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MAY 10 2002
Missouri Public
Service Commission

**DEPOSITIONS
OF
JOHN P. CASSIDY**

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BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

THE STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION,

Complainant,

vs.

UNION ELECTRIC COMPANY,
d/b/a AMERENUE,

Respondent.

Case No. EC-2002-1

DEPOSITION OF JOHN P. CASSIDY
TAKEN ON BEHALF OF THE RESPONDENT
APRIL 11, 2002

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BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

THE STAFF OF THE MISSOURI)	
PUBLIC SERVICE COMMISSION,)	
)	
Complainant,)	Case No. EC-2002-1
)	
vs.)	
)	
UNION ELECTRIC COMPANY,)	
d/b/a AMERENUE,)	
)	
Respondent.)	April 11, 2002
)	Jefferson City, MO

DEPOSITION OF JOHN P. CASSIDY,
a witness, sworn and examined on the 11th day of
April, 2002, between the hours of 8:00 a.m. and
6:00 p.m. of that day at the Missouri Public Service
Commission, Room 810, Governor State Office Building,
in the City of Jefferson, County of Cole, State of
Missouri, before

KRISTAL R. MURPHY, CSR, RPR, CCR
ASSOCIATED COURT REPORTERS
714 West High Street
Post Office Box 1308
JEFFERSON CITY, MISSOURI 65102
(573) 636-7551

Notary Public, within and for the State of Missouri,
in the above-entitled cause, on the part of the
Respondent, taken pursuant to agreement.

1 ALSO PRESENT: Greg Meyer, PSC Staff
2 Lena Mantle, PSC Staff
3 Ted Robertson, OPC
4 Gary S. Weiss, Ameren
5 Marty Lyons, Ameren
6 Tim Finnell, Ameren
7 John J. Lipic, PriceWaterhouseCoopers
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I N D E X

Direct Examination by Mr. Todd

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A P P E A R A N C E S

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573.751.5559

1 JOHN P. CASSIDY, being duly sworn, testified as
2 follows:

3 DIRECT EXAMINATION BY MR. TODD:

4 Q. Okay. My name is Gordon Todd. I'm an
5 attorney for AmerenUE.

6 Would you introduce yourself for the record,
7 please?

8 A. My name is John Cassidy.

9 Q. And what's your -- who is your employer?

10 A. The Missouri Public Service Commission.

11 Q. What's your position with them?

12 A. I'm a regulatory auditor.

13 MR. TODD: Let's go ahead around the room
14 and introduce ourselves, starting back here.

15 MS. COOK: Jim Cook, attorney for Ameren.

16 MR. LYONS: Marty Lyons, controller, Ameren.

17 MR. LIPIC: John Lipic,
18 PriceWaterhouseCoopers.

19 MR. FINNELL: Tim Finnell, Supervising
20 Engineer at Ameren.

21 MR. RAYBUCK: Joe Raybuck, attorney with
22 Ameren.

23 MR. WEISS: Gary Weiss, Supervisor of
24 Regulatory Accounting, Ameren.

25 MS. O'NEILL: Ruth O'Neill from the Office

1 of Public Counsel.

2 MR. ANDERSON: Eric Anderson from the
3 General Counsel's Office of the Missouri Public
4 Service Commission, attorney.

5 MR. ROBERTSON: Ted Robertson, Public
6 Counsel.

7 MR. MEYER: Greg Meyer with the Commission
8 Staff.

9 BY MR. TODD:

10 Q. Mr. Cassidy, have you been deposed before?

11 A. Yes, I have.

12 Q. How many times have you been deposed before?

13 A. Once.

14 Q. And that was in this case, wasn't it?

15 A. That's correct.

16 Q. Okay. Before we get going, I'm just going
17 to go over the ground rules for depositions with you
18 again, and I know you're familiar with them.

19 The most obvious one is the court reporter
20 can only record one voice at a time so it's important
21 you don't speak over each other. Do you understand
22 that?

23 A. Yes.

24 Q. And do you also understand it's important to
25 give verbal responses rather than nodding or shaking

1 your head to every question? Do you understand that?

2 A. Yes.

3 Q. Okay. During the course of the deposition,
4 if I misuse a technical term, for the clarity of the
5 record and for the clarity of your own answer, you
6 should feel free to correct me. Is that understood?

7 A. Yes.

8 Q. And if in the course of answering a
9 question, a term you use in your answer requires
10 defining in your own mind so it doesn't get
11 misunderstood later, you should go ahead and define
12 that term in the context of your answer. Do you
13 understand that?

14 A. Yes.

15 Q. Okay. Do you understand it is important for
16 you to give us as complete an answer as possible to
17 each question?

18 A. Yes.

19 Q. If you don't understand a question, and
20 you'd like me to repeat it, you can ask me to do so.
21 Do you understand that?

22 A. .Yes.

23 Q. Alternatively, you can have the court
24 reporter read a question back to you. Do you
25 understand that?

1 A. Yes.

2 Q. You also understand that as we go through
3 your attorney may object to questions I ask but unless
4 you are instructed not to answer a question, you
5 understand you must go ahead and answer it?

6 A. Yes.

7 Q. And you understand that while we're here in
8 the Offices of the Commission in somewhat an informal
9 testing, you are testifying here today under oath and
10 subject to the laws of perjury?

11 A. Yes.

12 Q. Do you have any reason today that you would
13 be less than truthful?

14 A. No.

15 Q. During the course of the deposition, if you
16 or anyone else needs to take a break, just please let
17 me know, and we'll do so as soon as is convenient.
18 Okay?

19 A. Okay.

20 Q. In preparing for today's deposition,
21 Mr. Cassidy, what documents did you review?

22 A. I reviewed my testimony. I reviewed data
23 responses the Company supplied to my data requests.

24 Q. Can you tell me which DRs -- the responses
25 to which DRs you reviewed?

1 A. I reviewed all of the documents that were
2 listed in response to Staff's Response to Union
3 Electric's First Set of Requests for Production of
4 Items No. 7. I also reviewed data requests which were
5 submitted in Case No. EC-2002-1. Those DRs are 30,
6 31, 32, 33, 34, 35, 36, 37, 52, 53, 54, 56, 64, 65,
7 66, 67, 69, 71, 81, 82, 83, 84, 85, 86, 87, 88, 89,
8 91, 92, 121, 128, 131, 134, 138 and 139.

9 Q. Can you tell me what piece of paper you just
10 read that entire answer off?

11 A. This is a response to UE Data Request
12 JJC-16, which we supplied to you.

13 Q. Thank you.

14 Did you review your prior testimony in
15 preparing for this deposition?

16 A. Yes, I looked at that as well.

17 Q. And by "prior testimony," I mean the --

18 A. The July filing.

19 Q. -- the July filing.

20 And I'll refer to that as prior, and I'll
21 refer to your -- the March testimony as current
22 testimony.

23 A. Okay.

24 Q. Did you review the transcript of the
25 deposition taken back at the end of last year?

1 A. Yes, I did.

2 Q. Did you review anything else preparing for
3 today's deposition?

4 A. I reviewed my work papers. I reviewed work
5 papers from Staff witness Leon Bender. I looked at
6 some outside materials regarding definitions of terms
7 and things of that nature.

8 Q. What types of outside materials?

9 A. An intermediate accounting textbook.

10 Q. Can you tell me what textbook that was?

11 A. It's published by Kieso and Weygandt. I
12 don't know the date of it. It's a college textbook.

13 Q. Anything else you reviewed?

14 A. That would be the extent of what I reviewed.

15 Q. In that textbook you were talking about, can
16 you tell me what terms you had to look up?

17 A. I reviewed definitions for GAAP and the
18 authority behind it.

19 Q. And by "GAAP," you mean G-A-A-P?

20 A. Correct, generally accepted accounting
21 principles.

22 Q. And what was at the end of your answer. You
23 said you reviewed GAAP and the --

24 A. Authority behind it.

25 Q. Anything else you reviewed in that textbook?

1 A. Contingent liabilities and their treatment,
2 cash basis versus accrual basis, the matching
3 principle. That would be mainly what I looked at.

4 Q. I see you're flipping through a note pad
5 over there. Are those notes you prepared or you've
6 written down in preparation for today's deposition?

7 A. These are notes I actually had taken for my
8 first deposition.

9 Q. Do you know if you've produced -- do you
10 know if those have been produced to the Company?

11 A. No, the company has not seen these notes.

12 Q. Are there any notes on there that you
13 prepared for today's deposition?

14 A. Not on this pad.

15 Q. Do you have notes elsewhere that you've
16 taken in preparation for today's deposition?

17 A. I have jotted a few notes on my Direct
18 Testimony.

19 MR. TODD: I will probably be asking for all
20 of those.

21 BY MR. TODD:

22 Q. In preparing for today's deposition, who
23 have you had conversations with, putting your lawyer
24 aside, obviously?

25 A. Other than Steve Dottheim, I spoke briefly

1 with Greg Meyer and Paul Harrison.

2 Q. Did you have some sort of deposition prep?

3 A. With my attorney, yes.

4 Q. Was anyone other than your attorney present
5 for that?

6 A. Eric Anderson and Steve Dottheim were the
7 ones that were present.

8 Q. Okay. And when did this -- these -- this
9 conversation with Mr. Harrison and Mr. Meyer take
10 place?

11 A. Just outside -- Mr. Harrison about
12 30 minutes ago, and Mr. Meyer just outside before this
13 deposition.

14 Q. What did you discuss with Mr. Harrison?

15 A. He indicated that, you know, the deposition
16 went long for him, three-and-a-half hours. He said
17 the room was warm. That was basically the extent of
18 it.

19 Q. Did you discuss questions that were asked of
20 him?

21 A. No.

22 Q. Did you discuss potential subject matter of
23 your deposition?

24 A. No.

25 Q. Not at all with Mr. Harrison?

1 A. No.

2 Q. What did you discuss with Mr. Meyer?

3 A. I don't really recall. It was just
4 basically preparing me for the deposition.

5 Q. This conversation was maybe fifteen minutes
6 ago in the hallway?

7 A. Right.

8 Q. Outside this room?

9 A. That's correct.

10 Q. And you do not remember the nature of that
11 conversation?

12 A. Just a basic preparation for the deposition.

13 Q. What topics came up?

14 A. There was some mention about the test year.
15 That was it.

16 Q. What was the mention of the test year?

17 A. I don't -- I don't really recall. It was
18 something about test year, the expenses and the
19 matching concept of the test year.

20 Q. What else was discussed?

21 A. That was it.

22 Q. That was the only topic that you and
23 Mr. Meyer discussed --

24 A. Yes.

25 Q. -- fifteen minutes ago in the hallway?

1 A. Yes.

2 Q. Is your answer you don't remember anything
3 else being discussed, or your answer is that was the
4 only thing discussed.

5 A. That's the only subject I recall.

6 Q. Did you ask Mr. Meyer any questions during
7 this conversation?

8 A. No.

9 Q. Did he give you any instructions regarding
10 this deposition?

11 A. No.

12 Q. Did he tell you how to answer any questions?

13 A. No.

14 Q. Are you sure about that?

15 A. Yes.

16 Q. What was the matching concept you mentioned?

17 A. That the test year that we use tries to
18 match revenues, expenses, and rate base.

19 Q. In what -- in what context?

20 A. When we produce a cost of service
21 calculation, our cost of service calculation matches
22 revenues, expenses, and rate base in it.

23 Q. And what is the relevance of that? By
24 itself, it doesn't seem to have much relevance.

25 A. It's something that was brought to my

1 attention, you know, that I need to understand that,
2 which I did.

3 Q. You did understand that beforehand?

4 A. Correct.

5 Q. Did you gain anything from your discussion
6 with Mr. Meyer?

7 A. Not for this deposition really, no.

8 MR. MEYER: I'll stipulate to that.

9 MR. TODD: You'll have your chance.

10 BY MR. TODD:

11 Q. The written testimony you've -- you've now
12 put in your current testimony, does it entirely
13 reflect your own work?

14 A. Yes, it does.

15 Q. Did anyone else have any input into your
16 testimony?

17 A. Other than -- other than sentence structure
18 and grammar and that sort of thing, no.

19 Q. Is your testimony reviewed by your superiors
20 with the Commission?

21 A. Define "superiors."

22 Q. Do you report to anyone?

23 A. It's -- it was reviewed by the lead auditor,
24 case coordinator, by attorneys, other sen--

25 Q. Do you report to anyone?

1 A. Steve Rackers is my immediate supervisor.

2 Q. Who does Steve Rackers report to?

3 A. Steve Rackers reports to Joan Wandel.

4 Q. Now, you just mentioned some people or some
5 offices who reviewed your testimony. Who would those
6 people be?

7 A. The people that reviewed my testimony would
8 be Greg Meyer, Steve Rackers, Eric Anderson, Denny
9 Frey, Mark Oligschlaeger, and that's all I can
10 remember at this time.

11 Q. Leaving the attorneys out of it, what --
12 what was the form of any feedback you got from these
13 individuals?

14 A. Generally, you get testimony back, and there
15 will be notes that say, You need a comma here. You
16 need to think about moving this sentence from here to
17 here, that sort of thing. Just basic grammatical/
18 sentence structure-type of corrections are all that
19 are usually given.

20 Q. You're telling me you can propose a -- a
21 multi-million dollars adjustment to a Company's books,
22 and all you get -- the only commentary you get from
23 the people you work for is commas and sentence
24 structure?

25 A. In writing, yes.

1 Q. Have you preserved these marked-up copies of
2 testimony that you've received back from other people?

3 A. No, I have not.

4 Q. Have you destroyed them?

5 A. They have been destroyed, yes.

6 Q. By you?

7 A. Yes.

8 Q. So I take it from your earlier answer that
9 you have received nonwritten input into your testimony
10 that was a more -- of a more substantive nature?

11 A. There's always discussions about areas
12 between accountants and senior accountants and that
13 sort of thing.

14 Q. What areas -- what areas of your testimony
15 have you received nonwritten, substantive instruction
16 in?

17 A. I wouldn't say that I received instruction
18 in any of my areas.

19 Q. Let's call it input then.

20 A. I know that we've discussed -- I've
21 discussed fuel prices with Steve Rackers in
22 determining whether they were appropriate fuel prices
23 to use.

24 Q. And what type of input did Steve Rackers
25 give you in fuel prices?

1 A. Well, he reviewed my work and said it looked
2 good.

3 Q. So you sent a copy of your testimony to him.
4 He thought it looked good and that was it?

5 A. Yes.

6 Q. Okay. Any other areas of your testimony
7 that you have reviewed with other -- verbally with
8 others?

9 A. I recall Mark Oligschlaeger reviewing my
10 environmental and legal adjustments and saying that
11 they looked good as well.

12 Q. Did you receive any substantive input into
13 your testimony from him?

14 A. No.

15 Q. In preparing your testimony, have you had
16 any conversations with individuals outside of the
17 Commission?

18 A. I recall sitting in on a conversation with
19 Greg Meyer with -- I don't even recall who the
20 individual was who was asking questions.

21 Q. Where was the individual from?

22 A. I don't -- I don't recall who it was.

23 Q. When was this meeting?

24 A. Over a month ago.

25 Q. Was anyone else present?

1 A. No.

2 Q. What was discussed?

3 A. Just very basic questions about the
4 complaint case.

5 Q. Such as --

6 A. The amount that the Staff had proposed to
7 reduce it by. Just basic already public information
8 was all that was discussed. It was very general and
9 generic in nature from my recollection.

10 Q. Do you recall any other conversations?
11 That's a lousy question.

12 Are you aware of any other similar
13 conversations between members of the Staff and
14 nonStaff people?

15 A. That's the only conversation I'm aware of.

16 Q. All right. Mr. Cassidy, I recall from your
17 last deposition that you are not a CPA. Correct?

18 A. I've never sat for the exam. That's
19 correct.

20 Q. You don't have any advanced degrees?

21 A. No.

22 Q. Okay. You have a double major in marketing
23 and accounting?

24 A. That's correct.

25 Q. Now, when you say you've never sat for the

1 exam, have you taken any courses towards taking the
2 exam?

3 A. No, I have not.

4 Q. Have you had any continuing accounting
5 studies?

6 A. I've attended NARUC seminars, FRIs, other
7 regulatory-type studies, classes that have been
8 offered throughout my tenure at the Commission.

9 Q. What types of things do you do to keep up
10 with your field, accounting, I should say, with your
11 accounting field?

12 A. We have a journal of accountancy that we
13 subscribe to, attend technical courses that I've
14 already mentioned. We have seminars held internally
15 by the Staff, by senior Staff accountants that put on
16 courses.

17 Q. Now, when you say a journal of accountancy,
18 is that its name, or is that one of many journals of
19 accountancy?

20 A. That's just one of the journals.

21 Q. Do you have any idea which journal in
22 particular?

23 A. That's the name of it. It's a monthly
24 publication.

25 Q. Do you review it?

1 A. Occasionally, when I have time.

2 Q. When you are not being deposed?

3 A. Correct.

4 Q. And any other materials you look at?

5 A. We have a great deal of materials which we
6 can reference. I know where to go to get them when I
7 need to see them.

8 Q. Describe for me briefly -- or not briefly.
9 Describe for me what your accounting studies in
10 college consisted of.

11 A. In what sense? What courses I took?

12 Q. Sure. What courses did you take?

13 A. It's been a long time ago, but I recall
14 taking Principles of Accounting I and Accounting II,
15 Intermediate Accounting I and Intermediate Accounting
16 II, cost accounting, managerial accounting, income tax
17 accounting, advanced accounting, auditing, accounting
18 information systems, Business Law I and II. That's
19 the courses I can recall at this time.

20 Q. Did you take any courses on regulatory
21 accounting?

22 A. No such courses were offered.

23 Q. In your tenure with -- your tenure at the
24 Commission, have you found that regulatory accounting
25 differs from the accounting you learned in college?

1 A. Certainly, regulatory accounting is a type
2 of accounting that you learn by working on the job.

3 Q. Given your background, you must be familiar
4 with generally accepted accounting principles?

5 A. Correct.

6 Q. FAS, F-A-S?

7 A. Yes.

8 Q. FASB?

9 A. Yes.

10 Q. Uniform system of accounts?

11 A. Yes.

12 Q. Do you review new statements that are
13 issued?

14 A. From time to time, yes.

15 Q. New interpretations?

16 A. Yes.

17 Q. What do you think, based on your experience,
18 is the point of having a uniform system of accounting?

19 A. A uniform system of accounting provides a
20 blueprint or framework that all utilities or companies
21 would use that would put them on a consistent
22 accounting basis.

23 Q. With each other?

24 A. Correct.

25 Q. Does use of a known system of accounting

1 help outsiders evaluate a company?

2 A. It provides a consistent guideline which
3 outside parties know how things are being accounted
4 for.

5 Q. If a company started disregarding generally
6 accepted accounting principles, is that something that
7 would alert an outsider to a potential problem with
8 that company?

9 A. Certainly, the company is required for SEC
10 purposes to file GAAP; however, the company for
11 regulatory purposes is not bound to GAAP.

12 Q. I'm pretty sure you didn't answer my
13 question.

14 A. Could you rephrase your question then?

15 Q. I'll repeat it for you.

16 If a company stops following a generally
17 accepted accounting practice, is that the kind of
18 thing that would make -- that would raise questions
19 with people outside of the company?

20 A. I don't know what questions that might raise
21 with outside parties.

22 Q. Do you invest in the stock market?

23 A. Yes.

24 Q. Let's say that a company you invest in said,
25 To heck with GAAP. We're going to start following

1 Bob's rules of accounting, and you're not so familiar
2 with Bob's rules of accounting.

3 Are you going to feel more confident, less
4 confident, or pretty much the same about your
5 investment?

6 A. What type of a company are you talking
7 about?

8 Q. Does that matter?

9 A. Yes.

10 Q. Why?

11 A. Because utility companies aren't required to
12 follow GAAP in terms of regulatory purposes.

13 Q. Okay. Let's say it's a car company. Say,
14 you're investing in Ford. Ford always follows GAAP,
15 and then suddenly they decide not to follow GAAP
16 anymore. They are following Bob's rules.

17 Are you feeling better, worse or the same?

18 A. The question is too general in nature for me
19 to answer.

20 Q. So based on the knowledge -- in your
21 experience and your training as an accountant, the
22 fact that a company decided to stop following GAAP and
23 to adopt a strange, unknown set of accounting
24 principles, from that alone you wouldn't be able to
25 tell much of anything? You wouldn't feel any worse

1 about your investment?

2 A. You're proposing a hypothetical question.
3 Certainly, the company for its formal financial
4 purposes has to follow GAAP with its filings with the
5 SEC. It's not allowed to vary from that for those
6 types of purposes.

7 Q. As an accountant, my hypothetical wouldn't
8 cause you to raise an eyebrow?

9 A. Certainly, you would have to question a
10 variance from GAAP, if you're talking about just
11 following entirely different accounting standards,
12 yes.

13 Q. I'm going to ask you a few questions about
14 your fuel expense adjustment, so if you want to turn
15 to page 6.

16 Do you both have a copy of the current
17 testimony?

18 A. Yes.

19 Q. Mr. Cassidy, do you know what type of fuel
20 is burned at each power plant?

21 A. Yes, I have that information.

22 Q. Obviously, you don't know it off the top of
23 your head, but you've looked at that in your analysis?

24 A. Yes.

25 Q. Do you know if oil is burned at any plants?

1 A. Yes.

2 Q. Is it?

3 A. Yes, it is.

4 Q. Is gas burned at some plants?

5 A. Yes.

6 Q. Do you know if gas is burned at the Meramec
7 plant?

8 A. Meramec has a CT that burns gas.

9 Q. You provided Mr. Bender, did you not, with
10 gas costs for the Meramec plant?

11 A. Yes.

12 Q. Did you provide him a coal price for the
13 Meramec plant?

14 A. Yes.

15 Q. The fuel price you provided him, did you
16 provide two separate prices for coal and gas, or did
17 you provide a single price?

18 A. A price for gas was supplied and a price for
19 coal was supplied, two separate prices.

20 Q. Do you know the annual -- do you know the
21 annual dollar amount of gas burned at the Meramec
22 plant?

23 A. Not off the top of my head, but I probably
24 could access that information.

25 Q. That's not in the stack of paper you have in

1 front of you?

2 A. No.

3 Q. Putting the CTG aside, do you know whether
4 anything else at Meramec burns gas?

5 A. Meramec CT 2 and Meramec CT 60 burn gas.

6 Q. So you don't know whether Meramec units 1
7 through 6 -- I'm sorry -- 1 through 4 burn gas in
8 addition to coal?

9 A. I don't know the answer to that question. I
10 think Staff witness Bender would.

11 There might be -- and this is speaking
12 totally off the top of my head here, but there might
13 be some -- when the plants are started up, there may
14 be some gas that's used in start-up.

15 Q. Would I be correct in assuming that the gas
16 prices you provided to Mr. Bender were for the CT
17 units you mentioned earlier by Meramec?

18 A. Yes, they were.

19 Q. So you didn't provide any gas prices for
20 Meramec 1 through 4?

21 A. No.

22 Q. You just provided coal units for those?

23 A. Yes.

24 Q. In your prior testimony and in your prior
25 discussion we've had -- or prior deposition we had a

1 discussion about this. You looked at several years'
2 worth of coal data and concluded that it was trending
3 downward, didn't you?

4 A. Yes.

5 Q. I assume that for your new testimony you've
6 looked at some more recent data?

7 A. That's correct.

8 Q. And how did your conclusion that coal prices
9 were going to continue to trend downwards bear out?

10 A. I don't know that I reached the conclusion
11 last time that they were going to continue to trend
12 downward.

13 Q. Are you saying that was not your conclusion?

14 A. I'm saying I found that coal prices had
15 trended downward through the point in time that I
16 examined them.

17 Q. You based your proposed adjustment on that
18 conclusion, didn't you?

19 A. I based my adjustment on the conclusion that
20 the most recent fuel prices were the best indicator of
21 ongoing fuel prices.

22 Q. And would you agree that the purpose of
23 figuring out what ongoing fuel prices are is to figure
24 out what fuel prices are going to look like at the
25 time rates are in effect?

1 A. Generally, that's correct.

2 Q. So we can extrapolate from this, I think,
3 that you're coming to the conclusion that -- at the
4 very least that rates are -- that at the time these
5 rates are in effect, fuel prices are going to look
6 like the data you used in your prior calculation?

7 A. The actual prices may change. No one knows
8 what the actual prices are going to be. What we try
9 to do is set normal, recurring, ongoing levels with
10 the information that we have on hand to do so.

11 Q. Recognizing that no one is perfect and you
12 can't know out into the future, the point is to figure
13 out -- when you say "ongoing," you mean figure out
14 what fuel prices are approximately going to look like
15 tomorrow?

16 A. By looking at the actual known and
17 measurable data, we're trying to determine what
18 reasonable, ongoing, recurring levels for fuel prices
19 are --

20 Q. My question --

21 A. -- for the period when rates --

22 Q. My question --

23 A. -- are in effect.

24 Q. Okay. So the ongoing fuel price that you're
25 trying to figure out is trying -- is hopefully what

1 fuel prices will look like at the time rates are in
2 effect?

3 A. To the best of the information that we have
4 on hand to look at, yes.

5 Q. So in your last testimony when you concluded
6 that the best estimate -- the best fuel prices to use
7 to figure out ongoing costs were -- was the most
8 recent data, the end point of that data we're trying
9 to observe, you're really saying -- at the very least
10 you're saying that's going to hold steady, or it's
11 your best educated conclusion that they're going to
12 hold steady?

13 A. At that point in time, that was the
14 conclusion that we reached.

15 Q. And you've since reviewed more data?

16 A. That's correct.

17 Q. Did fuel prices hold steady -- coal prices
18 hold steady?

19 A. Coal prices generally increased.

20 Q. And now you've performed another analysis,
21 and you have, once again, concluded that the most
22 recent coal data is the best coal data for figuring
23 out a normal, reasonable, ongoing level of fuel
24 expense; is that correct?

25 A. That's correct.

1 Q. Okay. Why should the Commission be any more
2 certain of your current conclusion than of your last
3 conclusion?

4 A. To the extent that what data we have to look
5 at, that's the best indicator of ongoing fuel prices
6 that I've seen.

7 Q. That's the same representation you made in
8 your prior testimony, and my question is, is there
9 anything different about this testimony that should
10 make us more confident that this time you got it
11 right?

12 A. As we've previously discussed in this
13 deposition, sometimes expenses bear out differently.
14 That happens. They could just as easily have
15 continued to trend it downward too. In this case,
16 they -- they so happened to trend upward, and I
17 reflected that upward cost as ongoing.

18 Q. If prices are constantly changing, as they
19 seem to be, why is a twelve-month average price, I
20 think in your words, the best available reflection of
21 ongoing prices?

22 A. The data is most current data. It's not
23 something that's happened three years ago. Fuel
24 prices tend to fluctuate and trend. Based on the data
25 that I have, that appears to be the most reasonable

1 recurring, ongoing level of fuel prices that I have.

2 Q. So are you saying that most current equals
3 most reliable?

4 A. Not necessarily.

5 Q. Why would that not be the case?

6 A. Something could happen. There could be a
7 coal miners' strike and there would be an
8 extraordinary event that would cause prices to be
9 unusually high. Nonrecurring-type situations could
10 affect fuel prices. Maybe current fuel prices
11 wouldn't be the best way to go. That would be one
12 example.

13 Q. When you're performing your fuel price
14 analysis, do you look for events like that?

15 A. Certainly, the Staff makes attempts to
16 determine if there is anything unusual that would
17 impact fuel prices.

18 Q. Do you look just to see what's going on in
19 the coal industry?

20 A. Based on discussions I've had with various
21 Staff members, I'm not aware of any -- any events that
22 have affected these fuel prices that I've used.

23 Q. My question is, in your analysis, do you go
24 looking for them by yourself?

25 A. I rely on my attempts to look at such events

1 and also on the experience and knowledge of other
2 Staff members.

3 Q. Do you look at, for instance, shipping?

4 A. I know that's looked at.

5 Q. Do you look at it in figuring out what a
6 reasonable ongoing level of fuel cost is?

7 A. I recall looking at -- at some fuel handling
8 costs.

9 Q. What's fuel handling costs?

10 A. I guess costs to transport or make the fuel
11 available.

12 Q. Do you have any idea how the Company goes
13 about buying fuel?

14 A. I recall submitting a data request on
15 contracts that it had with coal mines.

16 Q. When did you submit that DR?

17 A. I believe it was in the review case.

18 Q. Of the sharing period?

19 A. In the review of the -- prior to the
20 complaint case that led up to the complaint case.

21 Q. So before the -- before your first
22 testimony?

23 A. Right.

24 Q. Okay. In performing your analysis, do you
25 review the types of contracts the Company has with

1 various coal suppliers?

2 A. I don't know that I actually read the
3 contracts that the Company has with the coal
4 suppliers.

5 Q. Do you know the source for -- the source of
6 coal for each coal burning plant?

7 A. Yes. I have that information somewhere.

8 Q. Do you know which mine coal comes from to go
9 to each plant?

10 A. Yes.

11 Q. Do you know whether each plant has multiple
12 sources?

13 A. I have that information in a request
14 somewhere.

15 Q. Did you take that into account in your
16 analysis?

17 A. It's something that was reviewed and
18 considered.

19 Q. Did it at all affect your analysis?

20 A. The analysis is primarily driven on --
21 driven on fuel price itself.

22 Q. Do you have any idea whether different mines
23 produce the same type of coal?

24 A. I would have to check with my data request
25 response to answer that. At this time I couldn't

1 answer that question.

2 Q. Do you have any idea whether coal varies in
3 quality?

4 A. Yes.

5 Q. Yes, you have an idea, or, yes, it does?

6 A. Yes, it does vary in quality.

7 Q. In your analysis did you take into account
8 the quality of coal going to the various plants?

9 A. It was considered, but, again, my fuel price
10 analysis was driven on ultimate prices being used by
11 the Company.

12 Q. When you say, "it was considered," what do
13 you mean by that?

14 A. It was reviewed.

15 Q. You just mean you looked at it?

16 A. Yes.

17 Q. And then you went with the data?

18 A. It didn't impact my choice to go with the
19 data that I looked at.

20 Q. Do you know whether there are differences
21 between various Illinois coal mines?

22 A. I'm sorry? Repeat that.

23 Q. Do you know whether Illinois coal mines vary
24 from each other in terms of the quality of coal they
25 produce?

1 A. Again, I would have to refer to my response.

2 Q. I'm going to ask you the same question with
3 regard to PRB coal mines.

4 A. Are you asking me if they vary?

5 Q. Yes.

6 A. Again, I would have to refer to my response.

7 Q. Do you recall whether you considered in your
8 analysis varying quality of coal from the Illinois
9 plants -- or mines or PRB mines?

10 A. I recall reviewing a document that listed
11 the various coal mines.

12 Again, I'll repeat myself. I relied on the
13 ultimate fuel prices the Company used.

14 Q. In your prior testimony, you noted that you
15 had reviewed Mr. Bender's output for reasonableness,
16 and I notice this time around you don't say that.

17 Did you, once again, review Mr. Bender's
18 work for reasonableness?

19 A. Yes. I checked some inputs but not as many
20 as last time.

21 Q. What inputs did you check?

22 A. Fuel price inputs, plant outage hours,
23 forced outage hours, and then we had a general
24 discussion about the economic loading order of the
25 plants.

1 Q. Now, in the numbers you checked, is that
2 simply a matter of making sure that the number you
3 gave him was the number that was put into the model?

4 A. For fuel price inputs, yes.

5 Q. What about the other numbers that you
6 checked?

7 A. Those were checked against information that
8 the Company supplied to ensure that they were input
9 correctly.

10 Q. What was the discussion about the loading
11 order?

12 A. As you know, last time we had incorrectly
13 loaded Meramec and I believe it was Sioux plants. We
14 discussed the loading orders that were output as a
15 part of this case, and they appeared to be correct.

16 Q. In that discussion this time around, did you
17 consider whether any plants were must-run plants?

18 A. No, I did not.

19 Q. You are familiar with the testimony of
20 Michael Proctor, are you not?

21 A. I've read his testimony.

22 Q. You're aware Mr. Proctor is recommending the
23 addition of a number of CTGs?

24 A. I believe so.

25 Q. And you're aware that Mr. Bender's analysis

1 takes into account, let's call them hypothetical CTGs?

2 A. Correct.

3 Q. Did you provide the -- did you provide the
4 fuel costs for those hypothetical CTGs?

5 A. Mr. Bender used fuel costs for those.

6 Q. But Mr. Bender got his fuel costs from you?

7 A. Mr. Bender may have substituted fuel prices
8 in or used fuel prices that were already supplied to
9 him. You would have to ask Mr. Bender which fuel
10 prices were used for those plants.

11 Q. So I'm correct in assuming you did no work
12 whatsoever regarding fuel prices used for the
13 hypothetical CTGs in the production cost model?

14 A. I did not supply those. Mr. Bender may have
15 substituted other prices in.

16 Q. And you don't know which ones he
17 substituted?

18 A. I'm not certain.

19 Q. In reaching your conclusion that the most
20 recent costs are the best costs to use for an ongoing,
21 normal level, did you use any statistical analysis
22 methods?

23 A. What I ultimately used were actual fuel
24 prices, the twelve months ending September 30, 2001.

25 Q. So what you based your fuel prices on is you

1 looked at a bunch of data. You've seen that it's gone
2 down over time, and recently it's gone back up, and
3 from that you have concluded that that last period is
4 the best indicator of normal, ongoing fuel levels; is
5 that fair?

6 A. Those are the best fuel prices that are
7 available within the test year and update parameters
8 that have been ordered by the Commission.

9 Q. And answer my question.
10 That's what you did?

11 A. That's what I did.

12 Q. Okay. You have an adjustment on the
13 Callaway refueling. I just have one question on that.

14 You've used the most recent Callaway
15 refueling, haven't you?

16 A. Yes.

17 Q. Why did you use the most recent refueling?

18 A. I used the most recent one instead of doing
19 an average in order to be conservative. The expenses
20 that occurred at the most recent refueling were higher
21 than if I had used an average.

22 Q. You thought the -- would it -- I guess in
23 keeping with your methodology here, would it be fair
24 to conclude that you thought the most recent refueling
25 was the best indication -- the best indicator of the

1 ongoing, normal cost of the refueling?

2 A. Correct. And I also attempted to be
3 conservative in my adjustment.

4 Q. Okay. Do you remember in our last
5 deposition you told me -- and I'm paraphrasing -- that
6 just and reasonable rates were rates that reflected
7 normal, recurring, ongoing levels of cost built into
8 rates?

9 A. Can you indicate where you're reading that
10 from?

11 Q. Yeah. I wrote it out and then I forgot to
12 make a note of where it came from.

13 Page 17, lines 22 through 25. Do you mind
14 looking at it? Are you looking at it, Mr. Cassidy?

15 A. Yes.

16 Q. Okay. Question -- I'm going to read it.

17 Question: "Do you have any idea what
18 cost -- types of things a just and reasonable rate
19 might take into consideration?"

20 Answer: "From my viewpoint, normal,
21 recurring, ongoing levels of costs built into the
22 rates."

23 Did I read that correctly?

24 A. That's correct.

25 Q. You stand by that answer, I assume?

1 A. That's correct.

2 Q. Do you think it's fair or just and
3 reasonable that consumers pay for resources that are
4 used to benefit them?

5 A. Can you be more specific?

6 Q. Sure. Is it fair that ratepayers pay for
7 resources that are used in the production of
8 electricity that -- that provides a benefit to the
9 ratepayers?

10 Let me make it more simple.

11 You're familiar with the phrase "used and
12 useful"?

13 A. Yes.

14 Q. Is it just that ratepayers pay for things
15 that are used and useful?

16 A. Yes.

17 Q. Okay. That conversation you had out in the
18 hall with Mr. Meyer earlier, I don't suppose the topic
19 of one-time, nonrecurring costs came up, did it?

20 A. No.

21 Q. Would you define for me what you mean when
22 you dub something a one-time, nonrecurring cost?

23 A. Something that's unusual or extraordinary in
24 nature and not going to recur on an ongoing basis.

25 Q. Now, when you say "extraordinary," are you

1 using that term in the same manner that GAAP
2 accounting dubs something extraordinary?

3 A. GAAP accounting would agree with my
4 definition that I just gave.

5 Q. So when you dub something to be one-time and
6 nonrecurring, you mean the GAAP definition of
7 one-time, nonrecurring?

8 A. I'm not certain if the definition I just
9 gave is precise GAAP definition, but I believe that
10 they are consistent.

11 Q. So if the GAAP definition of "extraordinary"
12 had a guideline that suggested it was something that
13 was over -- I'll take that one back.

14 How about the uniform system of accounts?
15 Do you know whether it provides a definition of
16 "extraordinary"?

17 A. I don't know what the USOA's definition of
18 "extraordinary" is.

19 Q. So when you use the word "extraordinary,"
20 you don't mean to invoke the USOA's definition of it?

21 A. If I don't know what the definition of the
22 USOA's -- of the term "extraordinary" is, I'm not
23 using their definition.

24 Q. The answer is yes?

25 A. Yes.

1 Q. When you say that something is one-time and
2 nonrecurring, are you in any way commenting on whether
3 the item is used and useful?

4 A. From my viewpoint, I'm looking at whether or
5 not it is something that is going to recur on an
6 ongoing basis in the future.

7 Q. So you're not at all commenting on whether
8 or not it's used and useful?

9 A. Right.

10 Q. Okay. How about when you say something is
11 one-time and nonrecurring, are you in any way
12 commenting on whether it was a prudently incurred
13 expense?

14 A. I'm not commenting on the prudence of it
15 either.

16 Q. So a one-time, nonrecurring cost could be
17 beneficial or not to the ratepayers and could be
18 prudent or not?

19 A. Correct.

20 Q. Okay. It is the Staff's policy, as I
21 understand it, to exclude from the test year each and
22 every one-time, nonrecurring event. Would you agree
23 with that?

24 A. The Staff attempts to exclude all
25 nonrecurring events in order to normalize expenses and

1 revenues.

2 Q. And you've -- you have some known recurring,
3 one-time events that you are proposing to be excluded
4 in this testimony, aren't you?

5 A. That is correct.

6 Q. And in your prior testimony, in the last
7 test year, you also had some one-time, nonrecurring
8 events you were proposing be excluded there. Correct?

9 A. I don't recall excluding any nonrecurring
10 extraordinary events in my last time.

11 Q. Do you recall whether there were any
12 one-time, nonrecurring events that were excluded in
13 anyone's testimony in the -- in anyone's prior
14 testimony in this case?

15 A. I don't recall at this time.

16 (MS. LENA MANTLE ENTERED THE DEPOSITION
17 ROOM.)

18 BY MR. TODD:

19 Q. Now, according to schedule 1 of your
20 testimony, you provided testimony or have participated
21 in 14 rate cases.

22 Do you know whether there were nonrecurring,
23 one-time events in -- that were proposed to be
24 excluded in all of those rate cases?

25 A. Not without going back and researching, no,

1 not at this time.

2 Q. Have you come across one-time, nonrecurring
3 events in other cases?

4 A. Certainly.

5 Q. Do they generally tend to pop up?

6 A. They occur from time to time.

7 Q. Would it be fair to assume that in pretty
8 much any test year, there will be at least some
9 one-time, nonrecurring events?

10 A. It's hard to say generally. That's a very
11 broad statement. It's just situational. It depends
12 on company to company, test year to test year.

13 Q. You've seen a lot of these cases. I'm just
14 curious as to your gut instinct.

15 Are you more likely or less likely to find
16 one-time, nonrecurring events if I take any given test
17 year?

18 A. They are fairly common.

19 Q. Under traditional cost of service rate-
20 making, the Commission -- or the Staff, you-all,
21 determine cost of service based on -- based on
22 excluding all of these one-time, nonrecurring events
23 to the extent that you find them. Right? Is that
24 correct?

25 A. To the extent that we're aware of them, yes.

1 Q. Okay. You then develop a revenue
2 requirement that does -- that meets that level of cost
3 and provides a reasonable return; is that correct?

4 A. Could you restate your question?

5 Q. The total revenue requirement that Staff
6 calculates, provides, or includes both the cost of the
7 Company's business, the cost of service, and a
8 reasonable rate of return. That's what the revenue
9 requirement is, isn't it?

10 A. Yes.

11 Q. Okay. If in a -- if in a future year --
12 after you've set the rates, if in a future year a
13 one-time, nonrecurring event occurs, just the one time
14 occurs, the prior rate-making didn't take that
15 one-time, nonrecurring event into consideration, did
16 it?

17 A. That's correct.

18 Q. Because it was in the future?

19 A. Correct.

20 Q. Now, let's take that hypothetical year where
21 this one-time, nonrecurring event happens, and let's
22 say that that is now the test year for the next rate-
23 making. You come along, find it and strike it, right,
24 and then set rates again? Is that correct?

25 A. That would be generally what would happen,

1 yes.

2 Q. If a one-time, nonrecurring event was
3 prudently incurred and it was used and useful for the
4 ratepayers, based on what you said earlier, it is just
5 that the ratepayers pay for it. Would you agree with
6 that?

7 A. Not if it's nonrecurring.

8 Q. Even if it is -- it was a prudent expense
9 and it was beneficial, used and useful, for the
10 ratepayers?

11 A. An expense can be prudently incurred and
12 used and useful for the ratepayers but can still be
13 nonrecurring. It can be something that's not an
14 ongoing, recurring expense.

15 Q. And simply the fact that it's nonrecurring
16 means the ratepayers shouldn't have to pay for it?

17 A. It's not reasonable to have ratepayers pay
18 for something that's not going to happen again.

19 Q. What about -- would it be reasonable for the
20 ratepayers who were around at the time the cost was
21 incurred to pay for it?

22 A. I'm sorry. Restate your question.

23 Q. Okay. Is it reasonable for those -- for
24 only those ratepayers who benefited from the incurring
25 of this cost to pay for it if it was prudent and it

1 benefited them?

2 A. Restate your question again. I'm not
3 following you.

4 Q. Let me try to develop it a little more.

5 I'm guessing that you're fighting my
6 question on the analysis that if a one-time,
7 nonrecurring cost was included in cost of service,
8 then future ratepayers would be paying for it when
9 it's not recurring. It's not happening when they're
10 paying rates. Is that a problem?

11 Still not with me here?

12 A. Yeah. I'm not following.

13 Q. Okay. Is it -- is it reasonable that a
14 ratepayer who benefits from the Company's incurring a
15 cost pays for that cost?

16 A. If it's reasonable and ongoing and
17 recurring.

18 Q. So it is unreasonable -- under generally
19 accepted Cassidy principles, it is unreasonable for a
20 ratepayer to pay for a one-time cost, period.

21 A. On --

22 MR. FRANSON: Why don't you rephrase that,
23 Mr. Todd? Why don't you rephrase that?

24 BY MR. TODD:

25 Q. Is it unreasonable, in your opinion, for a

1 ratepayer to pay for a one-time cost simply because --
2 simply because it was one time?

3 A. Let me give you an example.

4 Q. Sure.

5 A. If there was an ice storm and the Company
6 incurred a lot of expense related to an ice storm --

7 Q. Uh-huh.

8 A. -- and it was a reasonably incurred expense,
9 we would not come in and give you this extraordinary
10 amount of expense related to this ice storm on a
11 recurring, ongoing basis because it's not reasonable
12 for ratepayers to pay for a major ice storm every year
13 in their rates.

14 Q. Which is the point I was trying to make.
15 I'll try to phrase it in more of a question.

16 When I said earlier your concern is by
17 including it in rates, people are paying for it in the
18 future, that's the problem you just identified.
19 Right?

20 A. (Nodded.)

21 Q. But would it be reasonable for the
22 ratepayers who are around when the ice storm happens
23 to bear the cost of the ice storm?

24 A. When we're developing rates, we're just
25 attempting to set recurring, ongoing levels.

1 That's -- that's the product --

2 Q. Let me -- let me throw out --

3 A. -- of doing that analysis.

4 MR. TODD: Did you get that?

5 Sorry.

6 BY MR. TODD:

7 Q. Let me throw out another concept,
8 amortization. Your ice storm idea, if that cost,
9 instead of being included in cost of service, was
10 amortized, would that be just?

11 A. Amortizations sometimes are allowed.

12 Q. Does the Staff have a policy regarding when
13 to amortize or when to exclude a one-time,
14 nonrecurring cost?

15 A. I'm not aware of any set policy that's in
16 place.

17 Q. It is your understanding, though, that the
18 policy is to simply exclude all one-time, nonrecurring
19 costs?

20 A. If they're nonrecurring, we exclude them.
21 Occasionally, from time to time, amortizations are
22 allowed.

23 Q. Allowed by whom?

24 A. Agreed to between the Company and the Staff
25 or even granted by the Commission.

1 Q. Who makes that call in the Staff if the
2 Staff is going to recommend an amortization?

3 A. It's usually discussed by senior Staff
4 accountants.

5 Q. Do you know what -- do you have any idea
6 what basis they make that decision on?

7 A. I'm not certain.

8 Q. Let's talk about MISO.

9 Mr. Cassidy, do you have any understanding
10 of why Ameren joined the MISO?

11 A. It's my understanding that as a part of the
12 merger with CIPS, the Commission approved the merger
13 on the condition that the Company participate in an
14 ISO to eliminate pancake transmission rates in order
15 to comply with FERC 888.

16 Q. Do you know whether Ameren ever transferred
17 any transmission assets to MISO?

18 A. I believe it shifted its control of its
19 transmission facilities to the ISO, but they retain
20 ownership of those facilities.

21 Q. What basis do you believe that on?

22 A. Through discussions with Steve Dottheim and
23 Mike Proctor.

24 Q. Do you have any idea why Ameren left the
25 MISO?

1 A. I believe it was because Illinois Power
2 Company and Commonwealth Edison announced that they
3 would withdraw from the MISO. Ameren was concerned
4 with the MISO's viability, I think, at that point and
5 made a decision to move to the Alliance RTO.

6 (MR. COOK LEFT THE DEPOSITION ROOM.)

7 BY MR. TODD:

8 Q. What's your basis for that belief?

9 A. Through information that Ameren has
10 published in its 10K in its annual report to the SEC.

11 Q. Are you aware of any other reasons Ameren
12 may have withdrawn from the MISO?

13 A. That's the extent of my knowledge about why
14 Ameren decided to remove itself from the Midwest ISO.

15 Q. In analyzing Ameren's withdrawal from MISO,
16 did you analyze any potential benefits to Ameren
17 customers of not -- from not being in MISO?

18 A. I have not asked for any cost benefit
19 analysis that Ameren may have performed.

20 Q. Did you perform any analysis yourself?

21 A. No, I did not.

22 Q. What is the basis for your statement that
23 Ameren may rejoin the Midwest ISO in the near future,
24 which is made on page 10, line, 6, of your testimony?

25 A. It's my understanding that Ameren has had

1 discussions with Midwest ISO about rejoining, and
2 through my discussions with Dr. Mike Proctor -- that
3 is the basis of that statement.

4 Q. Do you have personal knowledge of what he is
5 relying on when he tells you that?

6 A. I know he has followed this area closely
7 himself, and that was his indication to me.

8 Q. Other than Dr. Proctor's representation, is
9 it correct that you have no other basis for that
10 statement?

11 A. I'm sure Dr. Mike Proctor has a basis for
12 the statement.

13 Q. But do you have any other basis?

14 A. I relied on Dr. Proctor.

15 Q. Does the same go for the continuation of the
16 comment that in the near future -- I'm sorry -- that
17 Ameren may be able to recover a fuel refund of the
18 \$12-million-some-odd exit fee?

19 A. I know that Ameren has pursued that and that
20 possibility exists.

21 Q. Is that personal knowledge, or, again, are
22 you relying on Dr. Proctor?

23 A. Based on discussion with Dr. Proctor.

24 Q. Do you have any other source of information
25 regarding that exit fee?

1 A. About the recovery of that exit fee?

2 Q. Uh-huh, yes.

3 A. That would be the extent of the basis for
4 that statement.

5 Q. Have you reviewed the documents allowing
6 Ameren to leave the MISO?

7 A. Which documents are you referring to?

8 Q. Have you reviewed any documents regarding
9 permission -- Ameren receiving permission to leave the
10 MISO?

11 A. I don't know that Ameren's been granted
12 permission by the Commission to leave the Midwest ISO.

13 Q. How about anything from FERC?

14 A. I believe FERC has approved the settlement
15 between Ameren and Midwest ISO.

16 Q. Have you reviewed any documents from FERC to
17 that effect?

18 A. I haven't reviewed any documents of that
19 nature.

20 MR. TODD: Let's take a break at this point.
21 We've been going about an hour and a half.

22 (A RECESS WAS TAKEN.)

23 MR. TODD: Let's go back on.

24 BY MR. TODD:

25 Q. Okay. Mr. Cassidy, let's talk about legal

1 fees.

2 In preparing your analysis for your current
3 testimony, what analyses have you made, if any, of the
4 basis behind the Company's accrual for legal fees?

5 A. I've examined the level of accruals that the
6 Company has made for about a five-year period.

7 Q. And what did you do with that, with those
8 numbers? What did you do?

9 A. They were examined to see what levels of
10 accruals the companies had made -- the Company had
11 made in the past.

12 Q. And what did you conclude?

13 A. That during the test period that I examined
14 for this case the Company had accrued significantly
15 more than they had actually incurred -- or had
16 actually paid during the test year, twelve months
17 ending June 30, 2001.

18 Q. And based on that analysis, you propose
19 replacing the accrued -- the accrued amount with the
20 update period actual costs; is that correct?

21 A. That's correct.

22 Q. So would it be fair to characterize the sum
23 total of your analysis as looking at the accrued
24 amount, identifying it as being larger than the actual
25 expense amount, and deciding that the actual cost

1 amount was a better determinant of reasonable, ongoing
2 costs for legal fees?

3 A. In that it was significantly larger,
4 substantially larger.

5 Q. What do you mean when you say "substantial"?
6 What's a measure of substantiality?

7 A. Materially larger.

8 Q. In performing this analysis -- let me go
9 back to the question I first asked you.

10 In performing your analysis, did you do any
11 analysis whatsoever of the Company's accrual?

12 A. I did not examine the Company's basis for
13 making their accrual.

14 Q. So you didn't look at the Company's own
15 estimates of their legal -- of what their legal fees
16 would be?

17 A. Only what they chose to accrue.

18 Q. Are you familiar with the accounting methods
19 that GAAP would require for legal fees?

20 A. I'm familiar with GAAP's requirements for
21 accrual basis.

22 Q. Do you know whether GAAP specifically makes
23 a recommendation for legal fees?

24 A. I'm not aware of a recommendation.

25 Q. Can you explain to me your understanding of

1 GAAP's recommendation of the accrual method of
2 accounting?

3 A. Under an accrual basis revenues are
4 recognized in the period earned but not yet collected
5 and expenses are recognized in the period incurred but
6 not yet paid.

7 Q. Can you tell me what you just read from?

8 A. It's a definition that I believe I obtained
9 from the intermediate accounting book which I
10 referenced earlier in this deposition.

11 Q. And does that definition also define what
12 GAAP would recommend you do?

13 A. Accrual accounting is accepted by generally
14 accepted accounting principles.

15 Q. In performing your analysis this time
16 around, did you take into account the notion of
17 intergenerational equity?

18 A. No, I did not.

19 Q. What are your guidelines for deciding to use
20 the cash basis of accounting rather than the accrual
21 basis of accounting? And not just for legal fees, but
22 more generally.

23 A. When the accrual is materially and
24 substantially in excess of the cash basis, I adopt the
25 cash basis approach because of the large disparity

1 that exists.

2 Q. What do you mean by "materially"?

3 A. Substantially more than the cash basis.

4 Q. What do you mean by "substantially more"?

5 A. Under materiality guideline. Greater than
6 10 percent.

7 Q. You're just picking 10 percent out of the
8 air. Right?

9 A. Correct. Something that's substantially
10 more or higher that creates a significant difference.

11 Q. Would you agree with me that what you're
12 trying to define is a subjective standard that you
13 apply as you're looking at the data?

14 A. It's a judgment that's made.

15 Q. Do you think it reasonable to make that
16 judgment without looking at why the Company accrued
17 what it accrued?

18 A. Yes, because the cash basis provides an
19 allowance and recovery of actual known and measurable
20 costs. It's not based on estimates. It's not based
21 on predictions that the accrual basis creates.

22 Q. So it would -- in your opinion it would be
23 reasonable to do what you do, even if the Company had
24 a sound basis for accruing what it accrued?

25 A. Yes.

1 Q. You agreed with me earlier that the purpose
2 of developing test year numbers is to attempt to
3 reflect what actual costs will look like during the
4 time the rates are in effect; is that correct?

5 A. What we try to do is match revenues,
6 expenses, and rate base. I can't tell you if that's
7 going to be what's in effect for the period that rates
8 are in effect.

9 Q. Do you recall -- do you recall earlier
10 agreeing with me that test year costs are -- are
11 hopefully reflective of costs at the time rates are in
12 effect? In your best professional estimation, that's
13 what you're trying to figure out?

14 A. We can't predict what future costs are going
15 to be. If they change, the Company has its choice to
16 file a rate case, and there are other alternatives
17 that can exist if costs change and don't -- they don't
18 pan out the way our cost of service predicts.

19 Q. Do you -- well, you didn't answer my
20 question.

21 Do you recall agreeing with me earlier on
22 what I said?

23 A. What is your question again?

24 MR. TODD: Could I get you to read back my
25 question, please.

1 (THE REQUESTED QUESTION WAS READ BY THE
2 COURT REPORTER.)

3 QUESTION: Do you recall
4 earlier agreeing with me that
5 test year costs are -- are
6 hopefully reflective of costs at
7 the time rates are in effect?
8 In your best professional
9 estimation, that's what you're
10 trying to figure out?

11 THE WITNESS: Sure. We're trying to set
12 reasonable, ongoing, recurring levels of what would be
13 in place, but we also -- what we have is the test year
14 concept of matching revenues and expenses and rate
15 base, and that's what we use to set rates.

16 BY MR. TODD:

17 Q. Was that a yes, ultimately?

18 A. The answer is what it is.

19 Q. I can have it read back again, but you're
20 not answering the question.

21 A. Generally, the idea is, yes, that we would
22 like to make it work. Realistically, it's not going
23 to always be perfect.

24 Q. Tell me if you agree with this statement:
25 The purpose of a test year is to create or construct a

1 reasonably expected level of earnings, expenses, and
2 investment during the future period during which the
3 rates to be determined herein will be in effect?

4 A. That test year is a starting point for
5 determining a company's -- it's a twelve-month
6 historical period of data and this data is restated as
7 needed to produce reflective conditions during the
8 time that rates will be in effect.

9 Q. I appreciate that definition of a test year.
10 I'd appreciate more an answer to my question.

11 Do you agree with the statement I read you?

12 A. Read your statement again, and I will --

13 Q. The purpose of a test year is to create or
14 construct a reasonably expected level of earnings,
15 expense, and investment during the future period
16 during which the rates to be determined will be in
17 effect?

18 A. I'm more comfortable with my definition of
19 the test year.

20 Q. Do you disagree with that definition I just
21 read you?

22 A. If you add that there is a matching concept
23 that takes place at that test year with a balancing of
24 revenues, expenses, and rate base, that the data is
25 restated as needed to produce reflective conditions

1 during the time period the rates will be in effect.

2 Q. So if I append your definition to what I
3 read you, then you would still agree with your
4 definition?

5 A. I agree with my definition.

6 Q. And you have no -- you have no thought on
7 the definition I read you; is that fair?

8 A. That's fair.

9 Q. Okay. Are you aware of any recognized
10 system of accounting that says you should adopt the
11 cash basis over the accrual basis when the accrued
12 amount is substantially or materially larger than the
13 actual cash expense?

14 A. I know it's something that we've treated
15 with other areas in other cases.

16 Q. "We've" being who?

17 A. Being the Staff.

18 Q. Do you know any body of accounting wisdom
19 outside of the Staff that recommends this?

20 A. It's more of a regulatory-type treatment.

21 Q. Do you know whether other commissions apply
22 the same rule?

23 A. I haven't studied whether other states'
24 commissions apply the rule.

25 Q. So your only basis for doing this is what

1 the Staff of this Commission does?

2 A. This Missouri Commission, yes.

3 Q. Is it a rule that the Staff has?

4 A. I don't know that there is a published rule
5 in writing.

6 Q. It's more perhaps informal?

7 A. It's a practice that when there is a
8 difference between accrual and cash basis, it's been
9 the Staff's position to adopt the cash basis of
10 accounting.

11 Q. Always, or when the difference is of a
12 certain magnitude?

13 A. When it's -- certainly, when it's
14 significantly higher.

15 Q. But other than your 10 percent number, you
16 can't be any more specific about when specifically
17 that occurs?

18 A. The only instances that I'm aware of is --
19 and what I've been involved in, the differences have
20 always been significant.

21 Q. Mr. Cassidy, are you accusing the Company of
22 wrongdoing in its accounting?

23 A. No, I'm not.

24 Q. On page 11 of your testimony, line 8, you
25 use the term "excess accrual." What do you mean when

1 you say "excess accrual"?

2 A. That the accrual exceeded the cash payment
3 by that amount.

4 Q. So by that you don't mean to cast aspersions
5 on the Company's accounting; is that correct?

6 A. The Company can choose to account for their
7 expenses in this way for its financial reporting
8 purposes, but for rate-making purposes, we -- we
9 choose to differ. It's not reasonable for customers
10 to pay for estimated levels of legal expense as
11 opposed to known and measurable data which we have
12 examined.

13 Q. Turn to page 12, environmental expense.
14 Actually, let me get you to turn to page 13. On
15 line 3 you use the term "major expenditures," and on
16 line 4 you use the term "small expenditures."

17 Do you know what constitutes a major or a
18 small expenditure?

19 A. That's the Company's criteria. I'm not
20 certain at what level they deem something to be major
21 as opposed to small. That's the Company's choice.

22 Q. You didn't submit any DRs to find out, did
23 you?

24 A. No. It's not relevant to my decision in
25 making this adjustment.

1 Q. What analysis have you performed of the
2 basis for the Company's accrual in the environmental
3 expense area?

4 A. I've submitted data requests asking the
5 Company to provide all calculations and studies that
6 they have performed to indicate by what date it
7 believed it would spend the amount of reserve that it
8 had accrued by December 31, 2000. Similarly, I'd
9 asked --

10 Q. What data request was that?

11 A. That was data request No. 32.

12 Q. And was that what you just read me, the
13 entire text of that request?

14 A. I didn't read it verbatim.

15 Q. Could you do that for me?

16 A. "Provide all documentation, calculations or
17 studies the Company has performed to indicate by what
18 date it believes it will entirely spend the
19 approximate \$14,886,000 of environmental accrued
20 balance that has accumulated as of December 31, 2000."

21 Q. Okay. Did you submit any other DRs on this
22 point relevant to environmental expense?

23 A. Yes.

24 Q. What numbers? Well, let's take them one by
25 one.

1 A. Data request 37 was the other one.

2 Q. Okay. And read that for me.

3 A. There are eight requests in this data
4 request.

5 The first one, "Provide all documentation
6 describing and explaining all sites for which the
7 Company has been identified as a potentially
8 responsible party for environmental cleanup through
9 June 30, 2001.

10 Item 2, "Provide all documentation
11 describing and explaining all sites for which the
12 Company has been identified as a potentially
13 responsible party for environmental cleanup from
14 July 1, 2001 through December 31, 2001. Update on a
15 going-forward basis as necessary.

16 Item 3, "For each site listed in Items 1 and
17 2 above, list all possible sources of funds that may
18 exist to assist the Company in cleanup of each
19 environmental site."

20 Item 4, "Describe all activities the Company
21 has performed to determine other potentially liable
22 parties to each potential cleanup site. Provide all
23 documentation related to this process."

24 Item 5, "Describe all efforts the Company
25 has made to secure outside sources of funds to assist

1 in paying for each potential cleanup site. Provide
2 all documentation related to this process."

3 Item 6, "For each site listed in Items 1 and
4 2 above, provide the amount of expense the Company
5 reasonably estimates it will incur to clean up each
6 site."

7 Item 7, "For each amount and site listed in
8 Item 6 above, provide the final date the Company
9 estimates it will actually spend the amount listed in
10 Item 6 above.

11 And Item 8, "Provide all documentation the
12 Company has to support the responses to Items 6 and 7
13 above."

14 Q. Did you receive a response from the Company?

15 A. Yes, I did.

16 Q. Did the Company provide the requested
17 information?

18 A. The Company provided a response. It wasn't
19 as complete as I would have liked, but there was a
20 response.

21 Q. Did you analyze the response?

22 A. Yes, I did.

23 Q. Did you analyze the reasonableness of the
24 Company's accrual based on those responses?

25 A. Yes. I examined the Company's analysis

1 of each of those cases that they listed in those
2 responses.

3 Q. I'm sorry. You said the Company's
4 annualization for each of those?

5 A. Anal-- how the Company analyzed its status
6 involving each of the cases that they listed in that
7 response.

8 Q. Did you find the responses in any way
9 irrelevant to the adjustment you were proposing?

10 A. They pertained to how the Company developed
11 their accrual.

12 Q. Did you reach a conclusion regarding the
13 Company's estimates?

14 A. In looking at the Company's response, I
15 learned that they had a site, an environmental cleanup
16 site, associated with the Rose Chemical site, and that
17 the Company had paid \$110,000, and the case was
18 considered closed as of August 2000.

19 Q. Where are you reading from?

20 A. This was data or information supplied in the
21 response to 37.

22 I also learned that the Missouri Electric
23 Work site was also a situation that the Company was
24 involved with, and they do not expect any additional
25 expenditures. The Company also mentioned they were

1 involved in Sauget Areas 1 and 2. The Company is
2 potentially liable in those two Super Fund sites.

3 UE's initial investigation estimated
4 \$600,000 of that -- of initial cost, and they estimate
5 over the next two years that they could incur \$1 to
6 \$2 million.

7 The rest of the sites are manufactured gas
8 plant sites, so they are gas-related.

9 Q. Did you include all of that information in
10 your testimony?

11 A. It's not included in my testimony.

12 Q. On page 16, at line 3, let me ask you the
13 same question I asked you with regard to legal fees.

14 When you say the Company overaccrued the
15 environmental reserve balance, do you mean to imply
16 accounting wrongdoing?

17 A. I mean to imply that that's what -- that is
18 the amount of overaccrual above -- over and above the
19 cash basis. That is what they have accrued --

20 Q. The purpose --

21 A. -- and ratepayers have paid for over and
22 above what the Company has actually spent.

23 Q. In doing your environmental analysis, did
24 you consider the notion of intergenerational equity?

25 A. No, I did not.

1 Q. And I should ask you, do you know what I
2 mean when I use that term?

3 A. I'm not familiar with that term.

4 Q. If the Company were to be liable for an
5 environmental cost, would it be reasonable for the
6 ratepayers at the time that cost was incurred to pay
7 for it?

8 A. That's the very heart of this issue. The
9 Company chooses to estimate costs. The Staff chooses
10 to look at actual known and measurable costs.

11 Q. I'm pretty sure you didn't answer my
12 question again.

13 A. My position is that to the extent the
14 Company has actually incurred known and measurable
15 costs that can be examined and that are definite,
16 hard, and real concrete numbers, that's what I'm going
17 to use.

18 Q. So when a cost becomes real, hard, and
19 concrete, it's at that point that it's fair to pass it
20 along to ratepayers?

21 A. As opposed to estimating a cost and making
22 ratepayers pay unnecessarily for activities that
23 haven't occurred yet.

24 Q. So your analysis -- doesn't your analysis
25 simply shift costs from current ratepayers to future

1 ratepayers?

2 A. I don't know that those costs are going to
3 actually be incurred in the future, so I would say
4 that I don't know to that.

5 Q. If those costs are incurred, if a company is
6 held liable for an environmental claim that it
7 currently estimates it will be held liable for, then
8 doesn't your proposed approach simply require future
9 ratepayers to pay for it rather than current
10 ratepayers?

11 A. If the Company incurs additional expenses in
12 the future, the Staff can examine them in any future
13 rate-making proceeding, and those costs, if they are
14 deemed prudent, reasonable, ongoing, we can include
15 them and address them. That option always exists for
16 the Company.

17 Q. For the Company?

18 A. Yes.

19 Q. Are you familiar at all -- well, you said
20 earlier you were familiar somewhat with GAAP rules on
21 accrual basis accounting?

22 A. Correct.

23 Q. What is your basis for preferring cash
24 versus accrual regarding environmental expense?

25 A. My basis is, as I've stated in my Direct

1 Testimony, the Staff recommends using a cash basis
2 approach to account for the Company's environmental
3 expense in order to eliminate the impact of the excess
4 accrual from its cost of service calculations. Since
5 1992 the Company has never actually incurred a level
6 of expense to justify the level of accruals that it
7 has booked.

8 By continuing to overaccrue in this manner,
9 the Company is forcing its customers to pay
10 unnecessarily for activities that are not actually
11 being performed. The cash basis approach proposed by
12 the Staff will provide a determination of rates based
13 on actual known and measurable costs on a going-
14 forward basis as opposed to the Company's accrual
15 basis which relies upon an estimate of what actual
16 future payments and costs may be.

17 Q. Once again, you just read that from your
18 testimony, didn't you?

19 A. That's correct.

20 Q. What page did you read from?

21 A. Page 17 through page 18. Lines 20 through
22 23 on 17, and lines 1 through 6 on 18.

23 Q. Page 18, line 2, state your basis for the
24 word "unnecessarily."

25 A. The accrual basis -- if the Staff were to

1 adopt the accrual basis, customers would be paying for
2 expenses that had not occurred. It's un-- it's
3 unnecessary for customers to pay for expenses that
4 have not been incurred, that are not actual known and
5 measurable costs.

6 Q. Is it reasonable for customers to pay for a
7 liability that was incurred while they were customers?

8 A. I don't believe so because it is based on
9 estimates made by the Company. The Company, if it
10 incurs any expenses, will always have the opportunity
11 to recover them.

12 Q. Let me give you an example here.

13 You know -- you know Best Buy, don't you?

14 A. I'm familiar with Best Buy.

15 Q. Everyone knows Best Buy.

16 Let's say Best Buy offers one of their no
17 interest same as cash for two year deals which they do
18 from time to time, and the Company takes advantage of
19 it and buys a whole bunch of computers, and those
20 computers are used in the Company's business.

21 Those computers -- or computers the Company
22 owns ordinarily would be included in the cost of -- in
23 rate base, I suppose, wouldn't they, materials and
24 supplies?

25 A. Staff would include those costs in the cost

1 of service because the customers are getting used and
2 useful --

3 Q. But if the Company had gotten a sweet deal
4 where they didn't actually have to pay for the
5 computers until two years later, would Staff exclude
6 the cost of the computers from its -- from its cost --
7 from its calculation until two years later, or would
8 they be included because they were being used and
9 useful -- or they were used and useful for the
10 ratepayers then?

11 A. Because the costs are known and measurable,
12 it's reasonably certain that when you bought those
13 computers, we know what you're going to pay, and they
14 would be included. For environmental costs, trying to
15 equate that to environmental costs, it doesn't equate,
16 because environmental costs are not known and
17 measurable right now. They are only estimated under
18 the accrual basis.

19 Q. Based on your -- have you performed any
20 review of the Company's accrual to satisfy yourself
21 that these costs are not known and measurable?

22 A. Yes. I'm satisfied that there is no way to
23 100 percent predict what those costs will be.

24 Q. I asked you earlier if you were familiar
25 with FAS statements. Are you familiar with FAS 5?

1 A. Yes.

2 Q. Are you familiar with the concepts of
3 probable and reasonably estimatable?

4 A. Yes, I am.

5 Q. How does that standard differ from known and
6 measurable?

7 A. Probable is the chance that the future event
8 is likely to occur. Reasonably possible is the future
9 event is better than remote but less than likely or
10 probable. Remote is the chance for the future event
11 occurring is slight.

12 Actual known and measurable is known,
13 definite, concrete. There is no question. The
14 dollars are what they are. They are measurable. They
15 are known. They are right there to be seen and
16 measured.

17 Q. That definition you read, did that come from
18 your textbook again?

19 A. Yes, it did.

20 Q. Okay. A good source, that textbook.

21 So you view the two standards as different?

22 A. Yes.

23 Q. And would it be fair to say, then, that you
24 view cash -- or accrual basis accounting as
25 appropriate only where something is known and

1 measurable?

2 A. I'm sorry. Repeat the question.

3 Q. Would you consider accrual basis accounting
4 appropriate where something is known and measurable?

5 A. I'm not arguing that accrual basis
6 accounting is not something that the Company could do
7 in terms of its financial reporting requirements for
8 SEC or other bodies, but for regulatory purposes,
9 accrual accounting is not appropriate in this case.

10 Q. So even where a future cost is known and
11 measurable, by your definition, the cost is what it
12 is, it will definitely happen, Staff would still not
13 use accrual basis accounting to factor that cost in?

14 A. We don't know -- accrual basis accounting,
15 the very nature of accrual basis accounting for
16 environmental expense, we don't know what those future
17 costs will be. That's only the Company's best
18 estimate of those costs.

19 By using an accrual basis of accounting in
20 terms of setting rates, you're asking the ratepayers
21 to pay for an estimate of costs as opposed to what
22 actual known and measurable costs are. When actual
23 known and measurable costs are known in the future,
24 they can be addressed in the future in future rate-
25 making proceedings.

1 Q. At what point does a liability for an
2 environmental expense become known and measurable?

3 A. The very definition of a liability is that
4 it is a probable future sacrifice of money or assets
5 arising from a transaction or event. Something isn't
6 known or measurable until it is actually paid.

7 Q. In performing your analyses, have you ever
8 considered the effect of quality management?

9 A. No, I have not.

10 Q. Have you ever considered the effects of your
11 analyses on management quality?

12 A. No, I have not.

13 Q. Do you have an opinion as to whether Ameren
14 is a well managed company?

15 A. I have no opinion on that.

16 Q. Do you have any opinion as to -- let me take
17 that back.

18 Do you have any knowledge of whether
19 Ameren has a good safety record relative to other
20 utilities?

21 A. I've performed no study to make that
22 determination.

23 Q. Is the answer no?

24 A. No. I've performed no study or analysis to
25 make that determination.

1 Q. In performing your analyses, have you ever
2 considered the effects of your adjustments on Ameren's
3 safety?

4 A. I have performed no such study, no.

5 Q. In performing your analyses, have you ever
6 considered the effect of your adjustments on Ameren's
7 environmental record?

8 A. I have not studied Ameren's environmental
9 record.

10 Q. Do you have any knowledge of whether Ameren
11 has a good or bad environmental record compared to
12 other utilities?

13 A. I have performed no such study.

14 Q. Is that a no? Do you have any basis beyond
15 a study you may or may not have performed?

16 A. No.

17 Q. Do you have any idea whether Ameren is an
18 efficiently operated utility as compared to the other
19 utilities?

20 A. I don't know.

21 Q. Have you ever considered the effect of
22 adjustments you propose on Ameren's efficiency?

23 A. I have not.

24 Q. Do you have any idea how Ameren's rates
25 compare with other -- with rates for other utilities

1 nationwide?

2 A. I have performed no such study. I don't
3 know.

4 Q. Do you have any idea how rates in Missouri
5 generally recompare with rates nationwide?

6 A. I don't know.

7 Q. Have you ever considered in performing your
8 analyses the notion of rate stability?

9 A. No, I have not.

10 Q. Have you ever considered in performing your
11 analyses the notion of regulatory instability?

12 A. No, I have not.

13 Q. Do you understand the impact of the
14 adjustments you propose on the overall rate case?

15 A. I can quantify what my adjustments are in
16 terms of dollar amounts of the adjustment.

17 Q. Have you considered in performing your
18 analyses the impact of the overall rate case on
19 Ameren, the Union Electric Company?

20 A. I have not performed any analysis of that
21 type.

22 Q. Did you consider it in performing any of
23 your analyses that you did do?

24 A. No, I did not.

25 MR. TODD: We're done.

(PRESENTMENT WAIVED; SIGNATURE REQUESTED.)

JOHN P. CASSIDY

Subscribed and sworn to before me this day of
 , 2002.

Notary Public in and
for County,
State of Missouri

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C E R T I F I C A T E

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, KRISTAL R. MURPHY, CSR, RPR, CCR, with the firm of Associated Court Reporters, do hereby certify that pursuant to agreement, there came before me,

JOHN P. CASSIDY,

at the Missouri Public Service Commission, Room 810, Governor State Office Building, in the City of Jefferson, County of Cole, State of Missouri, on the 11th day of April, 2002, 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 79 pages; and the witness and counsel waived presentment 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.

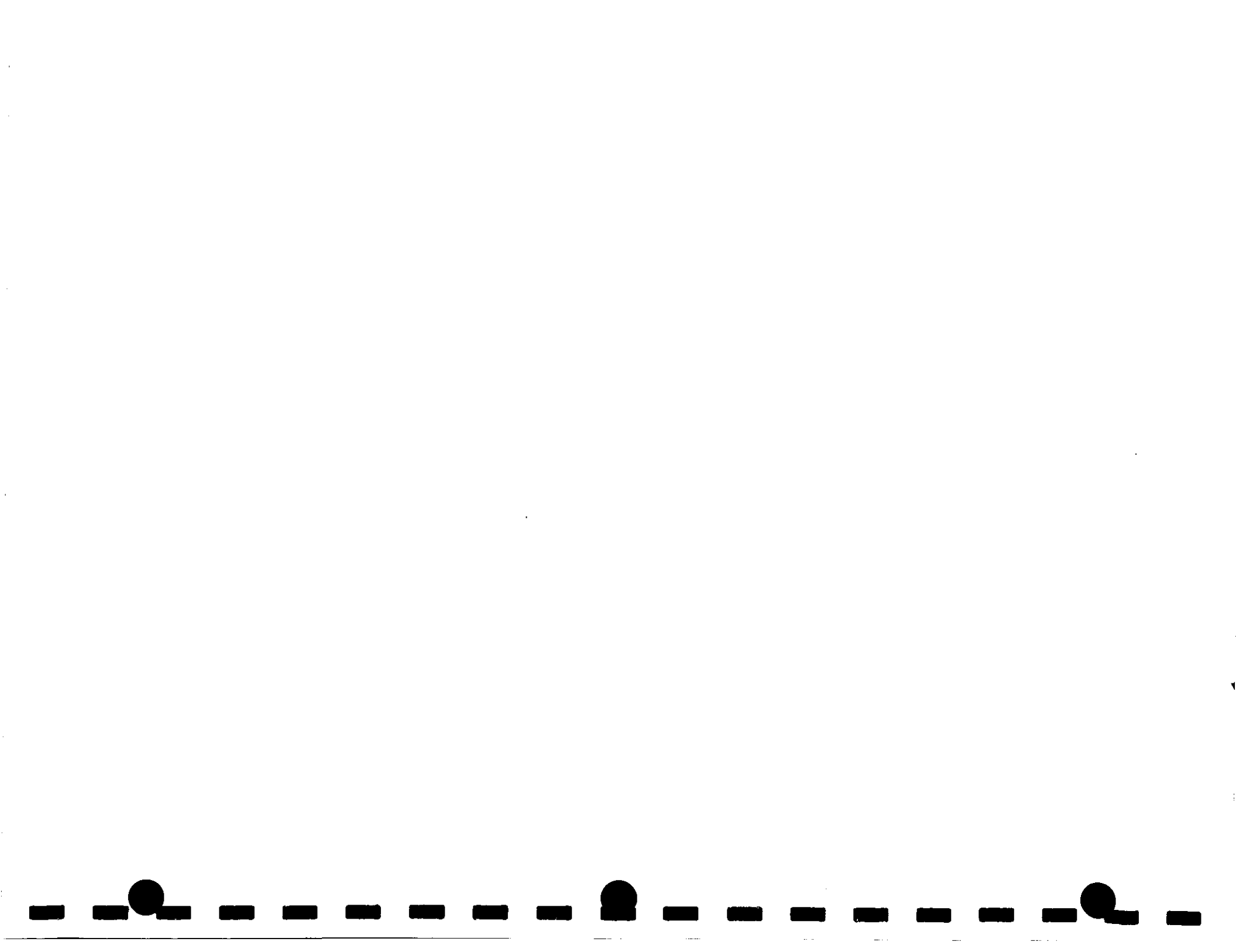
I further certify that I am neither attorney or counsel for, nor related to, nor employed by, any of the parties to this action in which this deposition is taken; and further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, or financially interested in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

Given at my office in the City of Jefferson, State of Missouri, this 12th day of April, 2002.

KRISTAL R. MURPHY, CSR, RPR, CCR

COSTS: (Computation of court costs based on payment within 30 days.)



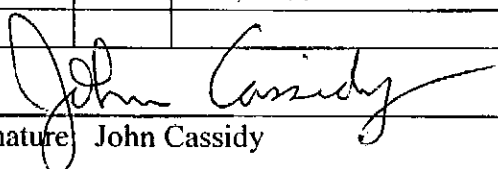




ERRATA SHEET

Deposition of: John Cassidy
Case Caption: EC-2002-1
Date Taken: November 28, 2001

Page	Line	Correction	Reason
8	15	Add "and Denny Frey"	Omission on my part
10	6	Add "The Staff reviewed all books and records that it obtained and that were made available by the Company."	Answer is unclear. Further clarification was needed.
13	15	"Denny" (not "Dennie")	Typographical error
14	23	"Denny"	Typographical error
20	22	Add "Judgments are made in handling the data. However, the Staff's judgments are objective rather than subjective. Subjective judgment implies bias. The Staff is not biased in its judgment."	Further clarification was needed.
20	25	"...I had to determine..." should read as follows: "...I had to objectively determine..."	Further clarification was needed.
21	7	Add "However, Staff's judgments are meant to be objective. Subjective judgment infers bias. The Staff is not biased in its judgment."	Answer was unclear. Further clarification was needed.
26	20	"petroleum" should be "pet coke"	Misspoke
26	2	Change "cost of producing <u>the</u> " to "cost of producing <u>and</u> "	Typographical error
27	15	"I did not look at" should read: "I did not analyze"	Misspoke
45	3	"boiling units" should read "oil units"	Typographical error
56	4	Change "right" to "duty"	Misspoke
74	25	Change "concluded" to "included"	Typographical error
80	18	Change "June 1 st , 2000" to "June 30 th , 2000"	Incorrect date was used


Signature John Cassidy

(This is the signature page to the deposition of John P. Cassidy taken on November 28, 2001.)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

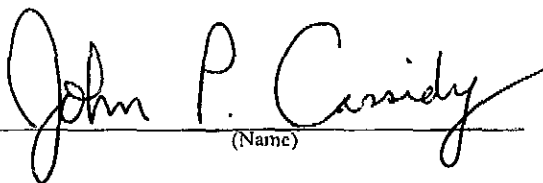
I, John P. Cassidy, do hereby certify:

That I have read the foregoing deposition;

That I have made such changes in form and/or substance on the attached errata sheet(s),
as might be necessary to render the same true and correct;

That having made such changes thereon, I hereby subscribe my name to the deposition.

Executed this _____ day of _____, 2002,
at _____


(Name)

My Commission Expires: _____

Notary Public: _____

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BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

STAFF OF THE MISSOURI PUBLIC)	
SERVICE COMMISSION,)	
)	
Complainant,)	
)	
VS.)	Case No. EC-2002-1
)	
UNION ELECTRIC COMPANY d/b/a)	
AMERENUE,)	
)	November 28, 2001
Respondent.)	Jefferson City, Mo

DEPOSITION OF JOHN P. CASSIDY,
a witness, sworn and examined on the 28th day of November,
2001, between the hours of 8:00 a.m. and 6:00 p.m. of that
day at the Governor Office Building, Room 810, in the City
of Jefferson, County of Cole, State of Missouri, before

PATRICIA A. STEWART, RPR, CSR, CCR
Registered Merit Reporter
ASSOCIATED COURT REPORTERS
714 West High Street
P.O. Box 1308
Jefferson City, Missouri 65102
(573) 636-7551

within and for the State of Missouri, in the
above-entitled cause, on the part of the Respondent, taken
pursuant to notice.

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

STAFF OF THE MISSOURI PUBLIC
SERVICE COMMISSION,

Complainant,

VS.

UNION ELECTRIC COMPANY d/b/a
AMERENUE,

Respondent.

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) Case No. EC-2002-1
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)
) November 28, 2001
) Jefferson City, Mo

DEPOSITION OF JOHN P. CASSIDY

ORIGINAL

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APPEARANCES

FOR THE COMPLAINANT:

ERIC ANDERSON, Assistant General Counsel
PUBLIC SERVICE COMMISSION
P. O. Box 360
Jefferson City, Missouri 65102
(573) 751-3234

FOR THE RESPONDENT:

GORDON D. TODD
Attorney at Law
COOPER & KIRK
1500 K Street, N.W.
Suite 200
Washington, D.C. 20005
(202) 220-9683

PRESENT: Gary S. Weiss, Ameren Services
Steve Rackers, Public Service Commission

SIGNATURE INSTRUCTIONS:

Obtain signature; waive presentment.

EXHIBIT INSTRUCTIONS:

Cassidy Exhibit No. 1 attached.

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EXHIBITS INDEX

Cassidy Exhibit No. 1
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1 (CASSIDY EXHIBIT NO. 1 WAS MARKED FOR
2 IDENTIFICATION BY THE COURT REPORTER.)

3 MR. TODD: Okay. My name is Gordon Todd. I
4 represent Ameren. With me is Gary Weiss, an employee of
5 Ameren/Union Electric Company.

6 Could I get you to state your name for the
7 record?

8 THE WITNESS: John Cassidy.

9 MR. TODD: And everyone else go ahead and
10 introduce themselves as well.

11 MR. ANDERSON: I'm Eric Anderson. I'm with the
12 General Counsel's Office for the Staff.

13 MR. RACKERS: Steve Rackers with the Missouri
14 Public Service Commission.

15 JOHN P. CASSIDY, having been sworn, testified as follows:

16 DIRECT EXAMINATION BY MR. TODD:

17 Q. Okay. Mr. Cassidy, you understand this is your
18 deposition in Case No. EC-2002-1?

19 A. Yes.

20 Q. And you're being examined under oath here
21 today?

22 A. Yes.

23 Q. Have you been deposed before?

24 A. No.

25 Q. You haven't. There is a lot of that going

1 around.

2 As you haven't been deposed before, I'll go
3 over some of the ground rules briefly so we're both on the
4 same page.

5 The most obvious one is the court reporter can
6 only transcribe a verbal answer. So nodding your head,
7 shaking your head doesn't show up well on the record. So
8 you can do that, but say something as well.

9 The court reporter also can only transcribe one
10 person at a time. So it's important that we not interrupt
11 each other and let each other finish our sentences, which
12 will make her job much easier.

13 As we go through the deposition -- well, you
14 understand those two rules for starters?

15 A. Yes.

16 Q. As we go through the deposition, I'll probably
17 use a number of technical terms and terms of art, and I'm
18 willing to bet you that you'll be much more familiar with
19 them than I will.

20 So if I use a term incorrectly or you feel that
21 something needs clarification, please point that out to
22 me, don't hesitate, so the record is clear as possible.

23 Do you understand that?

24 A. Yes.

25 Q. If you don't understand a question or if I ask

1 a question that you consider to be ambiguous, you can ask
2 me to either repeat it or you can have the court reporter
3 read it back or I'll be happy to rephrase it.

4 Do you understand that?

5 A. Yes.

6 Q. It's important that, again, for the purposes of
7 the record, that you give as complete an answer as
8 possible.

9 Do you understand that?

10 A. Yes.

11 Q. Okay. If I use a term that you think is,
12 again, ambiguous or needs some definition, then please
13 just define the term as you use it in your answer, and the
14 same thing just goes for a term that you want to use in
15 your answer, please define it in your own statement.

16 Do you understand that?

17 A. Yes.

18 Q. Okay. From time to time as we go along, your
19 counsel may well object to a question. If your attorney
20 objects to a question on the basis of form or anything
21 along those lines, after the objection is lodged for the
22 record, then you have to answer the question, and the
23 objection will be ruled on at a later date.

24 Do you understand that?

25 A. Yes.

1 Q. If your counsel instructs you not to answer a
2 question on the grounds of privilege or something akin to
3 privilege, then that's the only time that you do not have
4 to answer a question.

5 Do you understand that?

6 A. Yes.

7 Q. Okay. Now, this deposition, while probably not
8 the most pleasant thing, is certainly not an endurance
9 contest. So if you want to take a break -- in fact, if
10 anyone wants to take a break at some point, just let me
11 know and we'll stop at a convenient point. So don't be
12 shy to speak up on that.

13 Okay?

14 A. (Nods head.)

15 Q. What documents have you reviewed in preparation
16 for today's deposition?

17 A. Um, I've reviewed my testimony, data requests
18 that I submitted, my workpapers, responses to
19 interrogatories, productions of documents. That would be
20 most of what I've reviewed.

21 Q. Are you aware of anything that you have
22 reviewed in preparation for this deposition that you have
23 not produced to us?

24 A. No.

25 Q. In preparation for this deposition, have you

1 talked to any other Staff witnesses who have previously
2 been deposed?

3 A. Yes.

4 Q. What were the nature of those conversations?

5 A. We talked about how to prepare for the
6 deposition. Generally, just state your answers as
7 truthfully as you can.

8 Q. Did you discuss questions that you're likely to
9 be asked?

10 A. In a general sense.

11 Q. With whom did you have these conversations?

12 A. With Steve Rackers, Greg Meyer, Steve Dottheim,
13 Lena Mantle.

14 Q. Anyone else?

15 A. Eric Anderson. That's all.

16 Q. Let me hand you what has been marked as Cassidy
17 Exhibit 1.

18 MR. TODD: I'm handing you a copy over there.

19 BY MR. TODD:

20 Q. Do you recognize this document, Mr. Cassidy?

21 A. Yes, I do.

22 Q. What is this?

23 A. This is my direct testimony, Case

24 No. EC-2002-1.

25 Q. And this has been submitted for the

1 Commission's consideration in this case. Is that correct?

2 A. Yes.

3 Q. I'll have you turn to page 2.

4 On line 3 -- I'm going to paraphrase here --
5 the question asks whether you made an examination of the
6 books and records of the Union Electric Company.

7 And on line 6 your response reads, yes, in
8 conjunction with other members of the Commission Staff.

9 Did I read that correctly?

10 A. Yes.

11 Q. Would I be correct in assuming from this, then,
12 that you yourself have not personally reviewed all of the
13 books and records of the Union Electric Company?

14 A. Yes.

15 Q. What portions of the books and records of the
16 Union Electric Company have you reviewed?

17 A. I reviewed the portions of the books and
18 records that related to the four areas that I've addressed
19 in my direct testimony.

20 Q. And what areas are those?

21 A. Fuel expense, environmental expense, legal
22 fees, Callaway refueling adjustment.

23 Q. Is it also fair inference from this question
24 and answer that in conjunction with other members of the
25 Commission Staff, you and the Staff have reviewed all of

1 the books and records of the Union Electric Company?

2 A. I'm sorry. Could you rephrase that question?

3 Q. Yes.

4 Has the Staff reviewed all of the books and
5 records of the electric company?

6 A. To the best of my knowledge, yes.

7 Q. How was such a review structured?

8 A. A review begins by submitting data requests to
9 get information to review the areas which we file our
10 testimony on.

11 Q. How do you get your particular assignments?

12 A. Assignments are given to us by the lead auditor
13 and the case coordinator.

14 Q. And who were those people in this case?

15 A. Jim Schweiterman was the lead auditor. Greg
16 Meyer was the case coordinator.

17 Q. Jim Schweiterman has left, has he not?

18 A. That's correct.

19 Q. Has anyone taken over his position?

20 A. In what sense? As lead auditor?

21 Q. Yes.

22 A. I don't know who the lead auditor of the case
23 is at this time. I'm assuming Greg Meyer is in charge of
24 the case.

25 Q. So one of the two individuals that you just

1 mentioned assigned you your areas for this case?

2 A. Yes.

3 Q. Were you given any specific instructions
4 regarding how to perform your areas of responsibility?

5 A. In performing my responsibilities with regards
6 to these areas, I asked questions of the senior auditors
7 and draw from my own experience in developing my positions
8 in those areas.

9 Q. And once you're done with your work, who
10 reviews it?

11 A. The lead auditor, the case coordinator, other
12 senior Staff accountants.

13 Q. Do you have a sense of how much in depth they
14 review your calculations?

15 A. The review is thorough.

16 Q. Do you know whether they maintain documentation
17 of their review of your work?

18 A. I don't know.

19 Q. Fair enough.

20 Now, the testimony you filed in this case which
21 I handed you and is marked as Exhibit 1, does this
22 entirely reflect your own work?

23 A. Yes.

24 Q. Did you have any assistance from others in
25 preparing it?