two weeks were scheduled for
24 hearings and the hearings for two weeks were
25 scheduled for both the electric and the gas case. Of

1 course, the gas case settled. The largest issues in
2 the case did not settle. They're still before the
3 Commission.

4 Again, the Staff made an effort to keep
5 the cases -- or the cases manageable as possible and
6 at least from the Staff's perspective, fortunately,
7 was able to reach resolution on any number of issues
8 with the company and -- and other parties.

9 The first stipulation that was filed not
10 only addressed a resolution of issues; that is, what
11 is frequently referred to as black box settlements,
12 dollar figure settlements, but also covered any
13 number of corrections, corrections and calculations,
14 things of that nature, in addition to actual
15 resolution of issues by compromise.

16 JUDGE WOODRUFF: Okay. Thank you.

17 COMMISSIONER MURRAY: I have a couple
18 questions.

19 JUDGE WOODRUFF: All right. Before we
20 do that, it occurs to me that since we are treating
21 this as an on-the-record proceeding, it would be
22 helpful to know exactly who is here and who is on the
23 phone and so forth. So I'm gonna ask -- go down the
24 list and ask the attorneys to make entries of
25 appearance as well. So beginning with Ameren.

1 MR. BYRNE: Thomas M. Byrne on behalf of
2 AmerenUE. My address is 1901 Chouteau Avenue,
3 St. Louis, Missouri 63103.

4 JUDGE WOODRUFF: For Staff, go ahead.

5 MR. LOWERY: James B. Lowery of the law
6 firm of Smith Lewis, LLP, 111 South Ninth Street,
7 Columbia, Missouri 65201 on behalf of AmerenUE.

8 MR. DOTTHEIM: Steven Dottheim and
9 Nathan Williams, Post Office Box 360, Jefferson City,
10 Missouri 65102, appearing on behalf of the Staff of
11 the Missouri Public Service Commission.

12 JUDGE WOODRUFF: And Public Counsel?

13 MR. MILLS: On behalf of the Office of
14 Public Counsel and the public, my name is Lewis
15 Mills. My address is Post Office Box 2230, Jefferson
16 City, Missouri 65102.

17 JUDGE WOODRUFF: For the State of
18 Missouri?

19 MR. MICHEEL: Douglas E. Micheel and
20 Robert E. Carlson on behalf of the State of Missouri
21 and the Department of Economic Development. My
22 address is already on file.

23 JUDGE WOODRUFF: For the Department of
24 Natural Resources?

25 MR. IVESON: Todd Iveson from the

1 Attorney General's Office for DNR, Post Office
2 Box 89, Jefferson City, Missouri 65102.

3 JUDGE WOODRUFF: Thank you. For
4 Missouri Industrial Energy Consumers?

5 MS. VUYLSTEKE: Diana Vuylsteke, Bryan
6 Cave, LLP, 211 North Broadway, Suite 3600, St. Louis,
7 Missouri 63102, on behalf of the MIEC.

8 JUDGE WOODRUFF: For the Missouri Energy
9 Group?

10 MS. LANGENECKERT: Appearing on behalf
11 of the Missouri Energy Group, Lisa Langeneckert, The
12 Stolar Partnership, LLP, 911 Washington Avenue,
13 Suite 700, St. Louis, Missouri 63101.

14 JUDGE WOODRUFF: The Commercial Group?

15 MR. CHAMBERLAIN: Rick Chamberlain
16 appearing on behalf of The Commercial Group. I'm
17 with the law firm of Behrens, Taylor, Wheeler &
18 Chamberlain. My address is 6 Northeast 63rd Street,
19 Suite 400, Oklahoma City, Oklahoma 73105.

20 JUDGE WOODRUFF: And for Noranda?

21 MR. CONRAD: Stuart W. Conrad of the law
22 firm of Finnegan, Conrad & Peterson, 3100 Broadway,
23 Suite 1209, Kansas City, Missouri 64111.

24 JUDGE WOODRUFF: For AARP?

25 MR. COFFMAN: John B. Coffman appearing

1 on behalf of AARP as well as the Consumers Council of
2 Missouri.

3 JUDGE WOODRUFF: Thank you. Department
4 of Economic Development. That's everybody for the
5 State?

6 MR. MICHEEL: Yeah, Douglas E. Micheel
7 appearing on behalf of DED.

8 JUDGE WOODRUFF: Thank you. Missouri
9 Association for Social Welfare?

10 MS. CARVER: Galin Rich Carver with
11 Hendren and Andre, 221 Bolivar, Jefferson City,
12 Missouri 65109, appearing on behalf of Missouri
13 Association for Social Welfare.

14 JUDGE WOODRUFF: Thank you. Missouri
15 Retailers Association?

16 MR. OVERFELT: Samuel E. Overfelt, 2009
17 Green Meadow, Jefferson City, Missouri 65109.

18 JUDGE WOODRUFF: Thank you. Mo-Kan?

19 (NO RESPONSE.)

20 JUDGE WOODRUFF: Not here. Laclede?

21 MR. PENDERGAST: Michael C. Pendergast,
22 appearing on behalf of Laclede Gas Company. Address
23 is 720 Olive Street, St. Louis, Missouri 63101.

24 JUDGE WOODRUFF: Aquila?

25 (NO RESPONSE.)

1 JUDGE WOODRUFF: And UE Joint Bargaining
2 Committee?

3 (NO RESPONSE.)

4 JUDGE WOODRUFF: All right. I
5 understand there's several other witnesses on the
6 phone too. If you could identify yourselves?

7 MR. CASS: John Cass, The Missouri
8 Public Service Commission Staff.

9 MR. HIGGINS: Kevin Higgins for The
10 Commercial Group.

11 MR. GIBBS: Doyle Gibbs with the
12 Missouri Commission Staff.

13 JUDGE WOODRUFF: Is there anyone else on
14 the phone?

15 (NO RESPONSE.)

16 JUDGE WOODRUFF: All right. Then we can
17 go ahead and proceed. Mr. Dottheim?

18 MR. DOTTHEIM: And Judge, one other
19 thing I might note. You had asked when we went on
20 the record this morning if the Staff was going to
21 file another reconciliation, and I had mentioned that
22 it was the Staff's intention to file another
23 reconciliation when the true-up testimony is filed a
24 week from this Friday on April 6th.

25 JUDGE WOODRUFF: All right. Thank you.

1 And now we'll go to Commissioner Murray for
2 questions.

3 COMMISSIONER MURRAY: Thank you. I
4 guess, Mr. Byrne, I'll ask you this: Was the company
5 the only objecting party to the class cost of service
6 and rate design --

7 MR. BYRNE: Yes.

8 COMMISSIONER MURRAY: -- and now you've
9 withdrawn that objection?

10 MR. BYRNE: That's correct, your Honor.

11 COMMISSIONER MURRAY: It's very
12 complicated to understand what this does but it's --
13 as I understand it, it's three different scenarios
14 based on the ultimate revenue requirement; is that
15 correct?

16 MR. BYRNE: That's correct.

17 COMMISSIONER MURRAY: And is there -- do
18 any of the scenarios result in any kind of a
19 subsidization of one class as your original proposal
20 did?

21 MR. BYRNE: You mean, for example, like
22 with the 10-percent limit?

23 COMMISSIONER MURRAY: 10 percent.

24 MR. BYRNE: No, there's no such thing in
25 this settlement as I understand it.

1 COMMISSIONER MURRAY: And there is no
2 one objecting to this stipulation and agreement?

3 MR. BYRNE: That's correct.

4 COMMISSIONER MURRAY: And there are
5 still objections to the depreciation stipulation and
6 agreement?

7 MR. BYRNE: Yes, there are.

8 COMMISSIONER MURRAY: There are two
9 objections filed and those are the only two that
10 are --

11 MR. BYRNE: Yes.

12 COMMISSIONER MURRAY: Can you -- can
13 someone explain a little bit more about the class
14 cost of service? In the first scenario, the
15 two-block approach, explain how the blocks work, if
16 you would. Mr. Byrne, you can --

17 MR. CONRAD: Commissioner and Judge
18 Woodruff, it might expedite that part of it, that --
19 that stipulation, Commissioner, is really a two-part
20 package in a sense of the class cost of service and
21 the rate design issues. Mr. Johnstone developed a
22 large portion of that, I think that spreadsheet that
23 is attached, and he is here and I think would be an
24 appropriate person to ask the type of questions
25 you're asking, either that or Mr. Watkins. But

1 Mr. Watkins may have more input on the rate design
2 parts of it.

3 Now, I see Ms. Meisenheimer is also here
4 and she might well respond to that. So I think most
5 of the -- most of the people that worked on that
6 aspect of it are here and however you want to
7 proceed, Judge Woodruff, we can -- Mr. Johnstone was
8 on earlier and I'm sure would still be available and
9 others would too.

10 MR. BYRNE: I do agree with that. We
11 do -- you know, we did not participate in the
12 development of this, and so probably those who
13 developed it would be in a better position to answer
14 it.

15 COMMISSIONER MURRAY: All right. And I
16 appreciate that input, Mr. Conrad. I -- in looking
17 back at the spreadsheet, though, and I do recall now
18 that I had -- the reason I didn't have any questions
19 was that I had studied the spreadsheet when it first
20 came in and thank you for reminding me of it because
21 I think it is fairly self-explanatory. So I'm not
22 going to bring the witness up and ask questions, but
23 I appreciate that. And I think I don't have any
24 other questions, Judge.

25 JUDGE WOODRUFF: All right.

1 Commissioner Gaw?

2 COMMISSIONER GAW: Just when I was
3 expecting this to go on for a little while. Public
4 Counsel, real quick, explain to me why you think this
5 is in your client's best interest.

6 MR. MILLS: Well, you know, it's a
7 settlement and so it certainly isn't the best deal we
8 would have possibly, you know -- if we got to write
9 the deal with nobody else's input it would have
10 looked differently. There's obviously some things
11 that we -- that we gave up.

12 One of the things that we tried to
13 achieve, there appears to be a fair amount of fairly
14 substantial evidence about the large tariff service
15 rate. And it seemed to me that at some point, you
16 know, that Noranda is gonna have -- is gonna have its
17 rates reduced because of that. And it seemed that we
18 could structure in this case an arrangement to make
19 that particular cost shift less painful for
20 residential customers if we could do it, if we could
21 sort of take the initiative and do it the way we
22 wanted to.

23 So that's why you see a relatively
24 significant shift at low dollar levels, and it
25 becomes less of a shift at higher dollar levels to

1 sort of -- as the overall rate increase to
2 residential customers hits, the impact of that shift
3 becomes less and at lower levels the shift is more
4 significant.

5 COMMISSIONER GAW: I don't understand
6 exactly what you mean by that.

7 MS. MEISENHEIMER: On a percent basis.

8 MR. MILLS: Yeah, on a percentage basis.

9 COMMISSIONER GAW: Can you give me an
10 example of what you mean?

11 MR. MILLS: Why don't -- why don't we
12 let Barb Meisenheimer address this. I think she can
13 probably go through the numbers better than I could.

14 JUDGE WOODRUFF: Ms. Meisenheimer, have
15 you testified previously in this rate case?

16 MS. MEISENHEIMER: No.

17 JUDGE WOODRUFF: I'll swear you in,
18 then.

19 (THE WITNESS WAS SWORN.)

20 MR. MILLS: Would you like her to
21 testify from here or from the stand or do you care?

22 JUDGE WOODRUFF: You can do it from
23 there if you like.

24 MS. MEISENHEIMER: Well, as Mr. Mills
25 indicated, we recognize that there was a likelihood

1 that we would get some kind of an increase, a shift
2 between the large transmission class and the
3 residential class, and we felt that even according
4 to -- well, ultimately we ended up in a place that I
5 think is consistent FOR RES ^ with my cost studies.
6 So let me say that up front.

7 But if the shift was to occur, we wanted
8 to taper that shift so that if there was also a
9 revenue requirement increase, that the amount of the
10 revenue-neutral shift would be less. So we took a
11 larger revenue-neutral shift at low levels of revenue
12 requirement increase, and then accepted a smaller
13 revenue-neutral shift if the revenue requirement was
14 increased to greater amount. And that was to offset
15 some of the rate impact.

16 COMMISSIONER GAW: And if there's a rate
17 reduction?

18 MS. MEISENHEIMER: If there is a rate
19 reduction to a certain level, we will not receive
20 that rate reduction to accommodate a shift occurring,
21 but if the revenue reduction is large enough, then
22 residential, like other classes, will get a portion
23 of that reduction.

24 COMMISSIONER GAW: The class cost of
25 service studies that you're referring to, are those

1 in the filed testimony in this case?

2 MS. MEISENHEIMER: Yes. I -- I -- I --
3 actually, I did a number of runs of the studies as
4 adjustments were made to revenue requirement elements
5 and -- after discussions regarding allocators and
6 things. But based on my final cost studies, I felt
7 like that the outcome for residential fell within the
8 range -- that the revenue neutral-shift fell within
9 the range of my cost studies. I did one-time use and
10 one that was a different type of allocator. And so
11 ultimately we ended up in a place where -- where we
12 felt that was likely the best we were going to do.

13 COMMISSIONER GAW: You mentioned Noranda
14 a little earlier, Mr. Lewis. Wasn't Noranda already
15 receiving a special rate, and I'll ask Mr. Conrad
16 that in a minute so he can respond.

17 MR. MILLS: Noranda is the only LTS
18 customer, the only large transmission service
19 customer, and they receive a rate that is -- well,
20 because they're the only customer they receive a
21 unique rate for that. In the last case it's my
22 understanding that there was -- I don't think this
23 number is highly confidential, but the cost studies
24 in this case as well as in the last case show that
25 there was a certain amount of additional reduction

1 that Noranda probably should be receiving, and as I
2 said earlier, one of the reasons we tried to
3 structure it this way is, you know, we recognize the
4 inevitability of that, that further shift, and we
5 tried to structure it in the least painful way.

6 COMMISSIONER GAW: And who wants to go
7 first with the industrials or commercial?

8 MS. LANGENECKERT: Stewart does.

9 COMMISSIONER GAW: Any volunteers?

10 MR. CONRAD: Well, if you're satisfied
11 with pursuing your Noranda question again,
12 Mr. Johnstone is here and was sworn earlier, so he
13 can -- he can address that, I would think, fairly
14 succinctly.

15 COMMISSIONER GAW: Okay. If he could
16 just grab the microphone some way so we don't have to
17 move everyone around.

18 MR. JOHNSTONE: Commissioner, the rate
19 that was set for Noranda when they came on the
20 system, while unique, had a price that provided
21 revenues equal to the large primary service rate.
22 That occurred notwithstanding the fact that they
23 received transmission service and are not connected
24 to the distribution system in any way.

25 There was an estimate of the cost impact

1 in that case, and it results in what's called an
2 annual contribution factor of \$9.1 million. I think
3 that's the number that Mr. Mills had been referring
4 to. With the benefit of the cost studies that were
5 prepared in this case, it's my testimony that, in
6 fact, the difference is substantially larger than
7 that.

8 And like Mr. Mills, if we had written
9 this ourselves from the point of view of our own
10 interest and our own study, it would have been a
11 different result. But in consideration of the
12 positions of all the parties and their interest, we
13 got to something that would, in our opinion, work --
14 work for Noranda.

15 COMMISSIONER GAW: Okay. So is the --
16 is the major issue in regard to the cost studies the
17 attribution of some of the distribution costs to
18 Noranda? Is that -- is that the major -- major issue
19 from the cost studies or are there other factors that
20 are just as significant?

21 MR. JOHNSTONE: I think it's fair to say
22 that Noranda certainly focused on that issue in this
23 case because it was something that was looming before
24 us. There are all the usual cast of characters in
25 terms of problems with the cost study and the

1 interest of Noranda is similar to the other
2 industrials, for example, with respect to the
3 allocation of production cost. And we share the
4 concerns with a number of parties, and we addressed
5 that but other people had done the studies. We -- it
6 wasn't necessary for us to prepare a separate study
7 to address that. We did talk about it in testimony,
8 however.

9 COMMISSIONER GAW: Okay. All right.
10 Who wants to go next? Mr. Coffman, if you want to
11 get in on the residential, that's fine too.

12 MR. COFFMAN: Let me just add one more
13 point. I would concur in everything that Mr. Mills
14 said with regard to residential rates. Also
15 important to my client, AARP, is the fact that this
16 settlement would keep the customer charge at its
17 current level regardless of the increase or decrease,
18 and that is -- the stability of that fixed portion of
19 the bill is important to AARP who sees many of its
20 members as having lower usage than average
21 residential customers having one- or two-member
22 households. And so that is something that we see as
23 having value in this.

24 You know, obviously, we had -- we
25 performed a cost of service study that showed that --

1 theirs is obviously very different than some of the
2 industrial cost of service studies, but -- and we
3 thought that the customer charge should be much lower
4 than it is but there were various studies that showed
5 it being higher.

6 So we feel that it -- that is
7 additionally something that we took out as having
8 some value, and obviously some things that we gave
9 up. But our witness, Nancy Brockway was on the stand
10 earlier and she testified that as a package it's a
11 fairly reasonable rate design.

12 COMMISSIONER GAW: Okay. Just real
13 quick while we're on it, is the deal that you've got
14 in the stipulation from a residential customer
15 standpoint better than the deal that Ameren had in
16 its initial proposal in the rate case?

17 MR. COFFMAN: Yes, they were
18 proposing -- the current customer charge is \$7.25. I
19 believe they were proposing \$8.22.

20 COMMISSIONER GAW: Okay. I'll get to
21 you in a minute. Ms. Vuylsteke, did you want to go
22 next?

23 MS. VUYLSTEKE: Sure, Commissioner. We
24 had similar considerations to the Office of Public
25 Counsel in entering into the settlement. We filed

1 the cost of service study, and even though our
2 positions were -- our position was divergent from
3 that of the other parties, we felt that in
4 recognition of Noranda's position and the position of
5 the commercial group, the large general service
6 class, that it would be appropriate to compromise
7 given litigation risk. And so that was the reasoning
8 behind our decision to enter into the stipulation.
9 All the parties, I think, made substantial movement
10 from their testimony positions.

11 COMMISSIONER GAW: Okay. Who wants to
12 go next?

13 MR. HIGGINS: I can't read the body
14 language, but this is Kevin Higgins from the --
15 witness for The Commercial Group. If you would like
16 me to go now, I'd be happy to.

17 COMMISSIONER GAW: Go right ahead if
18 you'd like.

19 MR. HIGGINS: Okay. Thank you. In the
20 instance of a rate increase, there is a feature in
21 the settlement that would move the large general
22 service class modestly toward the cost of service
23 depending on the size of the rate increase. If, for
24 example, starting at one end point, if there is a
25 zero rate change, then the rate -- then there would

1 be a 1-percent revenue-neutral reduction in the LGS
2 rate with the -- with the revenue for that being
3 absorbed by the SGS, SPS and LGS classes in
4 proportion of their revenue requirement.

5 If, on the other hand, there was a
6 substantial rate increase all the way up to, say,
7 \$310 million, there would be no revenue-neutral
8 adjustment for LGS. And the -- for any rate increase
9 in between zero and 310 million, the revenue-neutral
10 adjustment for LGS would move on a sliding scale. It
11 would simply move proportionately between those two
12 points.

13 In addition to that, there is a single
14 adjustment to SPS, small primary service, in the case
15 of a -- in the case of a modest rate increase, in
16 this Commission one of Staff's objectives was to
17 bring SPS and LGS closer together in terms of their
18 rates.

19 So we believe that as a package deal,
20 this was a significant compromise for us as well. We
21 felt that looking at this as the total package
22 produced a reasonable summary.

23 COMMISSIONER GAW: Okay. Thank you.
24 Ms. Langeneckert?

25 MS. LANGENECKERT: Yes. The Missouri

1 Energy Group also -- we did not have a class cost of
2 service study in our testimony, but we did review
3 obviously all the other parties. We did feel that
4 the initial proposal to transfer some of the cost to
5 the large primary class from the residential class
6 was inappropriate, and we found that this settlement
7 was a good way to take care of that as well as the
8 large transmission service portion where they -- they
9 were paying more than they should have been paying.

10 So we see this as a settlement that's
11 valuable to us. The one issue we could not agree on
12 that we're interested in is IDR as you heard this
13 morning and as we'll hear this afternoon, that's
14 still being tried.

15 COMMISSIONER GAW: Sure. Okay.

16 MS. CARVER: This is Gaylin Rich Carver
17 for MASW, and we -- we're prepared to file an
18 objection, actually, to this stipulation this
19 afternoon, and the main issues that we're objecting
20 to is really simply on page 9, paragraph C, where it
21 states the issues that are not resolved, and it
22 clearly left out the essential services rate issue.

23 Now, I know that there's been
24 discussions among all the parties here, and it's very
25 obvious that everyone knows that we did not -- that

1 we're not, you know, putting that issue aside. We're
2 gonna prepare testimony here -- or present testimony
3 here later on today or tomorrow.

4 But then paragraph -- or page 11,
5 paragraph E states that all other proposals shall be
6 rejected by the Commission, and obviously that --
7 that's not what MASW wants. So --

8 JUDGE WOODRUFF: So you're not objecting
9 to the bulk of it, just to that ...

10 MS. CARVER: Yes.

11 JUDGE WOODRUFF: I'll ask the other
12 parties, are you willing to file an amended
13 stipulation to deal with those concerns?

14 MR. WILLIAMS: Judge, I think we've
15 tacitly agreed to increase the carve-out to include
16 the essential services rate that the Missouri
17 Association for Social Welfare --

18 JUDGE WOODRUFF: Your witness is
19 certainly on the list for hearing.

20 MS. CARVER: Yes, and I would agree with
21 that. I just wanted to make sure it was on the
22 record and it's clear with everybody, so --

23 JUDGE WOODRUFF: Okay.

24 MS. CARVER: Yes.

25 JUDGE WOODRUFF: Okay. So that would be

1 the extent of your objection?

2 MS. CARVER: That's correct.

3 JUDGE WOODRUFF: You're not demanding a
4 hearing on all the other issues?

5 MS. CARVER: No, I'm not.

6 MR. WILLIAMS: And if you want it more
7 express, Staff is certainly willing to increase the
8 carve-out to include that issue so that it would be
9 something that the Commission would decide and not be
10 covered by the scope of the stipulation and
11 agreement.

12 JUDGE WOODRUFF: I assume -- are the
13 other parties, signatory parties, in agreement with
14 Staff?

15 MR. CONRAD: Yeah.

16 MR. MILLS: Yes.

17 MR. COFFMAN: Yes.

18 JUDGE WOODRUFF: I see various nods of
19 affirmation now out there.

20 MS. CARVER: Okay. Thank you.

21 JUDGE WOODRUFF: Mr. Byrne, you want to
22 be heard?

23 MR. BYRNE: No, I just -- the company is
24 in agreement with that.

25 MR. WILLIAMS: You might seek a verbal

1 response from Mr. Chamberlain. I believe he has a
2 statement.

3 JUDGE WOODRUFF: Mr. Chamberlain, are
4 you a signatory also?

5 MR. CHAMBERLAIN: Your Honor, I can't
6 say that I've followed all that discussion, but I
7 don't think that's an issue that we're concerned
8 about, and so I think we would agree with that change
9 as well.

10 JUDGE WOODRUFF: Okay.

11 COMMISSIONER GAW: Okay. Anybody else
12 that wants to say anything in addition or different
13 than what's already been said?

14 MR. WILLIAMS: I think Mr. Watkins of
15 Staff would like to provide some input, and he has
16 not been sworn as a witness to this case to my
17 knowledge.

18 JUDGE WOODRUFF: I will swear him in
19 now, then.

20 (THE WITNESS WAS SWORN.)

21 JUDGE WOODRUFF: You can tell us what
22 you need to tell us.

23 MR. WATKINS: When Noranda came on the
24 Union Electric system, there was a lot of
25 investigation of what those costs were --

1 JUDGE WOODRUFF: You need to get closer
2 to the microphone.

3 MR. WATKINS: -- what those costs were,
4 how it affected Union Electric's system, how they
5 were really gonna get the power. You know, there was
6 a lot of stuff going on. Noranda is unique in its
7 circumstances about how it took service. I don't --
8 it was really a black box settlement, and I don't
9 think I'd go into that if I say that on one extreme
10 Noranda could take service on an existing tariff, the
11 large primary-service tariff.

12 On another extreme, it could take
13 service on its own tariff where the rate values from
14 the large primary-service tariff were adjusted for
15 Noranda's unique situation. So those are the two
16 tariffs, basically, that Noranda could be served
17 from.

18 As part of the agreement, this really
19 odd rate design component came in, which is -- the
20 agreement was Noranda would be served on its own
21 large-transmission-service tariff, we would look at
22 the cost of serving Noranda in the next case which
23 this is, but in the meantime, Noranda would pay what
24 they would have paid on the small -- or excuse me,
25 the large primary-service rate, and that's the annual

1 contribution factor. It's 3.25. So they get billed
2 every month, and then at the end of the year, let's
3 say if they paid 3.5 -- 3.25; if they didn't, they'd
4 pay this chunk which is the annual contribution
5 factor.

6 We're able to eliminate part of that in
7 this case, and undoubtedly we will look at it again
8 in the next case. But I wanted you to understand
9 that it's a real unusual rate anyway. There's a rate
10 you can use to calculate, but then at the end of the
11 year you have to true up this other rate. So we're
12 fixing the rate design on that to some extent.

13 COMMISSIONER GAW: Would it be fair to
14 say that what you're -- what you're telling us is
15 that as a result of the case that brought -- brought
16 Noranda into Ameren as a supplier, that there was an
17 understanding that there would -- that there would be
18 an examination of what the appropriate design would
19 be for Noranda in that this is -- this is partly as a
20 result of that examination, or is it something
21 different than that?

22 MR. WATKINS: The agree -- the agreement
23 had more to do with how much Noranda would pay,
24 not -- not particularly with the design of the rate.

25 COMMISSIONER GAW: Okay.

1 MR. WATKINS: I think everybody was
2 happy with the way the rate was designed.

3 COMMISSIONER GAW: All right.

4 MR. WATKINS: It's designed in the same
5 way as the large primary-service rate. What we've
6 really agreed to look at was the cost of serving
7 Noranda and moving the rate closer to its cost of
8 service.

9 COMMISSIONER GAW: Okay. So after we're
10 done with this, does anyone else besides Noranda pay
11 the rate that Noranda is paying?

12 MR. WATKINS: No. They're still under a
13 unique tariff because they're the only one that has
14 served in their unique situation.

15 COMMISSIONER GAW: Okay. And is that
16 primarily because of not having any distribution
17 system, or is it something else in addition to that?

18 MR. WATKINS: It's primarily that, and
19 in part, when we say distribution, we're talking
20 about part of it is very high voltage, but because
21 it's not looped, it's not classified as transmission.
22 So you've got some pretty big lines that are pretty
23 expensive and some fairly significant losses.

24 COMMISSIONER GAW: Okay. What does that
25 mean as far as the impact is concerned on rates?

1 MR. WATKINS: I don't understand the
2 question. I'm sorry.

3 COMMISSIONER GAW: When you say they're
4 pretty big losses, I'm not --

5 MR. WATKINS: Oh, I'm sorry.

6 COMMISSIONER GAW: -- how can we
7 understand how that fits into this picture on what
8 the rates should be for Noranda?

9 MR. WATKINS: Each customer pays for the
10 electricity at its delivery voltage. At each level
11 of delivery voltage, there is a different loss factor
12 that would apply to convert those kilowatt hours --

13 COMMISSIONER GAW: All right.

14 MR. WATKINS: -- up to kilowatt hours
15 that needed to be generated to end up with that many
16 by the time we went through all the wires and the
17 transformers.

18 COMMISSIONER GAW: Yes, right. So keep
19 going. What's the difference with Noranda compared
20 to the others?

21 MR. WATKINS: Well, in part, Noranda --
22 Noranda doesn't have the losses in that last strand
23 from transmission line to the substation. That's not
24 part of --

25 COMMISSIONER GAW: You didn't have the

1 amount of loss that you would otherwise have if you
2 had a distribution system to go through in addition
3 to what they're transmitting their electricity over
4 on transmission lines?

5 MR. WATKINS: That's correct. And the
6 rate try -- the rate we designed, the large
7 transmission-service rate, we tried to account for
8 the loss differences between where other customers on
9 the large primary rate were served, and where Noranda
10 was served directly off the transmission line.

11 COMMISSIONER GAW: Okay. Hopefully very
12 briefly, going to -- to the blocks of rates, did
13 you-all deal with that in this rate design at all?
14 Was it left out of --

15 MR. CONRAD: I'm sorry. I missed your
16 question.

17 COMMISSIONER GAW: Were there any
18 adjustments to the incremental charges based upon
19 usage of electricity within rate classes? I think
20 I'm saying -- I'm hearing no, that wasn't discussed
21 and wasn't addressed? Does anyone know the answer to
22 that?

23 MS. MEISENHEIMER: I mean, our focus was
24 on class shifts.

25 COMMISSIONER GAW: I understand. I'm

1 asking whether there was anything else in regard to
2 actual rate design that had to do with the amount of
3 rate per -- as it -- as it -- as it relates to usage
4 itself within classes?

5 JUDGE WOODRUFF: Commissioner, I believe
6 that would be MASW's issue to an extent.

7 COMMISSIONER GAW: It's possible.
8 That's why I'm trying to --

9 JUDGE WOODRUFF: In which case that
10 would not be included in this settlement.

11 COMMISSIONER GAW: That's fine. Yes.

12 JUDGE WOODRUFF: Mr. Watkins?

13 MR. WATKINS: That piece wouldn't be
14 included in the settlement, but the agreement doesn't
15 just involve factoring up all the rates --

16 COMMISSIONER GAW: All right.

17 MR. WATKINS: -- or down all the rates.
18 There's been a separate agreement about customer
19 charges. We're gonna keep all the customer charges
20 the same if there's a rate reduction. We're not
21 gonna lower the customer charges. The residential
22 customer charge is going to stay the same no matter
23 what. And certain of the big-guy customer charges, I
24 think it's small primary, large primary, all pay the
25 same customer charge. We want to make sure that

1 after we do all the adjustments, they continue to pay
2 the same customer charge.

3 We're also making some adjustments
4 between large general service and small primary.
5 Those two groups of customers are very similar except
6 for where the electricity is delivered. And we have
7 tried over the course of the last many, many years to
8 try to get those rates so that the only difference
9 between the rates was to account for who owned the
10 transformer to make sure -- to figure out whether it
11 was primary or secondary, and the difference in
12 losses where they were metered.

13 So we do have some adjustments in small
14 primary that are gonna try to move the demand charges
15 closer to take care of the ownership and then try to
16 adjust the energy charges closer to account for the
17 losses. So there are some things going on in there,
18 but we -- but if the question is did we look at
19 different size blocks of energy than we -- than we
20 already had for the residential class --

21 COMMISSIONER GAW: For example?

22 MR. WATKINS: Yeah, for example.

23 COMMISSIONER GAW: Yes.

24 MR. WATKINS: We didn't look at
25 different size blocks --

1 COMMISSIONER GAW: That's --

2 MR. WATKINS: -- we didn't try to move
3 money between the blocks within the season or -- or
4 between seasons. We want to keep those differentials
5 the same.

6 COMMISSIONER GAW: Okay.

7 MR. CONRAD: Commissioner, on this -- to
8 follow up on that --

9 COMMISSIONER GAW: Yes.

10 MR. CONRAD: -- on your question about
11 Noranda losses, they are also part of the
12 transmission lines to which Mr. Watkins is
13 referencing, our AECI transmission lines, and Noranda
14 pays AECI a loss amount to compensate them for the
15 loss on that part of the system. Mr. Johnstone can
16 be more specific.

17 MR. JOHNSTONE: There are really three
18 components in Noranda's case. They own the
19 distribution from the AECI substation N.

20 COMMISSIONER GAW: Right.

21 MR. JOHNSTONE: There's the AECI piece
22 and then there's the Ameren piece. On the Ameren
23 system, the energy really never touches the
24 distribution system; it gets generated and goes out
25 over the transmission interconnects. So therefore,

1 as to the Ameren piece of the charges, they are
2 relatively low on losses.

3 COMMISSIONER GAW: So the AEC
4 transmission, the Associated Electric Transmission
5 portion, is that paid for by Noranda directly or is
6 it somehow incorporated in a pass-through where you
7 pay Ameren? How does that work?

8 MR. JOHNSTONE: There is a separate
9 transmission contract with Associated -- between
10 Associated and Noranda under which Noranda pays.

11 COMMISSIONER GAW: Okay. Where's the
12 meter?

13 MR. JOHNSTONE: The meter is at the
14 substation, transmission substation at the power
15 plant which is adjacent to the plant site.

16 COMMISSIONER GAW: Okay. I need to
17 think about that. So it's still -- the distribution
18 system that you own and the portion that is
19 Associated Electrics is still on the other side of
20 the meter from Noranda's manufacturing facility?

21 MR. JOHNSTONE: The meter is between the
22 Associated lines and the Noranda distribution lines.

23 COMMISSIONER GAW: Okay.

24 MR. JOHNSTONE: And so there are
25 adjustments made to account for the losses to get it

1 back to Ameren.

2 COMMISSIONER GAW: Okay.

3 MR. JOHNSTONE: That's all I have if
4 you're satisfied, sir.

5 COMMISSIONER GAW: I may have to be
6 satisfied because I have to think about this and how
7 it would work.

8 MR. JOHNSTONE: Fine.

9 COMMISSIONER GAW: I'm sure you-all have
10 vetted that out fairly well. Does that -- does
11 Ameren want to say anything, speak any more in regard
12 to any of this?

13 MR. BYRNE: No. No, your Honor. We're
14 happy with the settlement. We took a little -- you
15 know, we did not participate in developing it, but we
16 looked at it over the past few days and we're willing
17 to accept it.

18 COMMISSIONER GAW: And initially you
19 objected. Was there a particular reason for that
20 objection or was it something that you just wanted
21 more time to examine?

22 MR. BYRNE: Well, I think our initial
23 reason for objecting is because the unresolved -- we
24 were concerned that the unresolved rate design issues
25 might have an impact on this. That was our initial

1 reason, I guess. After thinking about it, we don't
2 think that's a problem.

3 COMMISSIONER GAW: I see. Okay. I'll
4 stop now, Judge. Thank you all very much.

5 JUDGE WOODRUFF: Commissioner Appling,
6 do you have any questions?

7 COMMISSIONER APPLING: I don't think I
8 have any questions but our time is slowly slipping
9 away here. So Staff, Ameren, OPC, is everybody
10 pleased with what you have here? Can you live with
11 what you have?

12 JUDGE WOODRUFF: I see nods of
13 affirmation.

14 COMMISSIONER APPLING: Either speak now
15 or forever hold your peace.

16 MR. CONRAD: Yes.

17 MR. BYRNE: Yes, Commissioner, the
18 company can.

19 COMMISSIONER APPLING: MIEC?

20 MS. VUYLSTEKE: I don't know if we're
21 pleased with the settlement, but we certainly can
22 live with it.

23 COMMISSIONER APPLING: Don't share too
24 many feeling back in St. Louis, okay? How about
25 Staff? Are you okay? Why don't you-all speak,

1 Mr. Williams, yes or no?

2 MR. WILLIAMS: Staff would not have
3 signed on to the agreement if it was not satisfied
4 with it.

5 COMMISSIONER APPLING: That's all I
6 wanted to hear. How about OPC?

7 MR. MILLS: We're certainly satisfied
8 with the agreement. We're willing to live with it.

9 COMMISSIONER APPLING: Thank you very
10 much, gentlemen -- ladies and gentlemen. Thank you
11 very much. We'll act accordingly.

12 JUDGE WOODRUFF: Is there anything else
13 from the bench on any of these stipulations?

14 (NO RESPONSE.)

15 JUDGE WOODRUFF: Thank you all very
16 much, then. At this point, then, we will adjourn
17 this portion of the proceeding and we'll take a break
18 and we'll come back at 2:20 to resume testimony in
19 the rate case hearing.

20 (WHEREUPON, the on-the-record presentation
21 in this case was concluded.)

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1 CERTIFICATE OF REPORTER

2

3 STATE OF MISSOURI)
4 COUNTY OF COLE) ss.

5

6

7 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,
8 within and for the State of Missouri, do hereby
9 certify that that the testimony of said witnesses
10 were taken by me to the best of my ability and
11 thereafter reduced to typewriting under my direction;
12 that I am neither counsel for, related to, nor
13 employed by any of the parties to the action to which
14 this hearing was conducted, and further that I am not
15 a relative or employee of any attorney or counsel
16 employed by the parties thereto, nor financially or
17 otherwise interested in the outcome of the action.

18

19

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21 PAMELA FICK, RMR, RPR, CSR, CCR #447

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