

1 be looking at for purposes of determining whether the
2 company's well managed? Would any cost items be in the
3 benchmarks or the baselines?

4 A. Well, again, you're kind of asking me to
5 design a -- you know, just off the top of my head. I could
6 envision that there would be costs, benchmarks that would be
7 utilized.

8 Q. Have you given much -- have you done much to
9 investigate these sort of benchmarks or baselines that could
10 be adopted for determining whether a utility is well
11 managed?

12 A. I have not.

13 Q. I'd like to mark an exhibit now. We'll start
14 with the Staff's interrogatory responses. You said you've
15 reviewed them in --

16 A. Yes.

17 Q. -- in preparation.

18 (RACKERS EXHIBIT NO. 1 WAS MARKED FOR
19 IDENTIFICATION BY THE REPORTER.)

20 BY MR. WOLSKI:

21 Q. Okay. This is marked as Rackers Exhibit 1.
22 It's the Staff Response to the First Set of Interrogatories.
23 Now, on page 24 -- first, do you recognize this as being the
24 Staff's response -- the exhibit, this particular exhibit, do
25 you recognize that as being the Staff's written response to

1 the interrogatories?

2 A. Yes, I do.

3 Q. Okay. On page 24, the response to No. 13 was
4 you were identified as someone who was provided a draft of
5 the testimony of John Cassidy for purposes of reviewing it,
6 and for No. 14, you are identified as somebody who
7 participated or contributed to the preparation of
8 Mr. Cassidy's testimony.

9 A. That's correct.

10 Q. Do you recall exactly how you contributed to
11 or participated in that testimony?

12 A. I reviewed his testimony. Areas that I
13 thought may have needed to be expanded for clarification, I
14 made those suggestions to him. Probably typographical
15 spelling type errors, I probably suggested some of those to
16 him.

17 Q. Suggested correcting them?

18 A. Yes.

19 Q. Thought maybe you were taking credit for any
20 typos would be in his testimony.

21 A. That's possible.

22 Q. Did you make any substantive changes or
23 suggestions to his testimony that you can recall?

24 A. No.

25 Q. Similarly, the answers in 16 through 18

1 identify you as having reviewed and participated in Doyle
2 Gibbs' testimony?

3 A. Yes.

4 Q. Was your participation in that the same as
5 with Mr. Cassidy?

6 A. Yes.

7 Q. No substantive changes or suggestions?

8 A. No.

9 Q. But there were some areas that you may have
10 suggested needed to be expanded?

11 A. For clarification or better explanation.

12 Q. But you did not suggest any different method
13 of analysis to be used, did you?

14 A. No.

15 Q. And that holds true for the Cassidy testimony
16 as well?

17 A. Yes.

18 Q. Looks like you were a busy person. You're
19 identified in 19 through 21 also as participating in
20 reviewing Mark Griggs' testimony.

21 A. What were those numbers again?

22 Q. 19, 20 and 21. Did you review --

23 A. Yes.

24 Q. You did review Mark Griggs' testimony?

25 A. Yes, I did.

1 Q. And did you make -- what sort of suggestions
2 did you make or recommendations did you make for his
3 testimony?

4 A. The same kind of suggestions I would have made
5 for Mr. Gibbs and Mr. Cassidy.

6 Q. Nothing substantive?

7 A. Nothing substantive.

8 Q. Now, were you recommending elaborations or
9 expansions of explanations in areas in which you yourself
10 had -- subject matters that you yourself had testified to in
11 the past?

12 A. That's possible. I don't really recall all
13 the suggestions of that nature I made to them for their
14 testimony. That's been a while ago, but that's possible.

15 Q. And on page 28 of the Staff response at the
16 bottom, the response to No. 31, 32 and 33 is that you
17 reviewed and participated in the testimony filed by Greg
18 Meyer. Is that the same participation we talked about for
19 the other testimonies?

20 A. Yes.

21 Q. So no substantive suggestions or changes?

22 A. No.

23 Q. Merely improving his grammar and punctuation
24 and whatnot?

25 MR. MEYER: I hope.

1 BY MR. WOLSKI:

2 Q. Now, in response to Interrogatories 37 through
3 39 found on page 31, and I guess it slightly goes over to
4 32, to the extent it carries over, could you -- you had
5 identified -- you identified five people who reviewed and
6 participated in your testimony that you filed in this case.
7 Do you recall how Greg Meyer participated in your testimony?

8 A. He would have participated in the same manner
9 that I participated in the review of his testimony or
10 Mr. Cassidy or Mr. Griggs.

11 Q. No substantive changes, just looking for
12 typographical errors, punctuation problems or passages that
13 needed amplification or greater explanation; is that what
14 you understand?

15 A. For clarity.

16 Q. And Mark Oligschlaeger?

17 A. The same.

18 Q. And Mr. Krueger?

19 A. The same.

20 Q. And his suggestions were well taken?

21 A. Absolutely.

22 Q. And Steve Dottheim?

23 A. The same type of assistance.

24 Q. We've got everyone here but Mark

25 Oligschlaeger. Maybe we should bring him in, too, have your

1 whole team here.

2 And Jim Schweiterman, did he -- how did he
3 participate in your testimony?

4 A. That's what I discuss in response to No. 39.

5 Q. So were you just --

6 A. No. Hang on.

7 Q. Determining --

8 A. We determined how the income tax calculation
9 was put together in Staff's revenue requirement run which
10 Mr. Schwieterman was responsible for. So I needed to
11 discuss the right adjustment numbers and discuss them
12 consistent with the way they were prepared and presented in
13 the Staff's revenue requirement.

14 Q. So you were making sure that the numbers that
15 you had calculated would be plugged into the right places in
16 the schedule?

17 A. Yes, among other things.

18 Q. And turning the page to the response to 43
19 through 45, had you reviewing and participating in Leasha
20 Teel's testimony. That was the same participation as in the
21 others that you would review for punctuation, grammatical
22 errors, suggestions in language changes for clarity?

23 A. Yes.

24 Q. And there were no substantive changes or
25 corrections that you could recall?

1 A. No.

2 Q. Okay. And in reviewing the testimony of the
3 other staff members, did you also review their work papers?
4 Is that a part of the review?

5 A. It was for some of the witnesses.

6 Q. Do you remember which ones you reviewed work
7 papers?

8 A. I can specifically remember doing it for
9 Mr. Cassidy. I didn't do it for Ms. Teel, and I can't
10 remember about Mr. Griggs or Mr. Gibbs. I don't believe I
11 did for Mr. Meyer.

12 Q. Have you turn to the Staff response to request
13 No. 73, which begins on page 64.

14 A. I'm there.

15 Q. Now, you were identified as one of the Staff
16 people who had had a hand in making this response. Do you
17 recall what portion of the response you might have been
18 responsible for?

19 A. I performed the calculations that appear in
20 the table on page 27.

21 Q. Of the February filing?

22 A. Of the February 1 report with regard to the
23 excess revenues.

24 Q. And how did you determine the return on common
25 equity for purposes of calculating the excess revenue?

1 A. Those were supplied to me by Mr. Ron Bible.

2 Q. And how did you determine the rest of the
3 revenue requirement for the company for each of those years?

4 A. Well, what I did for each one of those years
5 was I took the final credit revenue requirement and input
6 the returns on equity, actually the entire capital structure
7 of returns on equity for each one of those years that had
8 been calculated by Mr. Bible, and then the revenue
9 requirement run produced those levels of excess earnings
10 based on those capital structures and returns on equity.

11 Q. Okay. Now, based on this table, it's Staff's
12 position that UE was overearning in each of the years of the
13 EARP?

14 A. Well, I think the way the context it's
15 presented in the report say that the table below lists the
16 excess earnings that would have been generated in each year
17 of the EARP if the actual capital structure at the time,
18 which that refers to the capital structure provided by
19 Mr. Bible, had been utilized rather than what had been
20 agreed to in the two EARP Stipulation & Agreements.

21 Q. Now, in the first EARP Stipulation &
22 Agreement, the point at which AmerenUE began sharing
23 revenues with the customers in the form of the credits began
24 with a 12.61 percent ROE. Is that your understanding?

25 A. That was the floor. When the company started

1 realizing earnings above that level, they would be shared.

2 Q. So under the agreement, the company was
3 entitled to keep its earnings, 100 percent of those earnings
4 up to the 12.61 percent threshold?

5 A. Yes.

6 Q. And that was approved by the Commission in
7 1995?

8 A. I believe that's correct. I'm not sure of the
9 exact date when the Commission's Order came out, but I'll
10 accept 1995.

11 Q. And for the period beginning June 30th, 19--
12 or I guess July 1st, 1995 in your table on page 27, would
13 you know what ROE number Mr. Bible had used?

14 A. Unless it's in this report and I'm just not
15 seeing it, I don't know that I have those specific returns
16 on equity handy.

17 Q. Do you know any reason why that number
18 wouldn't be contained in the report?

19 A. I don't know any specific reason why it's not.

20 Q. So let me mark a second exhibit. This might
21 help you. It's the Staff response to the Request for
22 Admission.

23 (RACKERS EXHIBIT NO. 2 WAS MARKED FOR
24 IDENTIFICATION BY THE REPORTER.)
25 BY MR. WOLSKI:

1 Q. Now, if you could turn to page 19 of our
2 second exhibit here, which is the response to Request
3 No. 33. Now, you were identified as one of the people that
4 had participated in providing this Request for Admission
5 response. Do you recall doing that?

6 A. Yes. The excess earnings column is the same
7 as the one in the February report on page 27. So I would
8 have calculated those numbers.

9 Q. And based on this Staff admission, then, the
10 equity returns number for the sharing period that began
11 July 1st, 1995 was the one that you used to determine the
12 excess revenues would have been 9.38 percent?

13 A. Yes.

14 Q. Okay. And you used the 9.38 percent number
15 because Mr. Bible had supplied it?

16 A. As the appropriate return on equity for that
17 time period.

18 Q. Okay. Now, was it your belief that the Public
19 Service Commission would have based a revenue requirement on
20 an equity return of 9.38 percent given that they had
21 determined right at the beginning of that sharing period
22 that AmerenUE could keep 100 percent of its equity returns
23 up to a 12.6 percent level?

24 A. Would ask you me that again, please.

25 Q. Maybe we can read that one back.

1 THE REPORTER: "Question: Okay. Now, was it
2 your belief that the Public Service Commission would have
3 based a revenue requirement on an equity return of 9.38
4 percent given that they had determined right at the
5 beginning of that sharing period that AmerenUE could keep
6 100 percent of its equity returns up to a 12.6 percent
7 level?"

8 THE WITNESS: I believe they may have, because
9 the 12.61 and the 9.38 aren't really consistent numbers.

10 BY MR. WOLSKI:

11 Q. What would be the -- other than 3.23 percent,
12 what would be the difference between the two numbers?

13 A. The 9.38 would be the return on equity that,
14 at least as Mr. Bible calculated, would have been a
15 reasonable return on equity for that time period. The 12.61
16 is part of a -- part of a zone that was specifically
17 designed as part of the grid in the alternative regulation
18 plan as a level where the company got to keep 100 percent.
19 It wasn't designed to be the return on equity that would
20 have been recommended in a rate case, which is what the 9.38
21 is.

22 Q. And why was a higher number approved for
23 purposes of the EARP?

24 A. Again, it was part of the design of the plan.
25 There's a -- there's a zone that sort of encompasses an area

1 in the grid or an earnings level at which no adjustment is
2 made to the actual experience, and that's similar to a plan
3 that existed for Southwestern Bell. So the format was
4 carried on.

5 Q. And what was the purpose of having such a
6 zone?

7 A. Well, I don't know that I can tell you the
8 exact purpose. It's just a zone of return on equity that
9 the company is allowed to earn. The top of the zone was
10 12.61. I'm not sure what the bottom of the zone was, I want
11 to say 10 percent, at which the company could earn and there
12 would be no adjustments made or no sharing would occur.

13 Q. Now, if the company is permitted to earn up to
14 12.6 percent without any adjustment or sharing, could one
15 say that the company would have excess earnings over that
16 range?

17 A. I think that would be true relative to -- if
18 you compared it directly to the equity returns that would be
19 recommended in a rate case, and if that return was
20 designated as the appropriate level for the utility to earn,
21 then above that would be excess. But again, what I'm trying
22 to say is those two numbers shouldn't really be viewed in
23 the same way.

24 Q. But they're both calculated the same way,
25 aren't they?

1 A. I don't -- I don't believe they were.

2 Q. Do you know the differences? Would the
3 differences be the -- would there be a difference component
4 of common equity that would be looked at to determine what
5 the return would be and how would they be different? Are
6 they both based as returns on the same -- on the same equity
7 of the company?

8 A. Well, I think it's really the -- I can't tell
9 you how the 12.61 was actually calculated. That would
10 have -- that recommendation would have been -- would have
11 come from Jay Moore, who was a member of the Staff at the
12 time. I think it's the context in which those numbers are
13 used really. One would be a Staff recommendation in a rate
14 case, and the other was used as the ceiling -- I'm sorry --
15 the floor before which sharing would occur as part of an
16 alternative regulatory plan.

17 Q. Okay. If we could turn to Exhibit 1 again,
18 the interrogatory responses on page 65, at the bottom of
19 page 65.

20 A. Hold on just a second.

21 Q. I'm sorry.

22 A. Okay.

23 Q. At the bottom of page 65, carrying on to 66,
24 there is an excerpt from the transcript of, I guess, a 1992
25 proceeding before the Commission. Could you read over that.

1 A. Okay.

2 Q. Is that the sort of -- the buffer that's being
3 described in that exchange, is that the sort of zone that
4 you were talking about that the 12.61 number represents the
5 ceiling of? If you need the exchange acted out, we would
6 need somebody to play the role of Commission Rauch, but I
7 believe we have a good person that could play Mr. Dottheim
8 here.

9 A. I don't think I'd characterize what's referred
10 to as a buffer as the same kind of zone that I was talking
11 about with regard to the alternative regulatory plan.

12 Q. Is the buffer that's referred to here the
13 mechanism that would be used to avoid frequent rate cases?
14 Would that be your understanding?

15 A. Well, I think the context here is not to avoid
16 frequent rate cases, but to reduce a company's earnings,
17 excess earnings by such a degree that it would force the
18 company to turn around and have to file a rate case.

19 Q. So one consideration in determining a revenue
20 requirement would be to not reduce revenues to the point
21 where a company would have to turn around and immediately
22 file a new rate case?

23 A. I think that might be a consideration of a
24 complaint case, but not necessarily a rate case.

25 Q. And a complaint case would be one that's

1 originated by another party?

2 A. Other than the company.

3 Q. Now, turning again to the response to the
4 Request for Admission in Exhibit No. 2 we've marked, the
5 table which has the excess revenues and the equity returns
6 listed.

7 A. Page 19?

8 Q. Page 19, yes.

9 A. Okay.

10 Q. You said that the equity return numbers were
11 based, I believe, on what Mr. Bible represented the Staff
12 would have recommended to the Commission for each of those
13 years, obviously with the correction that was made in the
14 Staff response?

15 A. Well, it's Mr. Bible's recommendation. That's
16 my understanding of his process.

17 Q. So the excess revenues were calculated based
18 on what Mr. Bible's recommendation would have been for each
19 of those four years listed in the table, again with the
20 caveat that for the sharing period beginning in July '96
21 that there appeared to have been a mistake in the February
22 filing and the equity return number should have been 9.54
23 and should have been excess earnings of 146 million. But
24 with that understanding, the equity return numbers are what
25 Mr. Bible would have recommended to the Commission had there

1 been a rate case involving UE in any of those years?

2 A. Well, I'm not sure I can answer that in the
3 context of that these represent returns on equity that
4 Mr. Bible would have recommended had there been rate cases
5 in those periods. I don't know that I can sit here and tell
6 you that that would have been Staff's recommendation. It
7 certainly would have been Mr. Bible's recommendation back in
8 1995.

9 Q. In your own words, how would you characterize
10 the column from the February filing that you had calculated
11 that says excess revenues at the top of the column? What
12 does that column represent?

13 A. Well, it represents what's stated in the
14 February 1 report on page 27. It says, The table below
15 lists the excess earnings that would have been generated
16 each year of the earnings if the actual capital structure at
17 that time had been utilized rather than what had been agreed
18 to in the two EARP Stipulation & Agreements.

19 Q. So that's stated as a matter of fact that the
20 actual capital structure would give you those numbers, what
21 the actual capital structure is is not subject to debate?

22 A. I think individual components of those capital
23 structures, that there's some judgment exercised in coming
24 up with that. Well, capital structure, the overall cost of
25 capital.

1 Q. So in other words, that represents what excess
2 revenues would be if you used a cost of capital that was
3 determined independent of the EARP number for each of those
4 four years?

5 A. Generally, I would agree.

6 Q. And that would be the cost of capital number
7 that involves the use of some judgment and discretion in
8 calculating it for each of those years?

9 A. I would agree with that.

10 Q. And that would be the judgment and discretion
11 that Mr. Bible gave in determining what the cost of capital
12 should have been for each of those four years?

13 A. That's my understanding of what he did.

14 Q. And then the result was that the Staff's
15 position is that there were excess earnings under the EARP
16 for each of those four sharing period years listed on the
17 chart?

18 A. Based on using those cost of capital from
19 Mr. Bible rather than what was agreed to in the
20 Stipulations & Agreements.

21 Q. Okay. And would you know how those cost of
22 capital numbers suggested by Mr. Bible compare with the cost
23 of capital numbers that the Staff was recommending in rate
24 cases during that period, during those four years?

25 A. I probably can't really respond to that beyond

1 the last two off the top of my head.

2 Q. And the last two for the sharing period of
3 July '97 through June '98 and July '98 through June '99?

4 A. Correct.

5 Q. How does the number for the sharing period
6 beginning in July '97 correspond with the cost of capital
7 that the Staff would recommend in cases during that time
8 period?

9 A. My recollection is that it's in the same
10 range.

11 Q. And would you recall what that range happens
12 to be for cases in that year? What would that be?

13 A. I believe 10 percent or less.

14 Q. And beginning July '98, that sharing period,
15 the 10.25 percent equity number?

16 A. 10 percent or less.

17 Q. So the range that the Staff would have been
18 recommending that year cost of capital number would have
19 been around 10 percent?

20 A. Yes.

21 MR. KRUEGER: Would this be a good time to
22 take a break?

23 MR. WOLSKI: Sure.

24 (A BREAK WAS TAKEN.)

25 BY MR. WOLSKI:

1 Q. Looking at the Staff's interrogatory responses
2 again, the response to Interrogatory No. 74 is one that I
3 believe you are identified as having participated in.

4 A. Excuse me. What page are you on?

5 Q. I'm sorry. That's page 67 of the
6 interrogatories.

7 A. I'm there.

8 Q. And earlier in the set of interrogatories on
9 page 17, you were listed as one of the people who
10 participated in responding to No. 74. Do you recall what
11 portion of the response to 74 you had participated in?

12 A. I would have participated to some degree in
13 item A to No. 74.

14 Q. And in your opinion, what is the reason that
15 the sharing credits have been delayed during the course of
16 the EARP?

17 A. Because the parties couldn't agree on the
18 appropriate amount of credits that would be shared under the
19 plan and, as a result, hearings had to take place before the
20 Commission and the company appealed those decisions in
21 circuit court, and there were just general disputes among
22 the parties as to what the appropriate level of credits
23 were.

24 Q. And in the procedure surrounding the third
25 sharing period of the first EARP, I guess that's the one

1 you're referring to with the appeal, do you recall offhand
2 if the Commission accepted the recommendations of the Staff
3 as to the increase in the sharing credit proposed by the
4 Staff?

5 A. The Commission ruled in the Staff's favor on
6 some of them but not all of them, some of the issues but not
7 all of the issues.

8 Q. And you participated in that proceeding?

9 A. Yes.

10 Q. Do you recall what percentage of the
11 adjustments based on the total dollar amount were accepted
12 by the Commission and which percentage were rejected?

13 A. No, I don't. One of the sort of threshold
14 issues didn't necessarily -- it was just a question of
15 procedure rather than actually having a dollar amount
16 attached to it.

17 Q. That would be?

18 A. Whether the Staff could actually bring certain
19 adjustments that weren't specifically discussed in the
20 reconciliation procedure to the Commission.

21 Q. But as far as the adjustments themselves are
22 concerned, you wouldn't remember what percentage of them
23 were accepted by the Commission and what percentage were
24 not?

25 A. I don't remember.

1 Q. How would you compare the delay in the receipt
2 of the sharing credits to the time that it would normally
3 take for a rate case to reduce rates? Even with the delays,
4 has it been greater or lesser than the time in which a rate
5 case would reduce rates?

6 A. Well, certainly with regard to the third
7 sharing period you have to make some kind of an assumption
8 about whether the company would appeal the Commission's
9 decision. I mean, a normal rate case takes 11 months. I
10 think that process took quite a bit longer.

11 Q. And do you have any way of comparing the cost
12 of the credit disputes with the cost of a typical rate case?

13 A. Well, again, with regard to the third sharing
14 period, I would say it probably cost more. That process
15 probably cost more than a normal rate case would.

16 Q. And in the instances where there was no
17 litigation through the other sharing periods which had not
18 been disputed before the Commission and further?

19 A. Well, in year four, Staff filed testimony and
20 actually filed a complaint, I believe. So I wouldn't think
21 that there was any less cost involved in that procedure.

22 Q. And in filing that complaint, did the Staff --
23 or did filing that complaint by the Staff and preparing the
24 documents and the testimony take as much time as it would
25 normally take to file a rate case by the Staff?

1 A. I would say it was probably in the same
2 general area of the amount of time it took certainly for
3 those witnesses that filed testimony.

4 Q. Was there an audit process that was involved,
5 was associated with that filing?

6 A. Well, it was a review and a monitoring
7 process, somewhat different from an audit process.

8 Q. And would the review and the monitoring
9 process have taken less time than a normal audit?

10 A. I think in that instance it did. A review and
11 monitoring process wouldn't necessarily take place.

12 Q. Because in that case, under the EARP, the
13 issues that were being disputed had been narrowed, I
14 suppose; is that fair to say?

15 A. I wouldn't really characterize it that way.

16 Q. Would the reconciliation procedure of the EARP
17 take a lot of adjustments off the table so that there were
18 fewer items at which -- fewer items to review for purposes
19 of bringing a complaint, an adjustment?

20 A. Well, a lot of those adjustments are somewhat
21 mechanical, but certainly in the third sharing period and
22 periods subsequent to that you still have to do audits of
23 the actual time period and examine various cost items,
24 whether they actually produce adjustments or not or as many
25 adjustments as occur or as specified in the reconciliation

1 procedure. They may or may not, by you still have to do the
2 audit work to determine what's out there, what costs were
3 incurred during that period.

4 Q. If you turn --

5 A. And that was also done in the first and second
6 sharing period but to a lesser degree.

7 Q. So for the first and second sharing period,
8 less time would have been put in by the Staff to review the
9 sharing credits than would have been put in if you were
10 doing an audit for a rate case?

11 A. Yes, but I think that that was somewhat due to
12 the manpower requirements of other cases during those two
13 periods.

14 Q. So if you had more people available, you would
15 have done more work in reviewing the sharing period reports?

16 A. I believe so, yes.

17 Q. Now, on page 88 of the response to the set of
18 interrogatories, there's the answer to Interrogatory No. 93,
19 and you are identified as somebody who assisted Mr. Cassidy
20 in making this Staff response. Do you recall what you might
21 have -- what you did to assist him?

22 A. Mr. Cassidy went over with me the process of
23 calculating the adjustments and his work with Mr. Bender as
24 kind of a -- just to discuss here's what I did, you know, do
25 you see any flaws or, you know, just kind of a

1 reasonableness check.

2 Q. And what did you do to perform the
3 reasonableness check?

4 A. Just he and I had discussions and he showed me
5 his work papers.

6 Q. So you went through the work papers and
7 verified the calculations?

8 A. I don't know that I actually ran through the
9 mathematics and tried to verify the calculations. He
10 explained to me more his process.

11 Q. So you discussed the methodology that he used?

12 A. Yes.

13 Q. And did you have any changes or adjustments to
14 make to that?

15 A. No.

16 Q. Now, for -- actually, in determining the
17 reasonableness of what you did, did you compare it to other
18 calculations that were made in other cases in other
19 circumstances?

20 A. Well, in general, yes, because I based it on
21 my experience with working in the field area and just
22 calculating adjustments in general.

23 Q. So those adjustments were calculated
24 consistent with what your experience had been in making
25 those type of adjustments in the past?

1 A. I viewed the work he did as appropriate based
2 on my experience.

3 Q. Okay. Now --

4 A. This is the work of Mr. Cassidy, not
5 Mr. Bender?

6 Q. That's correct, yes. Did you check what
7 Mr. Bender did at all?

8 A. No.

9 Q. On page 89, there's the response to No. 95,
10 and I believe that you're also -- you're identified as
11 assisting Mr. Cassidy in answering that one as well. Do you
12 recall what you did in assisting the response to this?

13 A. The same type of assistance that I provided
14 him with regard to the previous line of questions.

15 Q. So for this one you checked the reasonableness
16 of Mr. Bender's production cost results?

17 A. No.

18 Q. So did you merely review the response that
19 Mr. Cassidy gave to explain what he did to the -- with
20 regard to the Bender model?

21 A. Well, I did review this response, plus he
22 discussed the process he went through with me.

23 Q. And you agreed with the methods that he used
24 to check for reasonableness?

25 A. Yes.

1 Q. Were there any documents that you referred to
2 to help check for reasonableness of these results?

3 A. I don't recall any.

4 Q. And was the only criteria that you used to
5 check the reasonableness of these results your experience in
6 doing similar calculations in the past?

7 A. That was one part of it. I don't recall
8 whether I specifically looked at his work papers in this
9 instance, but I may have.

10 Q. So you were -- let me make sure I understand.
11 You recall assisting him in making this response, but some
12 of the specifics in the response, for instance, in Part B
13 where he lists documents that he reviewed, you wouldn't have
14 reviewed those documents, you just would have verified if
15 those were the sort of documents that one would review to do
16 a reasonableness check?

17 A. Yes.

18 Q. If you could turn to page 95 of the
19 Interrogatory Responses, the response to No. 99.

20 A. Let me make a note of something.

21 Q. Certainly.

22 A. I'm sorry. Which page?

23 Q. Page 95, response 99. Now, you were
24 identified as having assisted in this response, which is a
25 rather brief response. Do you recall how you assisted in

1 it?

2 A. I can only specifically recall actually
3 reviewing his response.

4 Q. So just the sentence, the Staff did not adjust
5 test year for book level for spot sales, you just reviewed
6 that and that was it?

7 A. That's all I can specifically remember.

8 Q. Okay. Did you have any information concerning
9 spot sales and their data associated with that?

10 A. No.

11 Q. So you wouldn't know how spot sales
12 opportunities had changed since the test year?

13 A. No.

14 Q. You wouldn't know if the prices would be lower
15 or not?

16 A. I don't know.

17 Q. Now, if you could look at your response to
18 No. 100, which is asking for the documents that were relied
19 on to respond to 99, you were also identified as having
20 assisted in that response. Is this also merely reading the
21 response?

22 A. In this instance, the only thing that I did in
23 terms of assistance was to review the response, but during
24 the time of Staff's filing and the field work part of the
25 audit, we had a discussion that dealt with this area, and

1 this response is consistent with that discussion as I
2 remember.

3 Q. And you participated in those discussions?

4 A. That one.

5 Q. Had you reviewed the work papers that are
6 cited in this response?

7 A. No.

8 Q. I think we'll actually mark another exhibit.

9 (RACKERS EXHIBIT NO. 3 WAS MARKED FOR
10 IDENTIFICATION BY THE REPORTER.)

11 BY MR. WOLSKI:

12 Q. And the exhibit marked 3, this is a copy, is
13 it not, of your direct testimony that was prefiled?

14 A. That's correct.

15 MR. WOLSKI: And since this contains
16 proprietary information, the procedure we'll follow is that
17 the deposition transcript will be -- certainly this exhibit
18 is going to be kept confidential, and the transcript itself
19 I think we should keep confidential 'til we have a chance to
20 review and see which portion shouldn't be released in case
21 any of the proprietary information is discussed.

22 MR. KRUEGER: That's agreeable.

23 BY MR. WOLSKI:

24 Q. In preparing your proposed tax straight line
25 depreciation adjustment which is contained in your

1 testimony, you attempted to calculate an amount of book
2 depreciation for which the company's computation of tax
3 expense provided no tax benefit?

4 A. I don't think that's correct. What I did was
5 I tried to calculate an additional amount of tax straight
6 line depreciation that I believe is consistent with the book
7 depreciation that's contained in Staff's case.

8 Q. And in preparing your proposed adjustment, you
9 examined each tax vintage account?

10 A. Well, I examined it to the extent that I
11 performed a calculation on each vintage to determine if or
12 what amount of tax straight line depreciation would exist
13 over and above the level taken by the company.

14 Q. So you're identifying the vintage accounts
15 with respect to which there was no tax benefit provided in
16 the company's calculation of tax expense for those?

17 A. I didn't really examine it in terms of tax
18 benefit. What I examined it in terms of was, for the plant
19 that remained in service, had the company taken a full year
20 of tax straight line depreciation or not, and I calculated
21 the level based on the vintage plant or the vintage year
22 times the book depreciation rate, or actually in the
23 calculation I -- the company and I have agreed to make a
24 slight correction there, but I used the same rate that the
25 company had used in its calculation for each vintage year,

1 and whatever tax straight line depreciation expense that
2 produced, I compared it to the amount the company had taken
3 in its calculation.

4 Q. Okay. And the correction you need to make is
5 to use the book depreciation rate for the test year as
6 opposed to the depreciation rate for each of the -- that
7 corresponded with each of the vintage years?

8 A. Yes. I believe that would be correct method.
9 I think I'm going to give it some more thought, but right
10 now I believe that's correct.

11 Q. Okay. So as of now, you plan on making the
12 correction and revising your accounting schedules to reflect
13 the test year depreciation rate instead of the depreciation
14 rates that were used in the calculation so far?

15 A. Yes. Well, let me say it this way. I'm going
16 to use the most recent depreciation rate.

17 Q. As opposed to the depreciation rate that
18 corresponded to when each asset went into service?

19 A. Correct.

20 Q. And you also conferred with the company and
21 Mr. Nelson concerning some of the other mechanics of the
22 proposed straight line depreciation adjustments you were
23 making?

24 A. That's correct.

25 Q. And in the course of reviewing this with

1 Mr. Nelson, did he direct your attention to an element of
2 the proposed adjustment that was in the 1992 vintage for a
3 nuclear production plant, Account No. 49125?

4 A. I actually thought it was a '94 vintage, but
5 yes, we discussed part of the calculation that included an
6 amount which -- again, I want to look at it a little bit
7 more, but I think right now that that's an amount that
8 should come out of the calculation.

9 Q. And that was about 558,000 plus dollars?

10 A. I believe that's the approximate value.

11 Q. And as of now, you think that -- you're going
12 to look at it further, but as of now you think that that
13 probably should not have been included in the calculation?

14 A. Yes.

15 Q. Now, if we could turn to page 4 of your
16 testimony, line 21, you use the term tax straight line
17 depreciation. Could you explain what that term means and
18 how that term differs from what the book depreciation rate
19 would be?

20 A. Well, the book depreciation rate is the
21 original cost that's included in the plant in service
22 calculation in the Staff's rate base. The depreciable
23 portion of that times the depreciation rates that are
24 authorized by the Commission results in book depreciation
25 expense.

1 As I discuss here, the difference -- two main
2 differences between that depreciation and tax straight line
3 are the basis differences that have already been flowed
4 through such as capitalized payroll taxes. And the other
5 item is the fact that when a vintage is fully depreciated
6 for calculating tax straight line depreciation, the
7 calculation of depreciation stops. Whereas for book
8 depreciation, as long as the plant remains in service,
9 depreciation continues to be calculated.

10 Q. So for tax straight line depreciation, the
11 calculations are based on a machine-by-machine or
12 plant-by-plant basis, whereas for the book depreciation it
13 is based on the -- by an entire category of that plant or
14 that equipment?

15 A. I don't know that I think it's machine by
16 machine. It's vintage year by vintage year.

17 Q. Could you summarize for us the theory that
18 underlies your proposed straight line depreciation
19 adjustment?

20 A. Well, sort of briefly and sort of the crux of
21 the problem is that revenue requirement is increased simply
22 because plant is outliving its -- or outliving the life
23 that's identified in the depreciation, and as a result, you
24 experience more book depreciation in the revenue requirement
25 calculation than you do tax straight line depreciation

1 because tax straight line ceases when the vintage is fully
2 depreciated.

3 And as a result, every dollar over and above
4 that tax straight line level of book depreciation that's
5 supplied in these revenue requirement calculations has to be
6 factored up for taxes.

7 There's an example in my testimony that shows
8 that you have to provide \$1.62 of revenue requirement for
9 every dollar of depreciation expense over and above tax
10 straight line -- book depreciation expense above tax
11 straight line simply because the tax straight line ceases
12 and the book depreciation continues.

13 Q. Are there any utility regulation treatises or
14 handbooks that suggest making the type of adjustment that
15 you're proposing?

16 A. I haven't read any treatises or books, but I
17 relied on past Commission precedent and the way Staff has
18 proposed this adjustment in other cases.

19 Q. By past Commission precedent you mean the
20 Missouri Public Service Commission?

21 A. Yes.

22 Q. Are you aware of any other Public Service
23 Commissions that make this type of adjustment?

24 A. No.

25 Q. During your conversations with Mr. Nelson from

1 AmerenUE, did he review with you the mechanics of the
2 company's Acufile system for computing deferred taxes?

3 A. Yes.

4 Q. Do you agree that a given asset is capable of
5 producing only a finite quantity of depreciation tax
6 benefits?

7 A. Yes, I do. I don't view that that necessarily
8 addresses or really bears on the problem that I'm attempting
9 to correct with my adjustment, though. The company can only
10 take a specific amount of depreciation.

11 Q. And that depreciation is limited to the
12 original tax cost of the asset?

13 A. The tax depreciation, yes. I mean, I think we
14 reviewed a couple of examples that you presented to me where
15 the amount of tax straight line depreciation actually
16 exceeded the plant basis, but that was true with regard to
17 tax depreciation.

18 Q. So you'd agree with the statement that over
19 its entire life an asset that cost \$100 could only generate
20 the tax benefits that would be produced by \$100 of tax
21 depreciation?

22 A. Yes, with regard to accelerated depreciation.
23 There were also some tax benefits associated with investment
24 tax credit.

25 Q. Okay. But just looking at the depreciation

1 part?

2 A. Yes.

3 Q. And do you agree that a vintage account that
4 consists of a number of individual assets is likewise
5 capable of producing only a finite quantity of depreciation
6 tax benefits?

7 A. Yes, with regard to tax depreciation.

8 Q. And you agree that this finite quantity is
9 limited to the original aggregate tax costs of the assets
10 that are in the vintage account, again for the tax
11 depreciation purposes?

12 A. Yes.

13 Q. Do you know any way that a given asset can
14 produce more depreciation tax benefits than the original tax
15 cost amount?

16 A. Other than the ITC that I mentioned.

17 Q. And similarly, there aren't any ways that the
18 assets that comprise a vintage account could produce more
19 depreciation tax benefits than the original aggregate tax
20 cost?

21 A. I'm sorry. You were speaking a little fast
22 for me.

23 Q. I'm sorry. New Jersey is kicking in. And you
24 agree likewise that there isn't any way that the assets that
25 comprise the vintage account could produce more depreciation

1 tax benefits than the original aggregate tax cost of those
2 assets?

3 A. I agree with that in terms of tax
4 depreciation, accelerated tax depreciation, yes.

5 Q. So if you had a vintage account that had ten
6 items that each cost \$100, over the entire life of that
7 vintage account they would only generate tax benefits that
8 would be produced by \$1,000 of tax depreciation?

9 A. Yes.

10 Q. Now on page 5 of your prefiled testimony, on
11 lines 4 and 5, you point out that the company stops
12 calculating tax straight line depreciation when the
13 accumulated reserve for a vintage year equals the tax basis.
14 Is it true that at this point in time all
15 possible real cash tax benefits produced by assets in that
16 vintage have already been provided to the customers? Again,
17 it's the depreciation tax benefits.

18 A. I would agree with your statement with regard
19 to the tax benefits being realized by the company. To the
20 extent you have rate cases at various times throughout the
21 life of an asset, whether those benefits in their entirety
22 are flowed to ratepayers, I would guess probably not.

23 Q. And that would be because there would need to
24 be adjustments made reflecting the rate base changes?

25 A. Well, I think it would be due to the timing of

1 a rate case and whether those benefits flowing back to
2 ratepayers were captured, were captured in the costs of the
3 calculation that you made for a rate case. Some of the
4 benefits might occur outside of a rate case and, therefore,
5 wouldn't be captured just because of the timing of when rate
6 cases or calculations were made.

7 Q. And the Commission could not in a rate case
8 try to make up for any tax benefits that had failed to flow
9 to the ratepayers in years past, could it?

10 A. I think that would depend on the treatment of
11 the related assets in the regulatory process.

12 Q. But isn't it true that the Commission in
13 setting just and reasonable rates are basing those rates
14 prospectively on the revenue requirement and expenses of the
15 company?

16 A. Generally, I would agree with that statement,
17 that you wouldn't go back in time to capture the expense,
18 but depending on how the regulatory framework was
19 recognizing certain assets for recovery and the company
20 realized the benefit historically that wasn't flowed through
21 to ratepayers but yet the related asset continued to have to
22 be recognized in the regulatory process, you might have to
23 make some adjustment so that the benefits probably flow to
24 ratepayers who were still supporting the asset.

25 Q. And that adjustment will be taking into

1 account past benefits that have not been received by the
2 ratepayer?

3 A. Potentially.

4 Q. And having reviewed the company's system it
5 uses for the tax depreciation purposes with Mr. Nelson, are
6 you aware of any process or procedure by which the company's
7 system fails to provide all of the tax benefits associated
8 with a depreciating asset to the customers?

9 A. I don't think the system per se would cause a
10 failure to pass those benefits along. I think what's going
11 to cause the problem is the timing of rate cases, when those
12 benefits were realized, whether the timing is such that the
13 benefits actually gets captured and flowed to ratepayers,
14 but the system itself isn't flawed in that way.

15 Q. But it's just that you're pointing to the
16 general problem of regulatory lag essentially?

17 A. I don't know that it's regulatory lag. I
18 think it's the timing of when the company files the case and
19 when the Commission issues the Order and what costs are
20 considered in that process in relation to when the company
21 actually realizes the tax benefit.

22 Q. Now, would it be accurate to say that your
23 proposed adjustments target the vintage accounts and only
24 those vintage accounts where the company has already
25 provided customers 100 percent of the tax benefits that can

1 possibly emanate in vintage accounts?

2 A. I wouldn't say that Staff specifically
3 targeted those matters. The calculation examines all the
4 vintages. It only captures those -- or excuse me. The tax
5 straight line depreciation associated with those where the
6 company has stopped recognizing depreciation expense, tax
7 straight line depreciation expense.

8 Q. And the reason that the company would stop
9 recognizing the tax straight line depreciation expense would
10 be that 100 percent of the tax depreciation benefits
11 associated with those assets have already been accounted
12 for?

13 A. I would say it's because the company system
14 stops recognizing tax straight line depreciation when the
15 vintage is fully depreciated and the deferred taxes have
16 been completely reversed.

17 Now, whether that's all captured in a rate
18 case and the rates of the company and are flowed through to
19 customers, it would depend on the timing, what portion got
20 captured and passed on.

21 The company's -- I don't feel that the
22 company's tax system is geared towards revenue requirement
23 and passing benefits on to ratepayers. The company's tax
24 system is geared towards calculating tax depreciation,
25 calculating the deferred taxes associated with that and then

1 reversing those deferred taxes.

2 Q. Now, for these vintage accounts for which
3 there continues to be book depreciation but no more straight
4 line tax depreciation, your proposed adjustment would be
5 allocating to customers additional tax benefits relating to
6 the assets in those vintage accounts, correct?

7 A. I would agree with that. And let me make just
8 kind of a correction to the premise.

9 Q. Sure.

10 A. Although I talked about it that way in my
11 depreciation, once Mr. Nelson actually provided examples, it
12 is possible, according to the examples he provided me, that
13 tax straight line depreciation can exceed the original cost
14 of the tax basis of the asset. So it is possible, the way
15 the system works, at least for individual assets. Whether
16 it would do that for a whole vintage, I don't know.

17 Q. To the extent that it did that, would you
18 recommend an adjustment going the other way?

19 A. Oh, to the extent --

20 Q. Yeah. Because your proposed adjustment is to
21 match up additional tax depreciation benefits for assets
22 that are continuing to be depreciated. In the instance in
23 which the tax depreciation that's taken is actually longer
24 than the book depreciation, would you suggest that an
25 adjustment that went the other way did not recognize that as

1 a tax benefit?

2 A. I'm not sure I understand the question. And
3 you said tax depreciation. I think you meant tax straight
4 line.

5 Q. Tax straight line.

6 A. So make sure I understand the question, are
7 you asking me if a tax straight line depreciation was more
8 than book depreciation, would I propose an adjustment that
9 would work the other way?

10 Q. Yes.

11 A. I think that's inherent in the calculation the
12 way we calculate revenue requirement, because if there are
13 some -- if tax straight line for a piece of property is more
14 than the book depreciation for a piece of property, that
15 would get captured in the determination of revenue
16 requirement. You simply put in whatever tax straight line
17 depreciation calculates out to be. So if it's more than
18 book -- then you subtract out book. So if it was more than
19 book, you'll capture that. That'll inherently be in our
20 revenue requirement calculation.

21 What I'm trying to capture is those instances
22 in which book is more than tax straight line but tax
23 straight line has ceased because, the way the company's
24 system works, it stops when the deferred taxes have
25 completely reversed.

1 Q. Would you propose the same adjustments even if
2 there had always been an annual rate case that captured all
3 the tax benefits in the rates that were adopted that obviate
4 the need for the adjustment?

5 A. Well, I don't think it would obviate the need
6 for the adjustment. To the extent that -- even if you had a
7 continuous rate case, even if you had a continuous rate case
8 and the company continues to add plant, which is a normal
9 function for a utility, I'm not sure that you would ever
10 have a situation where tax straight line depreciation would
11 be more than -- in the aggregate I'm talking about, not
12 individual vintage or individual pieces of plant, but in the
13 aggregate the tax straight line depreciation would be larger
14 than book depreciation. So I think you would probably still
15 have to make an adjustment.

16 Q. Now, for the vintage accounts that you
17 identified as giving rise to your adjustment, is there any
18 possibility that those accounts are going to produce any
19 additional real tax benefits in the form of additional tax
20 depreciation or some other fashion for the company?

21 A. I would say no, but again, I don't -- I think
22 you sort of got into this earlier. I don't know that that
23 really bears on the problem that you're trying to address
24 here.

25 Q. By for all those -- for all those assets, the

1 tax depreciation that the company can take has been used up
2 and has already flowed through in the accounting process in
3 the form of the deferred tax depreciation?

4 A. In general, I would say that's true, but the
5 tax straight line -- enough tax straight line has been
6 realized that it's reversed the deferred taxes associated
7 with the tax depreciation on those assets.

8 Now, some of the vintages in the calculation
9 there might have been undepreciated plant for a portion of
10 the year. So all the accounts weren't necessarily -- had
11 necessarily been -- there was no depreciation. There might
12 have been a portion of the year or some residual amount of
13 tax straight line that hadn't been calculated or realized
14 yet. So it wasn't that are all zero. It might have been it
15 was less than a year's worth, less than an annual amount.

16 Q. Turning to page 8 now of your prefiled
17 testimony, on lines 3 to 4, you recommend that the company
18 continue to calculate tax straight line depreciation for all
19 plant in service. The mechanics of this procedure give rise
20 to a reduction in the tax element of cost of service through
21 the reflection of some sort of depreciation tax benefit?

22 A. I don't think I'd characterize it that way,
23 and let me be clear. I'm not suggesting that the company --
24 the company could. I know of at least one other company
25 that has. The company could set up its system so that it

1 did, in fact, continue to calculate tax straight line
2 depreciation beyond full recovery or full reversal of the
3 deferred taxes.

4 What I'm suggesting is that the mechanism in
5 which you calculate revenue requirement, that you continue
6 to realize tax straight line depreciation in a consistent
7 manner. Now, whether the company actually calculates that
8 as part of its tax accounting system, that's not a
9 requirement or a recommendation I made.

10 Q. So based on your proposal, then, there would
11 be a reduction in the tax element cost of service due to
12 this continuation of the straight line tax depreciation?

13 A. Yes.

14 Q. And to clarify, this tax benefit that's being
15 recognized in your proposal that the -- this treatment
16 that's being proposed by you doesn't mean that the company's
17 actually able to reduce its income tax burden on account of
18 the tax treatment of these assets?

19 A. No, I don't think that's true. Let me think.
20 I'd have to think about my answer some more. I'm not -- I'm
21 not positive I can answer that off the top of my head.

22 Q. Are you aware of any way that the company
23 could reduce its tax burden to correspond with this
24 adjustment that you propose?

25 A. I don't think that the company could -- and

1 I'll say this subject to check. I don't know if the company
2 could reduce the amount of income taxes it has to pay, but I
3 think it could reduce its income tax expense on its books.
4 And as you me earlier, it could certainly reduce the
5 incomes tax component of the cost of service for reducing
6 revenue requirement.

7 Q. The additional tax benefits that your
8 adjustment proposes to give to customers, does that have any
9 source other than your creation of this adjustment?

10 A. I guess I don't characterize them as trying to
11 give the ratepayers additional benefits. I would
12 characterize it as trying to eliminate this additional
13 revenue requirement that's generated almost solely by the
14 fact that plant is living longer than the life that's
15 indicated by depreciation rate.

16 Q. But the fact that the plant has lived longer
17 doesn't enable the company to take additional tax
18 depreciation on that plant, does it?

19 A. No, it does not.

20 Q. Now, if it's true that the company's Acufile
21 system provides 100 percent of the tax benefits of the
22 depreciable assets to the customers of UE, would there be
23 any reason to support the proposed adjustment?

24 A. I think you already asked me that question. I
25 think my answer was yes, I believe you still have to make an

1 adjustment.

2 Q. So the adjustment would be appropriate even if
3 100 percent of the tax benefits associated with each asset
4 in the vantage had already been given to the ratepayers?

5 A. Yes. I mean, we discussed before that it
6 probably wouldn't happen because of timing, but I believe
7 the company's going to continue to make investments in
8 plant in service, and in the aggregate the calculation would
9 show that more book depreciation is being generated than tax
10 straight line depreciation.

11 And the problem -- the problem isn't trying to
12 extract more tax benefits out of plant or investments the
13 company's made. The problem is trying to eliminate this
14 additional revenue requirement which generated in the
15 process almost wholly because investments are living longer
16 than indicated in depreciable life.

17 Q. So your goal then is to reduce the expenses of
18 providing the service below what those expenses actually
19 are?

20 A. No. What I'm -- what the goal of the
21 adjustment is to eliminate this additional revenue
22 requirement that comes about because the way that we treat
23 book depreciation and tax depreciation in the calculation of
24 revenue requirement, which you're factoring up this
25 depreciation expense for taxes simply because the plant's

1 living longer than the depreciation life.

2 Q. Do the --

3 A. It doesn't seem appropriate to Staff that
4 simply because the plant lives longer so the company enjoys
5 more book depreciation expense that gets built into revenue
6 requirement that the company receives rates for that somehow
7 that has to be factored up by an additional 62 cents on
8 every dollar.

9 Q. Does the book depreciation that the company
10 receives fully compensate the company for those assets that
11 are retired earlier than their depreciable life?

12 A. Yes.

13 Q. And could you explain how the assets that are
14 retired earlier than its depreciable life get fully
15 depreciated for book depreciation purposes?

16 A. Well, I thought you asked me if book -- the
17 way that book depreciation is calculated compensates for
18 that, and in the aggregate, maybe not on an individual piece
19 of plant, but in the aggregate more book depreciation is
20 being realized on assets that live longer than their
21 indicated life by depreciation -- I'm sorry -- live longer
22 than their depreciable life than are being not calculated on
23 plant that's retired early.

24 Q. So let me make sure I understand this, then.
25 In the aggregate, it's your belief that there are -- there's

1 more depreciation taken on assets that live longer than
2 their depreciable life compared to the book depreciation
3 that fails to get taken on the assets that live shorter than
4 depreciable life?

5 A. I believe that's true.

6 Q. And is that with reference to the data in this
7 particular case or in general?

8 A. I think it's true with regard to this
9 particular case, the data would show that at least in this
10 case in this instance.

11 With regard to this company, as long as I've
12 been working on UE cases, my recollection is that tax
13 straight line has always been less than book depreciation,
14 and I think that's -- to the best -- to the fact that I have
15 knowledge of it with other companies that I've worked on,
16 that's my recollection also. Tax straight line is almost
17 always smaller than book depreciation and not just because
18 of the basis differences.

19 MR. WOLSKI: Can we take a break for a couple
20 minutes right now?

21 (A BREAK WAS TAKEN.)

22 BY MR. WOLSKI:

23 Q. Just a few more questions on this topic to
24 wrap things up.

25 Now, for any vintage account, shouldn't the

1 deferred taxes be zero when the last asset's retired from
2 that account?

3 A. I believe that's true, yes.

4 Q. And if the company were to make your proposed
5 adjustment to tax straight line depreciation, would the
6 company record a deferred tax debit?

7 A. I don't know. I mean, I don't know what the
8 company's response to this adjustment would be. And as I
9 said earlier, I'm not -- it's not part of my recommendation
10 that the company alter the way in which its tax system works
11 to account for this adjustment.

12 Q. Do you have any idea how, if there were a
13 deferred tax debit entered, how that would be reversed by
14 the company?

15 A. Well, you can certainly set up a fixed period.

16 Q. I'm going to introduce another exhibit.

17 (RACKERS EXHIBIT NO. 4 WAS MARKED FOR
18 IDENTIFICATION BY THE REPORTER.)

19 BY MR. WOLSKI:

20 Q. Exhibit No. 4 is the prefiled testimony of
21 James Schwieterman. Now, you've seen this testimony before?

22 A. Yes, I have.

23 Q. Okay. If you could turn to page 11 of this
24 testimony, Mr. Schwieterman begins his discussion of the
25 office supplies adjustment?

1 A. Yes.

2 Q. Okay. Am I correct in understanding that you
3 will be sponsoring this particular item from
4 Mr. Schwieterman's testimony?

5 A. Yes.

6 Q. And you've read the testimony that relates to
7 the office supplies?

8 A. Yes, I have.

9 Q. And have you looked at the supporting work
10 papers?

11 A. Yes.

12 Q. And you agree that the adjustments suggested
13 by Mr. Schwieterman is correct?

14 A. Having looked at Mr. Schwieterman's work
15 papers, I do have a question regarding what he has labeled
16 as the test year amounts.

17 Q. Okay.

18 A. Because for both office supplies and property
19 insurance the test year amount appears low in relationship
20 to what he shows as the amounts that were actually realized
21 by the company in 1999 and 2000. So the mechanics of how
22 the adjustments were calculated is correct. I would
23 question what he's labeled as the test year amount, and --
24 well, we only talked about office supplies, so I'll save the
25 rest.

1 Q. So do I understand, then, that you will be
2 changing the testimony on this particular point?

3 A. No, not necessarily. I want to check what
4 he's labeled as the test year. Right now I don't -- I
5 haven't looked at any materials that would tell me that
6 that's not correct as he has it labeled except for as I view
7 it in relation to the expense realized in the year 2000 and
8 1999 it appears that the test year amount's too low, but if
9 that's not the case, then the adjustment would stand as he's
10 calculated it.

11 Q. So you have some question as to whether the
12 name for the test year was the correct number?

13 A. Yes.

14 Q. But if it were the correct number, you feel
15 that the adjustment he made by using five-year average would
16 be the appropriate way to adjust it?

17 A. Yes, for office supplies.

18 Q. Would you happen to know what the office
19 supplies expenses were for the 12 months ending June 30th,
20 2001?

21 A. No.

22 Q. Was that the sort of information you might
23 request in order to determine whether the adjustment is
24 appropriate or to verify whether the test year number is
25 appropriate?

1 A. I wouldn't need that for the test year. If
2 it's determined that we need to do an update, I would
3 consider that additional information beyond December of
4 2000.

5 Q. I think you did -- I might be mistaken, but
6 you might have testified earlier that Staff, including
7 yourself, had attempted to update the information through
8 the end of 2000?

9 A. I don't think that's what I testified to. I
10 think you asked me if information beyond June of 2000 was
11 available, and I said I believed that it was available as
12 part of the work papers supporting the third year of the
13 second alternative regulation plan that we have received.

14 Q. But this information didn't become available,
15 do you know at what point?

16 A. No, I don't.

17 Q. As a general matter, would you use the
18 information to update through the end of the year, the test
19 year?

20 A. Not as a general matter. If we're ordered to
21 use -- if we're ordered to update the case beyond December
22 of 2000, then we will have to comply with the Commission's
23 order. But as of right now, I don't believe that's the
24 Staff's plan to do that.

25 Q. Do you happen to know why Mr. Schwieterman

1 picked five years as the time period over which to average
2 the office supplies costs?

3 A. Five years is sort of a standard period that
4 Staff uses to view expenses.

5 Q. So that would be the default rule that the
6 Staff uses, five years would be the average to normalize a
7 cost?

8 A. There may be some reason because of the
9 five-year data that you might need a longer period or
10 shorter period, but as a general methodology, to normalize
11 an item, five years is standard.

12 Q. So --

13 A. I mean, it depends on, as he says, what the
14 expenses have done during those five years. In this case,
15 they fluctuated during the five years, so he took an
16 average.

17 Q. So there wasn't -- as far as you know, there
18 wasn't anything particular about these expenses that would
19 recommend a five-year period, it's that there was nothing in
20 particular that would recommend a shorter period or a
21 different period, but five years is the normal?

22 A. I would say five years is sort of the standard
23 time frame to view expenses when you're looking at a
24 potential normalization adjustment.

25 Q. You would take the average over that period

1 because the expenses would be fluctuating, I believe you
2 said?

3 A. That's correct.

4 Q. If the expenses were steadily increasing,
5 would that not be the method you'd use?

6 A. If I viewed that there was a trend over that
7 five-year period up or down, my general approach would be to
8 use the last year.

9 Q. To use the last year. Now, if there were --
10 if you discerned the trend to be a 10 percent increase every
11 year in a certain item, would you use the most recent year
12 or would you add in the extra 10 percent as a known and
13 measurable in the future?

14 A. I would use the most recent year. I mean,
15 whether that trend is going to continue in the future, I
16 wouldn't consider that known and measurable.

17 Q. And likewise, if there was a trend of a
18 reduction of a certain percentage from year to year, you
19 would use the most recent year as opposed to a reduction
20 from the most recent year?

21 A. That's correct.

22 Q. Methodologically, how does the Staff determine
23 when to use averages other than five years? What would
24 there be about some cost category that would make a
25 different period appropriate?

1 A. I think if you believe that an item followed
2 certain cycles in terms of variation from their normal level
3 or followed certain cycles of increase or decrease that was
4 longer than five years, we would consider that. We refer to
5 that as cycles of variation.

6 Q. What expense categories, do you know, come
7 under that?

8 A. Well, expense categories or revenues related
9 to weather, we might use a 30-year normal.

10 Q. Are there any other ones that you know would
11 fit under this cycle approach?

12 A. If a company did, for example, turbine
13 maintenance on a regular cycle that was longer than five or
14 shorter than five, we might use the longer period.

15 Q. Even for shorter than five?

16 A. Sure. For instance, we normalize a Callaway
17 outage, a refueling outage over, and it's based on an
18 18-month cycle. So we make that adjustment based on less
19 than a five-year average.

20 Q. So if it's a shorter cycle, you might do a
21 shorter average, a longer cycle you do a longer average?

22 A. Yes.

23 Q. Would you happen to know if the PSC budget is
24 based on the same methodology in determining what expenses
25 will be used to determine the Missouri PSC assessments?

1 A. I don't think the Commission uses this
2 methodology to determine the Commission assessment.

3 Q. Would you happen to know what methodology they
4 use in determining what their budget would be?

5 A. Well, in a general way. Oh, what their budget
6 is?

7 Q. Or what methodology is used to reach the
8 budget number?

9 A. I don't specifically know that.

10 Q. Do you know who would know that?

11 A. I think various people at the Commission work
12 on the budget, assemble data and provide it. Who the final
13 individual is that collects the data, puts it altogether and
14 then determines the Commission budget, I'm not positive of
15 that. I mean, I can find out and supply that later.

16 Q. Could you identify the people that you know
17 who do work on this area?

18 A. Sure. All the division directors at the
19 Commission do work on that area. They've all got a budget
20 that they submit and then a budget that they track.

21 Q. And how many division directors are there?

22 A. Five.

23 Q. And who are those? Do you remember their
24 names?

25 A. Sure. Bob Schallenberg, Wess Henderson, Donna

1 Kolilis, Dale Roberts, Dan Joyce.

2 Q. What was the third name you said?

3 A. Dan Joyce. Oh, the third name?

4 Q. Third name.

5 A. Donna Kolilis. Don't ask me to spell it.

6 Q. And those are the people that would have

7 responsibilities in putting together their portion of the

8 budget?

9 A. Yes.

10 Q. And again, you don't know the particular

11 methodology that any of them would use to project the costs?

12 A. Well, in general I think it would be based on

13 what they have spent historically, what needs they view are

14 coming up in the next year. I've never been in charge of

15 putting one of the budgets together.

16 Q. So far.

17 A. If I'm lucky, never.

18 Q. Okay. Page 12 of Mr. Schwieterman's testimony

19 is the property insurance item. Are you going to be

20 sponsoring this particular item?

21 A. Yes.

22 Q. Okay. Do you adopt the testimony as given by

23 Mr. Schwieterman?

24 A. Yes.

25 Q. And did you review the supporting work papers

1 that go with this?

2 A. Yes, I did.

3 Q. And again, this was based on a five-year
4 average because it fell in the default category of the --
5 there was nothing in particular that would make you look at
6 a period other than five years?

7 A. Well, I think I described five years as a
8 general technique or a general time period that Staff uses
9 to view expenses when you're considering normalization.

10 Q. So there's nothing particular about property
11 insurance that would lend itself to five, just the five
12 years is the typical general approach?

13 A. You mean that would lend itself to something
14 other than that?

15 Q. Well, that would lend itself to the -- there
16 was nothing particular about property insurance that would
17 make you select five years, it's just five years is the
18 general rule unless there's something that would argue in
19 favor of a shorter or longer period?

20 A. Right. I'm unaware of anything particular
21 about property insurance that would lead an auditor to think
22 it should be a shorter or longer time period than five
23 years.

24 Q. That's the sort of thing that the person
25 sponsoring testimony would look for, would look to see if

1 there was some trend or some reason why a different year
2 would be used for averaging?

3 A. Yes, or some different methodology.

4 Q. And the different methodology would be the
5 trends you were talking about before which would argue in
6 favor of using the most recent data?

7 A. That could be one, yes.

8 Q. What other -- what are the other methodologies
9 that would be used to normalize an expense that you feel
10 needs to be normalized?

11 A. Well, I consider elimination or disallowance a
12 form of normalization. If you thought that an expense item
13 would not recur in the future, you wouldn't put in some
14 five-year average. You would simply eliminate the expense
15 amount in total.

16 Q. And if you thought that there was an item that
17 didn't appear that would be appearing in the future, would
18 you include one?

19 A. To the extent that it was known and measurable
20 and it was within the time frame that you were examining,
21 like within the update period or within a true-up period,
22 yes, to the extent you thought it was ongoing and could
23 measure it.

24 Q. And is there a particular approach that you
25 take to determine if an item is known and measurable?

1 A. Yes.

2 Q. What would that approach be?

3 A. If the company is actually experiencing the
4 item, is it actually occurring, are they're paying for it,
5 and is it -- is it definable enough that you can actually
6 measure the annual amount of the item. You have enough
7 knowledge about it or history or good enough analysis of it
8 that you know it's going to continue to occur and how much
9 is the annual level.

10 Q. And is there any particular amount of history
11 or experience one needs for a particular item to be able to
12 make that determination?

13 A. I think it would probably be on an
14 issue-by-issue or item-by-item basis?

15 MR. WOLSKI: Well, I think we're finished with
16 you. Thank you.

17 (PRESENTMENT WAIVED; SIGNATURE REQUESTED.)

18 (SIGNATURE ON FOLLOWING PAGE)

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STEPHEN RACKERS

subscribed and sworn to before me this day of
, 2001.

Notary Public in and
for County
State of Missouri

C E R T I F I C A T E

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


I, Kellene K. Feddersen, RPR, CSR, with the firm of Associated Court Reporters, Inc., do hereby certify that pursuant to agreement there came before me,

STEPHEN RACKERS,

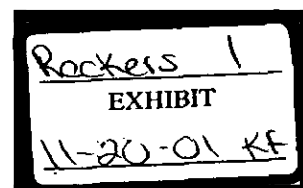
at the offices of the Missouri Public Service Commission, Governor Office Building, 200 Madison Street, in the City of Jefferson, County of Cole, State of Missouri, on the 20th day of November, 2001, who was first duly sworn to testify to the whole truth of his knowledge concerning the matter in controversy aforesaid; that he was examined and his examination was then and there written in machine shorthand by me and afterwards typed under my supervision, and is fully and correctly set forth in the foregoing pages; and the witness and counsel waived presentment and signature of this deposition to the witness by me, and that the signature may be acknowledged by another notary public, and the deposition is now herewith returned.

I further certify that I am neither attorney or counsel for, nor related to, nor employed by, any of the parties to this action in which this deposition is taken; and further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, or financially interested in this action.

Given at my office in the City of Jefferson, County of Cole, State of Missouri, this 22nd day of November, 2001. My commission expires March 28, 2001.


KELLENE K. FEDDERSEN, RPR, CSR
Notary Public, State of Missouri
(Commissioned in Cole County)

Case No. EC-2002-1



which non-substantive clarification has been made is on pages 53 – 54: on page 53, the number “71,” for the Interrogatory 71, has been placed before the words “Quality of service measures for evaluating the UE EARPs”; the phrase “the UE EARPs” now appears consistently on page 53 rather than the phrase “the UE’s EARPs” as previously appeared in several places in the response; and an additional paragraph break appears in the response on page 54. The response to Interrogatory 89 now identifies Case No. ER-97-394 as a rate case, Case No. EC-97-362 as a complaint case and Case No. ER-97-82 as an interim rate case.

INTERROGATORIES

1. If you deny or otherwise qualify your answer to any Admissions Request, specify the number of the Admissions Request and for that number state fully the basis for your denial or qualification, and identify all documents upon which, and the persons upon whose knowledge, opinion or testimony, your denial or qualification is based.

STAFF RESPONSE

Admission 1:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 2:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.

- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 3:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. There were no specific documents used to formulate the denial or qualification.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Ron Bible, Mike Proctor, and Steve Dottheim.

Admission 4:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, Debbie Bernsen, and Steve Dottheim.

Admission 5:

- a. The basis for the denial or qualification was provided in the Staff Response to the Admission Request.

- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, Debbie Bernsen, and Steve Dottheim.

Admission 6:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 7:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Wess Henderson, Mike Proctor and Steve Dottheim.

Admission 8:

- a. The basis for the denial or qualification is provided in the response to the admission.

- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 9:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg and Mike Proctor.

Admission 10:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based, are Bob Schallenberg and Mike Proctor.

Admission 11:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.

- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor and Steve Dottheim.

Admission 12:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor and Steve Dottheim.

Admission 13:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Debbie Bernsen, Mike Proctor and Steve Dottheim.

Admission 14:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Debbie Bernsen, Mike Proctor and Steve Dottheim.

Admission 15:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg and Mike Proctor.

Admission 16:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 17:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Steve Rackers, Greg Meyer, Mike Proctor and Steve Dottheim.

Admission 18:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Ron Bible, Mike Proctor, and Steve Dottheim.

Admission 19:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible, Bob Schallenberg, Wess Henderson, and Steve Dottheim.

Admission 20:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 21:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 22:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 23:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 24:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 25:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 26:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 27:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 28:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg and Mike Proctor.

Admission 29:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Debbie Bernsen.

Admission 30:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible, Bob Schallenberg, and Steve Dottheim.

Admission 31:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Ron Bible and Bob Schallenberg.

Admission 32:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
- b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
- c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Bob Schallenberg, Mike Proctor, and Steve Dottheim.

Admission 33:

- a. The basis for the denial or qualification is provided in the Staff Response to the Admission Request.
 - b. The documents, if any, upon which the denial or qualification is based, are identified in the Staff Response to the Admission Request.
 - c. The persons upon whose knowledge, opinion or testimony the denial or qualification is based are Steve Rackers, Ron Bible, Greg Meyer, and Steve Dottheim.
2. Identify each person making or assisting with your responses to these Interrogatories.

STAFF RESPONSE

Making Response

Assisting Response

- | | |
|------------------|--|
| 4. Alan Bax | Dennis Frey |
| 5. Alan Bax | Dennis Frey |
| 6. Alan Bax | Dennis Frey |
| 7. Leon Bender | Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott |
| 8. Leon Bender | Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott |
| 9. Leon Bender | Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott |
| 10. Ron Bible | Nathan Williams, Steve Dottheim |
| 11. Ron Bible | Nathan Williams, Steve Dottheim |
| 12. Ron Bible | Nathan Williams, Steve Dottheim |
| 13. John Cassidy | Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender |

14. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
15. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
16. Doyle Gibbs	Dennis Frey, Robert Franson, Steve Rackers
17. Doyle Gibbs	Dennis Frey, Robert Franson, Steve Rackers
18. Doyle Gibbs	Dennis Frey, Robert Franson, Steve Rackers
19. Mark Griggs/Doyle Gibbs	Eric Anderson, Dennis Frey, Steve Rackers
20. Mark Griggs/Doyle Gibbs	Eric Anderson, Dennis Frey, Steve Rackers
21. Mark Griggs/Doyle Gibbs	Eric Anderson, Dennis Frey, Steve Rackers
22. Paul Harrison	Tim Schwarz, Dennis Frey, Eric Anderson, Victoria Kizito, Robert Franson, David Meyer, Steve Dottheim, Greg Meyer, Jim Schwieterman
23. Paul Harrison	Tim Schwarz, Dennis Frey, Eric Anderson, Victoria Kizito, Robert Franson, David Meyer, Steve Dottheim, Greg Meyer, Jim Schwieterman
24. Paul Harrison	Tim Schwarz, Dennis Frey, Eric Anderson, Victoria Kizito, Robert Franson, David Meyer, Steve Dottheim, Greg Meyer, Jim Schwieterman
25. Lena Mantle	Steve Dottheim, Eric Anderson, David Meyer, Greg Meyer, Bob Schallenberg, Dan Joyce, Wess Henderson
26. Lena Mantle	Steve Dottheim, Eric Anderson, David Meyer, Greg Meyer, Bob Schallenberg, Dan Joyce, Wess Henderson

27. Lena Mantle	Steve Dottheim, Eric Anderson, David Meyer, Greg Meyer, Bob Schallenberg, Dan Joyce, Wess Henderson
28. Jolie Mathis	Tim Schwarz
29. Jolie Mathis	Tim Schwarz
30. Jolie Mathis	Tim Schwarz
31. Greg Meyer	Steve Dottheim, Steve Rackers, Steve Traxler
32. Greg Meyer	Steve Dottheim, Steve Rackers, Steve Traxler
33. Greg Meyer	Steve Dottheim, Steve Rackers, Steve Traxler
34. Janice Pyatte	Dennis Frey, Lena Mantle
35. Janice Pyatte	Dennis Frey, Lena Mantle
36. Janice Pyatte	Dennis Frey, Lena Mantle
37. Steve Rackers	Keith Krueger, Greg Meyer, Steve Dottheim, Doyle Gibbs
38. Steve Rackers	Keith Krueger, Greg Meyer, Steve Dottheim, Doyle Gibbs
39. Steve Rackers	Keith Krueger, Greg Meyer, Steve Dottheim, Doyle Gibbs
40. Jim Schwieterman	Tim Schwarz, Dan Joyce, Steve Dottheim
41. Jim Schwieterman	Tim Schwarz, Dan Joyce, Steve Dottheim
42. Jim Schwieterman	Tim Schwarz, Dan Joyce, Steve Dottheim
43. Leasha Teel	Victoria Kizito, David Meyer, Robert Franson, Steve Rackers, Doyle Gibbs
44. Leasha Teel	Victoria Kizito, David Meyer, Robert Franson, Steve Rackers, Doyle Gibbs

45. Leasha Teel	Victoria Kizito, David Meyer, Robert Franson, Steve Rackers, Doyle Gibbs
46. James Watkins	Unassisted
47. James Watkins	Unassisted
48. James Watkins	Unassisted
49. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
50. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
51. Debbie Bernsen Bob Schallenberg	Steve Dottheim
52. Debbie Bernsen Bob Schallenberg	Steve Dottheim
53. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
54. Wess Henderson Janet Hoerschgen Debbie Bernsen	Steve Dottheim
55. Bob Schallenberg Mike Proctor	Steve Dottheim
56. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
57. Bob Schallenberg Mike Proctor	Steve Dottheim
58. Bob Schallenberg Mike Proctor	Steve Dottheim
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66. Bob Schallenberg Mike Proctor	Steve Dottheim
67. Bob Schallenberg Mike Proctor	Steve Dottheim
68. Bob Schallenberg Mike Proctor	Steve Dottheim
69. Bob Schallenberg Mike Proctor	Steve Dottheim
70. Bob Schallenberg Mike Proctor	Steve Dottheim
71. Bob Schallenberg Mike Proctor	Steve Dottheim
72. Bob Schallenberg Mike Proctor	Steve Dottheim
73. Bob Schallenberg Ron Bible Greg Meyer Steve Rackers	Steve Dottheim Nathan Williams
74. Bob Schallenberg Steve Rackers Greg Meyer Steve Dottheim	Steve Dottheim

75. Bob Schallenberg Greg Meyer	Steve Dottheim
76. Ron Bible	Nathan Williams, Steve Dottheim
77. Ron Bible	Nathan Williams, Steve Dottheim
78. Ron Bible	Nathan Williams, Steve Dottheim
79. Ron Bible	Nathan Williams, Steve Dottheim
80. Ron Bible	Nathan Williams, Steve Dottheim
81. Ron Bible	Nathan Williams, Steve Dottheim
82. Ron Bible	Nathan Williams, Steve Dottheim
83. Ron Bible	Nathan Williams, Steve Dottheim
84. Ron Bible	Nathan Williams, Steve Dottheim
85. Ron Bible	Nathan Williams, Steve Dottheim
86. Ron Bible	Nathan Williams, Steve Dottheim
87. Ron Bible	Nathan Williams, Steve Dottheim
88. John Cassidy Anne Ross	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
89. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
90. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
91. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
92. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
93. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender

94. Lena Mantle	Leon Bender, David Elliott
95. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
96. Jim Schwieterman Jolie Mathis	Tim Schwarz
97. Mike Proctor	Unassisted
98. Doyle Gibbs	Dennis Frey, Eric Anderson, Steve Rackers, John Cassidy, Greg Meyer, Leon Bender
99. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
100. John Cassidy	Dennis Frey, Eric Anderson, Steve Rackers, Greg Meyer, Leon Bender
101. Alan Bax	Dennis Frey
102. Alan Bax	Dennis Frey
103. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
104. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
105. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott
106. Leon Bender	Dennis Frey, Lena Mantle, Mike Proctor, Alan Bax, David Elliott

3. Identify each person making or assisting with your responses to the Requests for Admission.

STAFF RESPONSE

Making Response

1. Bob Schallenberg
Mike Proctor

Assisting Response

Wess Henderson
Steve Dottheim

2. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
3. Bob Schallenberg Ron Bible Mike Proctor	Wess Henderson Steve Dottheim Nathan Williams
4. Bob Schallenberg Mike Proctor Debbie Bernsen	Wess Henderson Steve Dottheim
5. Bob Schallenberg Mike Proctor Debbie Bernsen	Wess Henderson Steve Dottheim
6. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
7. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
8. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
9. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
10. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
11. Bob Schallenberg Mike Proctor	Steve Dottheim
12. Bob Schallenberg Mike Proctor	Steve Dottheim
13. Debbie Bernsen Mike Proctor	Steve Dottheim
14. Debbie Bernsen Mike Proctor	Steve Dottheim
15. Bob Schallenberg Mike Proctor	Steve Dottheim

16. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim
17. Bob Schallenberg Greg Meyer Steve Rackers	Wess Henderson Steve Dottheim
18. Bob Schallenberg Ron Bible Mike Proctor	Wess Henderson Steve Dottheim Nathan Williams
19. Ron Bible Bob Schallenberg	Wess Henderson Steve Dottheim Nathan Williams
20. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
21. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
22. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
23. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
24. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
25. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
26. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
27. Ron Bible Bob Schallenberg	Nathan Williams Steve Dottheim
28. Bob Schallenberg Mike Proctor	Wess Henderson Steve Dottheim

29. Bob Schallenberg
Mike Proctor
Debbie Bernsen

Wess Henderson
Steve Dottheim

30. Ron Bible
Bob Schallenberg

Wess Henderson
Nathan Williams
Steve Dottheim

31. Ron Bible
Bob Schallenberg

Wess Henderson
Nathan Williams
Steve Dottheim

32. Bob Schallenberg
Mike Proctor

Wess Henderson
Steve Dottheim

33. Ron Bible
Steve Rackers
Greg Meyer

Steve Dottheim
Nathan Williams

4. Identify each person who reviewed a draft of the testimony of Alan J. Bax.

Staff Response: Lena Mantle, Greg Meyer, Denny Frey

Prepared by: Alan J. Bax

5. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Alan J. Bax.

Staff Response: John Cassidy, Lena Mantle, Greg Meyer, Denny Frey

Prepared by: Alan J. Bax

6. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals mentioned in Number 5 contributed or participated in the preparation of my testimony in the following manner: John Cassidy — Provided a copy of Staff Data Request 163, which was used in the analysis of system losses. Lena Mantle, Greg Meyer and Denny Frey each

provided suggestions and revisions to words and phrases that Mr. Bax subsequently incorporated into his Direct Testimony.

Prepared by: Alan J. Bax

7. Identify each person who reviewed a draft of the testimony of Leon C. Bender.

Staff Response: Denny Frey, Steve Dottheim, Lena Mantle, Greg Meyer, Mike Proctor

Prepared by: Leon Bender

8. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Leon C. Bender.

Staff Response: Denny Frey, Steve Dottheim, Lena Mantle, Greg Meyer, Mike Proctor

Prepared by: Leon Bender

9. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: Denny Frey - Reviewed and corrected language to clarify Meaning. Steve Dottheim - Reviewed and corrected language to clarify meaning. Mike Proctor — Dr. Proctor provided a rough draft of portions of the testimony that refers to the JDA from page 6 to page 10. Lena Mantle - Reviewed and corrected language to clarify meaning.

Prepared by: Leon Bender

10. Identify each person who reviewed a draft of the testimony of Ronald L. Bible.

Staff Response: Greg Meyer, Roberta McKiddy, Nathan Williams, Keith Krueger

11. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Ronald L. Bible.

Staff Response: Greg Meyer, Roberta McKiddy, Nathan Williams, Keith Krueger

12. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: Review of testimony for grammatical errors, misspelling, typos and other administrative items.

13. Identify each person who reviewed a draft of the testimony of John P. Cassidy.

Staff Response: The following individuals were provided a draft for the purpose of reviewing the testimony of John P. Cassidy: Steve Rackers, Greg Meyer, Jim Schwieterman, Mark Oligschlaeger, Leon Bender, Lena Mantle, Eric Anderson, Denny Frey, Steve Dottheim.

Prepared by: John Cassidy

14. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of John P. Cassidy.

Staff Response: The following individuals participated or contributed to the preparation of the testimony of John P. Cassidy: Steve Rackers, Greg Meyer, Mark Oligschlaeger, Leon Bender, Eric Anderson, Denny Frey.

Prepared by: John Cassidy

15. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals named in response to Interrogatory 14 above contributed through their review and by providing suggestions and or recommendations regarding language, punctuation, sentence structure, expansion, contraction and formatting.

Prepared by: John Cassidy

16. Identify each person who reviewed a draft of the testimony of Doyle L. Gibbs.

Staff Response: The following individuals were provided a draft for the purpose of reviewing the testimony of Doyle L. Gibbs: Steve Rackers, Greg Meyer, Lena Mantle, Janice Pyatte, Mark Oligschlaeger, Robert Franson, Denny Frey, Steve Dottheim, Jim Schwieterman.

Prepared by: Doyle Gibbs

17. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Doyle L. Gibbs.

Staff Response: The following individuals participated or contributed to the preparation of the testimony of Doyle L. Gibbs: Steve Rackers, Greg Meyer, Lena Mantle, Janice Pyatte, Mark Oligschlaeger, Robert Franson, Denny Frey, Steve Dottheim, Jim Schwieterman.

Prepared by: Doyle Gibbs

18. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals named in response to Interrogatory 17 above contributed through their review and by providing suggestions and or

recommendations regarding language, punctuation, sentence structure, expansion, contraction and formatting.

Prepared by: Doyle Gibbs

19. Identify each person who reviewed a draft of the testimony of Mark D. Griggs.

Staff Response: The following individuals were provided a draft for the purpose of reviewing the testimony of Mark D. Griggs: Steve Rackers, Greg Meyer, Mark Oligschlaeger, Doyle Gibbs, James Schwieterman, Eric Anderson, Steve Dottheim.

Prepared by: Doyle Gibbs for Mark D. Griggs

20. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Mark D. Griggs.

Staff Response: The following individuals participated or contributed to the preparation of the testimony of Mark D. Griggs: Steve Rackers, Greg Meyer, Mark Oligschlaeger, Doyle Gibbs, James Schwieterman, Eric Anderson, Steve Dottheim.

Prepared by: Doyle Gibbs for Mark D. Griggs

21. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals named in response to Interrogatory 17 above contributed through their review and by providing suggestions and or recommendations regarding language, punctuation, sentence structure, expansion, contraction and formatting.

Prepared by: Doyle Gibbs for Mark D. Griggs

22. Identify each person who reviewed a draft of the testimony of Paul R. Harrison.

Staff Response: Greg Meyer, Jim Schwieterman, Mark Oligschlaeger, Lena Mantle, Jim Ketter, Steve Dottheim, Tim Schwarz, Denny Frey, Eric Anderson, Victoria Kizito, Robert Franson, David Meyer.

Prepared by: Paul Harrison

23. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Paul R. Harrison.

Staff Response: Greg Meyer, Jim Schwieterman, Mark Oligschlaeger, Steve Dottheim, Tim Schwarz, Denny Frey, Eric Anderson, Victoria Kizito, Robert Franson, David Meyer.

Prepared by: Paul Harrison

24. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: All persons identified in response to the immediately preceding Interrogatory reviewed the testimony and suggested changes for grammar and clarification.

Prepared by: Paul Harrison

25. Identify each person who reviewed a draft of the testimony of Lena M. Mantle.

Staff Response: Denny Frey, Greg Meyer, Janice Pyatte, Doyle Gibbs

Prepared by: Lena M. Mantle

26. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Lena M. Mantle.

Staff Response: See response to interrogatory 25.

Prepared by: Lena M. Mantle

27. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: Denny Frey — legal review of testimony, Greg Meyer — general overview, Janice Pyatte — reviewed for consistency with her testimony, Doyle Gibbs — reviewed for consistency with his testimony.

Prepared by: Lena Mantle

28. Identify each person who reviewed a draft of the testimony of Jolie L. Mathis.

Staff Response: Lisa Kremer, Paul Adam, Greg Meyer, Steve Dottheim, Tim Schwarz

Prepared by: Jolie Mathis

29. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Jolie L. Mathis.

Staff Response: Lisa Kremer, Paul Adam, Greg Meyer, Steve Dottheim, Tim Schwarz

Prepared by: Jolie Mathis

30. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: Each of the persons listed in response to interrogatory #29 suggested including additional discussion of concepts, data, and analysis presented in the testimony.

Prepared by: Jolie Mathis

31. Identify each person who reviewed a draft of the testimony of Greg R. Meyer.

Staff Response: The following people reviewed a draft of the testimony of Greg R. Meyer: Lena Mantle, Steve Rackers, Mark Oligschlaeger, Steve Traxler, Steve Dottheim.

Prepared by: Greg R. Meyer

32. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Greg R. Meyer.

Staff Response: The following people contributed to the preparation of the testimony of Greg R Meyer: Steve Traxler, Mark Oligschlaeger, Steve Rackers, Steve Dottheim.

Prepared by: Greg R. Meyer

33. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The people identified in the preceding Interrogatory contributed to the direct testimony of Greg R. Meyer in the following manner: A) Steve Traxler: Mr. Traxler drafted the initial version of the testimony relating to Pensions and OPEBs that was filed by Mr. Meyer. B) Steve Rackers: Mr. Rackers helped develop certain schedules (3-1 and 3-2) to Mr. Meyers' testimony. C) Each person listed in the above Interrogatory reviewed the testimony and provided suggestions regarding format, punctuation, sentence structure and language.

Prepared by: Greg R. Meyer

34. Identify each person who reviewed a draft of the testimony of Janice Pyatte.

Issue: Sales and Revenues

Staff Response: Warren Wood, Doyle Gibbs, Lena Mantle, Denny Frey

Issue: Rate Design

Staff Response: Warren Wood, James Watkins, Lena Mantle, Keith Krueger

Prepared by: Janice Pyatte

35. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Janice Pyatte.

Issue: Sales and Revenues

Staff Response: James Watkins, Doyle Gibbs, Lena Mantle

Issue: Rate Design

Staff Response: Mike Proctor, James Watkins

Prepared by: Janice Pyatte

36. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Issue: Sales and Revenues

Staff Response: Lena Mantle: case coordinator - operations division; provided input data (weather normalization of sales); concurrent work on data inconsistencies; calculated effect of weather normalization on revenues. Doyle Gibbs: provided initial revenue calculations for Interruptible customers; provided initial summary of sales and revenues; provided customer growth calculations; I conferred with him regarding proposal for new reporting requirements. James Watkins: I conferred with him regarding methodology to account for effects of rate change during test year.

Issue: Rate Design

Staff Response: Mike Proctor: determined Staff's rate design approach; made staffing assignments for analysis and testimony; provided oversight. James Watkins: methodology used to incorporate Case No. EO-96-15 Stipulation & Agreement into this case was developed collaboratively; edited my testimony.

Prepared by: Janice Pyatte

37. Identify each person who reviewed a draft of the testimony of Stephen M. Rackers.

Staff Response: Greg Meyer, Mark Oligschlaeger, Keith Krueger and Steve Dottheim

Prepared by: Stephen Rackers

38. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Stephen M. Rackers.

Staff Response: The individuals identified in response to Interrogatory #16 and James Schwieterman.

Prepared by: Stephen Rackers

39. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals named in response to Interrogatory #16 contributed by providing suggestions and/or recommendations regarding language, punctuation, sentence structure, phraseology, expansion and contraction of explanations for clarity. Mr. Schwieterman and I discussed how the income tax calculations were presented in the Staffs Revenue Requirement Schedules.

Prepared by: Stephen Rackers

40. Identify each person who reviewed a draft of the testimony of James D. Schwieterman.

Staff Response: Mark Oligschlaeger, Greg Meyer, Tim Schwarz, and Steve Dottheim

Prepared by: James D. Schwieterman

41. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of James D. Schwieterman.

Staff Response: Mark Oligschlaeger, Greg Meyer, Tim Schwarz, and Steve Dottheim

Prepared by: James D. Schwieterman

42. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: All the individuals named in the preceding Interrogatory provided testimony review, suggesting changes to make the testimony more clear.

Prepared by: James D. Schwieterman

43. Identify each person who reviewed a draft of the testimony of Leasha S. Teel.

Staff Response: The following Staff reviewed a draft of the testimony of Leasha S. Teel; Greg Meyer, Utility Regulatory Auditor V, Jim Schwieterman, Utility Regulatory Auditor IV, Mark Oligschlaeger, Utility Regulatory Auditor V; Robert Franson, Associate General Counsel; Victoria Kizito, Associate General

Counsel; and David Meyer, Associate General Counsel; Steven Dottheim, Chief Deputy General Counsel; Keith Krueger, Deputy General Counsel.

Prepared by: Leasha S. Teel

44. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of Leasha S. Teel.

Staff Response: The Staff members listed in #4 above, Paul Harrison, Utility Regulatory Auditor, Leslie Lucas, Utility Regulatory Auditor, and John Boczkiewicz, Utility Regulatory Auditor participated, or contributed to, the preparation of the testimony of Leasha S. Teel.

Prepared by: Leasha S. Teel

45. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: The individuals named in response to Interrogatory 44 contributed through their review, and by providing suggestions and or recommendations regarding grammar, punctuation, sentence structure, expansion, contraction and formatting. Robert Franson, Associate General Counsel - Cash Working Capital. Victoria Kizito, Associate General Counsel - Dues and Donations. David Meyer, Associate General Counsel - Advertising and Miscellaneous Expense, MoPSC Assessment.

Prepared by: Leasha S. Teel

46. Identify each person who reviewed a draft of the testimony of James C. Watkins.

Staff Response: A draft of my testimony was emailed to the following; however, comments were received from only Nathan Williams, Lena Mantle, Janice

Pyatte, and Mike Proctor: Nathan Williams — Staff, Associate Counsel, 751-8702, Janice Pyatte — Staff, Regulatory Economist III, 751-5803, Mike Proctor — Staff, Manager of Economic Analysis, Energy Department, 751-7518, Warren Wood — Staff, Energy Department Manager, 751-2978, Steve Dottheim — Staff, Chief Deputy Counsel, 751-7489, Lena Mantle - (Case Coordinator) Staff, Utility Regulatory Engineering Supervisor, 751-7520, Greg Meyer - (Case Coordinator) Staff, Utility Regulatory Auditor V, (636) 207-8001.

Prepared by: James Watkins

47. Identify each person who participated in any way in, or in any way contributed to, the preparation of the testimony of James C. Watkins.

Staff Response: The following contributed in some way to the preparation of my testimony: Janice Pyatte — Staff, Regulatory Economist III, 751-5803, Mike Proctor — Staff, Manager of Economic Analysis, Energy Department, 751-7518,

Prepared by: James Watkins

48. Describe the participation or contribution of any person identified in response to the immediately preceding Interrogatory.

Staff Response: Janice Pyatte, Mike Proctor, and I discussed and determined the approach that would be taken in the Staffs rate design recommendation in this case. Mike Proctor has the administrative responsibility for approving that decision.

Prepared by: James Watkins

49. On page 3 (lines 5-6) of the testimony of Ronald L. Bible, Mr. Bible makes the following statement: "For services that operate efficiently and have the ability to achieve economies of scale, a monopoly is the most efficient form of market organization."

- a. Explain in as much detail as you can the basis for this statement.

Staff Response: Utility companies can supply service at lower costs if the duplication of facilities is avoided. This allows the use of larger and more efficient equipment, which results in lower per unit costs. For instance, it would likely cost more for two or more competing companies to maintain duplicate electric distribution systems to provide competing residential services to one household. This situation could result in price wars and lead to unsatisfactory and perhaps irregular service. For these reasons, exclusive rights may be granted to a single utility to provide service within a given territory. This also creates a more stable environment for operating the utility company. Utility regulation acts as a substitute for the economic control of market competition and allows the consumer to receive adequate utility service at a reasonable price.

The Staff notes *State ex rel. McKittrick v. Public Serv. Comm'n*, 175 S.W.2d 857 (Mo.banc 1943) (hereinafter referred to as *McKittrick*). In that case, Attorney General McKittrick sought review of a Commission order sustaining a joint application of Laclede Power & Light Company (LPL) and others to sell to Union Electric Company (UE) the property rights and franchises of LPL. The underlying Commission case was *Re Laclede Power & Light Co., et al.*, Case No. 10,263, Report And Order, 26 Mo.P.S.C. 266 (1943). The Court related that the Commission approved the application for the following reasons: (1) the merger

would benefit the public because it would eliminate wasteful competition by the integration of two public utilities; (2) it would provide an opportunity for reducing the cost of electric service by eliminating duplicate facilities and organizations; (3) it would promote public safety by relieving congestion on public trafficways through the removal of duplicate distribution facilities; (4) it would improve the financial stability of the system, since LPL was not as financially stable as UE; and (5) it would provide better assurance of uninterrupted service to LPL's present customers since UE's system had large and more diversified facilities for service. 175 S.W.2d at 859. The Commission itself stated in its Report And Order as follows:

This application seeks to unify under a single corporate and operating entity the electric public utility industry in St. Louis. There is no doubt that, in our modern economic system, complemented by adequate and efficient regulation, a single source of public service of a given nature is more desirable than two or more separate agencies. This principle is too well-known to require further elaboration here

26 Mo.P.S.C. at 269.

Among other things, Attorney General McKittrick charged that there was no showing that any benefit would accrue to the customers of LPL and UE from the merger. The court held that this issue was a question of fact and that the Attorney General had not shown by clear and satisfactory evidence that the order of the Commission was unreasonable or unlawful. The Court therefore affirmed the Commission's order sustaining the joint application. 175 S.W.2d at 866.

- b. Identify each document that Mr. Bible relied upon to make this statement.

Staff Response: Mr. Bible's response is based on his knowledge and experience.

Mr. Bible did not rely on any specific document to formulate his response to this statement.

c. Describe the conditions under which you believe this statement is true and under which, if any, this statement is not true.

Staff Response: Mr. Bible believes this statement is true under the conditions in his responses and testimony in this case. He has not done a study of other possible conditions that may or may not be relevant to this statement. He cannot provide other relevant conditions that make this statement true, nor can he provide relevant conditions that would make this statement not true.

d. Describe what alternative forms of market organization Mr. Bible believes to be less efficient than the monopoly, and explain in as much detail as you can the basis for this belief.

Staff Response: Mr. Bible has not researched other forms of market organization. He is not aware of other forms of market organization that may be more efficient than a monopoly.

e. Identify each document on which Mr. Bible relies or which forms the basis for your answer to parts (c) and (d) of this Interrogatory.

Staff Response: Mr. Bible did not rely on any specific documents to formulate his response to this statement.

50. Identify the factors that you would use to evaluate when, and to what extent, better-than-expected performance should benefit shareholders.

Staff Response: Staff has identified the following factors that it would use to evaluate when and to what extent better-than-expected performance should benefit shareholders:

- The expectation itself;
- The level of performance;
- The uniqueness or novelty of the performance;
- The degree of organizational control over the performance;
- The degree of external factors' impact on the performance; and
- The distribution scheme for the results of the better-than-expected performance between shareholders and ratepayers.

Staff has responded based on the proposition that the better-than-expected performance that should benefit shareholders would be related to the design and development of a performance or incentive based regulatory experiment.

If the interrogatory is defining better-than-expected performance to be relative to the investors' expectations, then shareholders will perceive a benefit whenever an investment exceeds their expectations relative to the investment.

- a. Explain in as much detail as you can the basis for your answer to this Interrogatory.

Staff Response: The expectation itself would need to be evaluated to ensure that the expectation constituted a reasonable and prudent objective developed by management acting reasonably and prudently. Better-than-expected performance can be actions that are nothing out of the ordinary, but only the result of the establishment of an inappropriate expectation.