

1 A. That's correct.

2 Q. We're not going to have Y2K again next year?

3 A. No, we're not.

4 Q. Okay. So you would agree -- agree with me

5 that it's not recurring?

6 A. It's not recurring.

7 Q. Would you also agree with me that it's

8 one-time?

9 A. It is one-time.

10 Q. Then why don't you recommend -- putting

11 aside the Commission's order again, why don't you

12 think it would be appropriate to throw it out

13 entirely?

14 A. Throw it out entirely?

15 Q. Yeah, just remove it from cost of service as

16 a nonrecurring expense.

17 A. That was discussed with some of the senior

18 Staff. We felt this was a better way to do it.

19 Q. What was the basis for that belief?

20 A. Amortized it over a six-year period of time

21 because the depreciable life that Jolie Mathis --

22 Q. I don't mean the length of the depreciation.

23 A. Okay.

24 Q. I mean, why -- let me back up entirely.

25 You said you discussed it with senior Staff.

1 Who did you discuss it with?

2 A. Greg Meyer.

3 Q. And what is your understanding of the
4 analysis as to why it is better to amortize rather
5 than to throw it out entirely?

6 A. Taking the expense and spreading it over a
7 period of time to where the current ratepayers that
8 are paying for the expense will be the ones actually
9 paying for it over a period of time.

10 Q. If you were to exclude it from the cost of
11 service as a one-time, nonrecurring expense, then no
12 ratepayers would ever pay for it; is that true?

13 A. That's correct.

14 Q. And in your -- your understanding -- let me
15 ask you your -- in your opinion, is it appropriate
16 that recurrent ratepayers over the amortization period
17 do actually pay for this expense?

18 A. That's my understanding. That's the reason
19 we did it the way we did. And I guess we could have
20 omitted it altogether, but -- I guess that would have
21 been another way to handle it, but I didn't -- that's
22 not the way we treated it.

23 Q. In your analysis, so putting aside what
24 anyone else -- Mr. Meyer may think, in your analysis,
25 what are the requirements to amortize something rather

1 than throw it out as a nonrecurring, one-time expense?

2 A. It would be like an extraordinary item or
3 something along those lines to where it doesn't occur
4 very often or something like that, and it's something
5 that the Company is trying to get reimbursements for
6 or be allowed to expense on.

7 Q. You don't think that Y2K was something
8 extraordinary?

9 A. I don't think it is.

10 Q. Is that what I should assume from your
11 answer?

12 A. No, I'm not saying it's not extraordinary.
13 I think for the extraordinary rule, it's a 5 percent
14 amount that drops in there with it from what I was
15 looking at on the uniform system of accounts.

16 But I think the reason we did it was so we
17 could get the current ratepayers and allow the expense
18 to be amortized over a period of time instead of
19 expensing it one time or instead of totally
20 eliminating it.

21 Q. I don't think I'm really getting an answer
22 to my question.

23 What other criteria do you look at to
24 determine whether something should be -- should be
25 included in cost of service and amortized or excluded

1 from cost of service as a one-time, nonrecurring
2 event --

3 A. Well, on this --

4 Q. -- if you even have such criteria?

5 A. Yeah. On this here, the Y2K, I'm sure the
6 reason it was amortized over the period of time is
7 because of the way it was treated in the EARP, third
8 sharing period?

9 Q. If you were starting your analysis fresh,
10 what would you do?

11 A. Typically -- typically, when we look at an
12 item and it's one-time, nonrecurring, we don't allow
13 it back into rate base, because, if we did, it
14 would -- it would be built into the cost of service
15 and it would continually every year be paid for after
16 that.

17 Q. Well, that's not the case if it was
18 amortized, is it?

19 A. If it was amortized, the expense -- the cost
20 of the expense is amortized over a six-year period.
21 One-sixth of that amount is dropped into the expense
22 for each year.

23 Q. And then once the six-year period is done,
24 then it drops out of the rates. Correct?

25 A. That's correct.

1 Q. And so it's not -- then it's not actually
2 built into the rates ad infinitum?

3 A. No, in that situation, with being amortized,
4 it is not. But if it's a one-time, nonrecurring and
5 you build it into rates, then for every year
6 thereafter, it will be -- the rates will be set for
7 it.

8 Q. So do you think it would be appropriate then
9 to -- so rather than build something into rates, do
10 you think -- when do you think it's appropriate to
11 amortize it?

12 A. As I said, again, we were -- I did this as a
13 result of what happened for the third sharing period,
14 and the Commission ordering it to be amortized over a
15 ten-year period of time.

16 Q. I want to understand your -- your accounting
17 methodology beyond just Y2K. I want to know, when you
18 look at an event that is one-time and nonrecurring in
19 your opinion --

20 A. If it's a one-time --

21 Q. -- what draws your decision --

22 A. If it is a one-time, nonrecurring, for rate
23 purposes, we would not include it into the test year.

24 Q. Beyond that, what then drives your opinion,
25 your decision whether or not to allow the Company to

1 amortize it?

2 A. What's that again?

3 Q. What -- recognizing that you wouldn't
4 include it in cost of service, what informs your
5 decision whether or not to amortize that expense?

6 A. Well, if it was an extraordinary event, or
7 something like that, like an ice storm or something
8 like that, and the Company came in and requested an
9 AAO or something like that, then the Commission would
10 order it to be amortized over a period of time.
11 Usually, that's the way it would be handled.

12 Q. So when you say something is one-time and
13 nonrecurring, am I correct in assuming that the
14 definition means exactly that; it only happens once,
15 and it is very unlikely to happen again in the future?

16 A. When it's spelled out that way, yes.

17 Q. Something being one-time and nonrecurring,
18 does that -- when you say something is one-time and
19 nonrecurring, are you making any judgment as to
20 whether it ought to benefit the ratepayers, or is that
21 a wholly separate question?

22 A. If it's one-time, nonrecurring, and we don't
23 allow it, yes, that is part of not putting it into
24 cost of service and developing rates based on that on
25 a going-forward basis.

1 Q. I'm not sure you answered my question.

2 A. Could you repeat your question, please?

3 Q. If you tell me that something is one-time
4 and nonrecurring, should I also assume that you mean
5 that it didn't benefit the ratepayers?

6 A. I don't know.

7 Q. Well, you've agreed --

8 A. I guess -- I guess the circumstance could
9 change with each thing that you are talking about.
10 So, you know, that's kind of a big area you're talking
11 about there.

12 Q. So would it be fair to conclude -- would you
13 agree with me that the fact that something is one-time
14 and nonrecurring doesn't mean that it does or doesn't
15 benefit ratepayers?

16 A. I would say that each situation may differ.
17 You would have to look at it.

18 Q. So something can be one-time and
19 nonrecurrent and benefit ratepayers, or it could be
20 one-time and nonrecurrent and not benefit ratepayers?

21 A. I would say yes to that. It could go either
22 way.

23 Q. What about -- let me ask you another
24 question.

25 When you say something is one-time and

1 nonrecurring, in saying that, are you giving any
2 opinion as to the propriety of the Company in
3 having -- of the Company having incurred that cost?

4 A. Could you repeat your question?

5 Q. When you say that something is one-time and
6 nonrecurring --

7 A. Okay.

8 Q. -- should I extrapolate from that any
9 opinion on your part as to whether or not the cost was
10 an intelligent thing for the Company to do?

11 A. I don't know. Again, that's -- you're
12 asking a broad question and it's not really specific
13 enough to get ahold of.

14 Q. Would it be the same kind of situation then
15 where something can be one-time and nonrecurring and a
16 good business decision, or it can be one-time and
17 nonrecurrent and a bad business decision?

18 A. I would say it could probably go either way
19 there also.

20 Q. It depends on the specific event?

21 A. Right.

22 Q. So when you say in your analysis that
23 something -- something is one-time and nonrecurring,
24 you are not making a judgment call as to whether it
25 benefits the ratepayers or whether it was an

1 intelligent business decision? Those are separate
2 questions?

3 A. Those are separate questions.

4 Q. In preparing your testimony regarding the
5 Y2K expenses this time around, did you perform any
6 analysis of how the Company purchases software?

7 A. No, I did not.

8 Q. How about of how it purchases hardware?

9 A. No, I did not.

10 Q. How about how frequently it replaces
11 software and hardware?

12 A. No, I did not.

13 Q. Do you have any idea what the Commission's
14 practice is regarding upgrading software or hardware?

15 MR. FRANSON: Objection as to relevance.

16 THE WITNESS: I don't know what the -- what
17 their policy is on it.

18 BY MR. TODD:

19 Q. In your testimony you state you used a
20 six-year period for the amortization because that's
21 very close to what Jolie Mathis used for computer
22 equipment; is that correct?

23 A. Right.

24 Q. And in your prior testimony you used an
25 eight-year period?

1 A. Right.

2 Q. And in your prior testimony you said you
3 used an eight-year period because it was very close to
4 what Jolie Mathis was proposing for hardware.

5 A. That was -- that was the depreciable life
6 that she had in her depreciation study that she did
7 then as compared to what it is now.

8 Q. Do you know what generally accepted
9 accounting principles say regarding the proper
10 amortization period for software?

11 A. No, I do not.

12 Q. A couple of hours ago now I asked you what
13 kinds of things you did preparing this testimony
14 versus your last testimony, and you said -- one of the
15 things we discussed was that you had to look to see
16 what one-time, nonrecurring costs -- what new
17 one-time, nonrecurring costs there are which -- and
18 what prior costs are no longer relevant.

19 Do you remember that?

20 A. Something like that, but I don't know if it
21 is phrased exactly like that or not.

22 Q. That's pretty much true, though, isn't it,
23 from year to year?

24 A. Could you repeat your question?

25 Q. That was a lousy question.

1 In any given test year, there are going to
2 be one-time, nonrecurring costs, aren't there?

3 A. I would say there's always that possibility.

4 Q. Do you think that it is appropriate for
5 ratepayers to pay for resources that benefit them?

6 A. Yes.

7 Q. Does the Staff have a general practice of
8 excluding one-time, nonrecurring costs?

9 A. Yes, they do.

10 Q. If a one-time, nonrecurring cost benefits
11 ratepayers, when do they pay for it?

12 A. It's figured into the test year. The
13 purpose for our test year now and the adjustments is
14 on a going-forward basis, not for -- we don't go back
15 and -- and take that amount back out. It's included
16 in the expenses for that, but it's taken out as far as
17 on a going-forward basis, year after year after year.

18 Q. So we take -- let's make sure we're clear on
19 this.

20 In this year's rates --

21 A. Right.

22 Q. I'm sorry. In this test year's rates, we
23 exclude -- Staff excludes all one-time, nonrecurring
24 costs --

25 A. That's for years going forward, correct.

1 Q. -- and attempts to come up with a normal
2 ongoing level of regular expenses?

3 A. Correct.

4 Q. And it is the theory of the test year, we
5 agreed earlier, that those annualized, normalized,
6 whatever, test year costs should be reflective of the
7 costs and expenses that will be incurred at the time
8 the rates are in effect?

9 A. Okay.

10 Q. Okay. So if during that future period when
11 rates are in effect the Company incurs a one-time,
12 nonrecurring cost, would you agree with me that the
13 rate-setting mechanism did not take into account the
14 fact that in the future the Company would have to pay
15 this unforeseen cost?

16 A. Well, if it's something that's in the future
17 that is a one-time, nonrecurring cost, and our rates
18 are already set for that there, it's going to be
19 included -- they are going to get reimbursed for it.
20 The ones we're taking out is the ones during our test
21 year that we know are one-time, nonrecurring, and
22 we're preventing those from being put back into the
23 cost of service or the -- setting the rates on a
24 going-forward basis, because that year is the only
25 year it's going to happen. It's not going to happen

1 in future years for that one if it's truly a one-time,
2 nonrecurring cost.

3 Q. The one-time, nonrecurring costs that occur
4 during the test year -- let me put aside wholly the
5 EARP concept for this, but let's say we're under
6 traditional rate-making the whole way through.

7 The one-time, nonrecurring costs that occur
8 during the test year were not taken into account in
9 the prior rate setting, were they?

10 A. The one-time, nonrecurring that's in the
11 test year now was not considered in prior. I would
12 have to say that's correct.

13 Q. So the Company has not -- the Staff didn't
14 take that into account when figuring out the Company's
15 revenue requirements?

16 A. For the test year that we are doing at that
17 point in time, the Company would have already got
18 reimbursed for that one-time, nonrecurring -- we're
19 setting rates on a going-forward basis.

20 Q. How would the Company have been reimbursed
21 for it?

22 A. It's in their books. It's expensed to their
23 books. Therefore, they got compensated for it, but
24 we're looking --

25 Q. Compensated by who?

1 A. It's built into the cost of service. It's
2 built into the rates.

3 Q. I thought you just told me -- I thought you
4 just told me --

5 A. I said on a going-forward basis. If, for
6 instance, the Company comes right now and we're not
7 having a rate case right now for this period of time,
8 and the Company comes in, whatever expenses are on the
9 books are on the books. We don't go back and adjust
10 those expenses. We adjust the expenses or the revenue
11 on a going-forward basis.

12 Q. But you agree with me that during the last
13 rate case they didn't take into account the one-time,
14 nonrecurring costs that are occurring now. Correct?

15 A. I would say that is probably true, because
16 it might not have been there, so, therefore -- you
17 know, if you had a one-time, nonrecurring cost right
18 now in this case, the previous case might not even had
19 it there.

20 Q. Right. Because it's a future event, so you
21 can't foresee it. Correct?

22 A. It happens at that point in time, yes.

23 Q. So during the last rate case they couldn't
24 foresee that any of the one-time, nonrecurring costs
25 that you are recommending be disallowed were going to

1 occur?

2 A. On a going-forward basis --

3 Q. Correct.

4 A. -- correct.

5 Q. So the revenue requirement that was
6 established back whenever the last rate case was did
7 not allow the Company revenue to cover these
8 unanticipated future one-time, nonrecurring costs;
9 isn't that correct?

10 A. I guess I don't see the association of what
11 you're -- I guess I don't understand what you're
12 trying to say.

13 Q. I want to make clear that I have said that
14 we're assuming that through this whole hypothetical we
15 are under traditional rate-making. We're not talking
16 about the EARP.

17 A. Right.

18 Q. If during the prior rate-making the
19 Company's costs were calculated to be ten -- and I'm
20 just going to assign a random number to it; bear with
21 me -- assigned to be ten, and the Company -- the Staff
22 decided and the Commission agreed that a fair rate of
23 return -- the Company decides and Staff -- the
24 Commission decides a fair rate of return, and then
25 during the future period, the Company's costs actually

1 turn out to be eleven, is the Company going to earn as
2 high a return as it would have had the cost been what
3 was actually calculated?

4 A. I don't know. That's a hypothetical
5 situation. I'd have to analyze it and look at it.

6 Q. Holding -- holding everything else
7 constant --

8 A. Okay.

9 Q. -- won't the Company's return drop if costs
10 are higher than anticipated?

11 A. That's a possibility, yes.

12 Q. It's a possibility?

13 A. (Witness nodded head.)

14 Q. Based on what I said, isn't it a certainty?

15 A. Isn't it a certainty?

16 Q. Yes.

17 A. I don't think so. I think it's just a
18 possibility. Like I said, I would have to analyze it
19 and look at it.

20 Q. You would agree, would you not, that rates
21 are set to meet a calculated revenue requirement?

22 A. That is true.

23 Q. And revenue requirement reflects the
24 costs -- the cost of service that you project
25 currently during this rate proceeding?

1 A. Right. Cost of service -- revenue
2 requirement and cost of service as figured out -- or
3 is part of the revenue requirement.

4 Q. Wouldn't you agree that until a new rate
5 proceeding is held any expense above the current cost
6 of service revenue requirement will not be recovered
7 by the current rates?

8 A. Any additional expense above what's in the
9 test year?

10 Q. Yes.

11 A. Yes, I would agree with that.

12 Q. On page 11 of your testimony you discuss
13 various one-time, nonrecurring costs.

14 A. Okay.

15 Q. Can you tell me what -- explain to me
16 briefly what the retrofit was?

17 A. It was to modify the manual readers, manual
18 read meters, to the automated meter readers, so -- and
19 I think they're just about completed with the project
20 now.

21 Q. What -- and tell me about those
22 polycarbonate meter covers. What are those?

23 A. I submitted a data request, and I'm not sure
24 which one it is, and the response that I got back on
25 this is this was a one-time cost.

1 Q. You don't know what polycarbonate meter
2 covers are?

3 A. It's some type of cover that goes over the
4 meter. That's about all I could tell you.

5 Q. I was just curious. I hoped you knew.

6 A. No.

7 Q. Tell me about the door hangers. What are
8 those?

9 A. They are signs that when Cell Net is working
10 on it they put up to notify that they are working on
11 the system and they hang it on their doors.

12 Q. Do you know what the point of the door
13 hangers was?

14 A. The point of them?

15 Q. Yes.

16 A. No.

17 Q. What's their purpose?

18 A. I do not know exactly what the purpose is.

19 Q. Would it be fair to surmise they are for
20 notifying customers that maintenance is going to take
21 place?

22 A. I would assume that's probably what it is,
23 but, again, that would be an assumption on my part
24 without seeing the notification tags. And I did not
25 specifically ask that question.

1 Q. Do you think customers appreciate notice of
2 service like that?

3 MR. FRANSON: Calls for speculation.

4 THE WITNESS: I don't know.

5 BY MR. TODD:

6 Q. If you were a customer, would you appreciate
7 being notified that someone was going to come along
8 and replace your meter?

9 A. If I was home, I suppose.

10 Q. Would it be fair -- well, have you done any
11 analysis of whether any of these have specific
12 benefits to customers?

13 A. No, I have not done that analysis.

14 Q. Do you have any understanding of the process
15 the Company went through internally to decide to do
16 the retrofit, to install the meter covers, and to
17 produce and use the door hangers?

18 A. When they did internally?

19 Q. (Nodded.)

20 A. No, I don't.

21 Q. You don't know whether they had meetings?

22 A. That was never addressed.

23 Q. Whether they did analyses of the costs of
24 these things?

25 A. No, I don't know.

1 Q. Why don't you treat these like the Y2K
2 expenses?

3 A. There again --

4 MR. FRANSON: Clarification. Treat what
5 like Y2K?

6 MR. TODD: Fair enough.

7 BY MR. TODD:

8 Q. Why don't you treat the cost of the
9 retrofit, the meter covers, and the door hangers, the
10 same methodology, the same amortization treatment as
11 you have given to the Y2K expenses?

12 A. I think I stated that earlier, that that's
13 the way it was treated under EARP and that's where my
14 experience lies as to -- that's the reason we adjusted
15 the Y2K the way we did, amortized it, as compared to
16 one-time, nonrecurring here.

17 Q. You agreed with me earlier that the Y2K is
18 one-time and nonrecurring?

19 A. Y2K is one-time and nonrecurring.

20 Q. So it is effectively the same type of cost?

21 A. I would say yes.

22 Q. But for the Commission's order, but for the
23 EARP, would you treat those two type of costs the
24 same?

25 A. I don't know. I would have to look at it.

1 I would have to analyze it. I would have to talk to
2 other senior Staff. I would have to look at all of
3 the circumstances involved with it. And I would also
4 have to look at how it's been treated in the past.

5 Q. How what has been treated in the past?

6 A. One-time, nonrecurring, Y2K, or whether it's
7 a retrofit.

8 Q. If it's one-time and nonrecurring, how are
9 you going to look at how it's been treated in the
10 past?

11 A. Well, like Y2K.

12 Q. You want to see how they handled Y1K?

13 A. What's that?

14 Q. You want to see how they handled Y1K?

15 A. No. Y2K was dictated in an EARP, and that's
16 where my knowledge comes from on this, and that's the
17 reason the amortization happened the way it did.
18 Typically, the Staff for rate-making purposes will
19 eliminate one-time, nonrecurring costs.

20 Q. In your analysis, have you ever considered
21 the effect that good, quality management has on a
22 company?

23 A. Have -- my personal analysis?

24 Q. (Nodded.)

25 A. No, I have not done that type of analysis.

1 Q. Do you ever consider the effect that the
2 adjustments you propose would have on the quality of
3 Ameren's management?

4 A. No, I did not. I did not consider that.

5 Q. If the Staff consistently eliminates and the
6 Commission agrees that they should be eliminated,
7 consistently eliminates one-time, nonrecurring costs,
8 will the Company ever earn its allowed rate of return?

9 A. I don't see the comparison that you're
10 making there.

11 Q. You agree --

12 A. The one-time, nonrecurring is talking on a
13 going-forward basis for expenses that's already been
14 allowed within the test year. So the cost is not
15 going to be there in the future if it's one-time
16 nonrecurring. So I don't see how -- what the impact
17 could be on the rate of return.

18 Q. You agreed earlier that until there is a new
19 rate case, current rates do not compensate the Company
20 for costs above the rate established on the last
21 rate-making revenue requirement.

22 A. Yes, but this one-time, nonrecurring cost
23 that we're talking about happened during the test
24 year, not on -- not previous to that point.

25 Q. But you agreed --

1 A. So what we're doing is adjusting the test
2 year or making an adjustment to where we're
3 eliminating that one-time cost, nonrecurring cost. In
4 all future years, if we don't take it out, then that
5 one-time cost is embedded in that cost of service for
6 that year, and it goes on for every year after that.
7 It doesn't affect the actual year that we're looking
8 at it so much, the test year, as compared to all of
9 the future years.

10 Q. You have agreed with me, have you not, that
11 the prior rate setting doesn't actually compensate the
12 Company for that one-time, nonrecurring cost when it
13 happened because -- if it was above --

14 A. It would have been compensated --

15 Q. Let me finish my question.

16 A. I'm sorry.

17 Q. -- if it was above the prior -- if it put
18 costs above the prior cost of service that was -- that
19 had been calculated?

20 A. If that one-time, nonrecurring cost happened
21 within the test year, the Company would be compensated
22 for it for that period of time. Our adjustments to
23 eliminate it is for every year thereafter going
24 forward.

25 Q. You agree, do you not, that there are -- you

1 already agreed that there are one-time, nonrecurring
2 costs in every test year?

3 A. What's that again?

4 Q. You agree there are one-time, nonrecurring
5 costs in every test year?

6 A. I agreed that there was a possibility of
7 one-time, nonrecurring costs in a test year --

8 Q. If there are --

9 A. -- but not that there is in every case that
10 we work or every test year that we set up.

11 Q. If there are, premise one, and, premise two,
12 if they consistently raise cost of service -- actual
13 cost of service above the cost of service the revenue
14 requirement was based upon and therefore rates were
15 set upon, does the Company ever actually -- is the
16 Company actually earning its rate of return that the
17 prior rate case was based upon?

18 A. I guess I don't understand your question.

19 Q. In performing your analysis, do you ever
20 consider the effect of your adjustments on the
21 Company's safety record?

22 A. Do I look specifically at the safety record
23 when I make my adjustments?

24 Q. Uh-huh.

25 A. I did not look specifically at that for

1 these adjustments, no.

2 Q. Do you have any understanding of Ameren's
3 safety record compared to other utilities?

4 A. No, I do not.

5 Q. How about Ameren's environmental record
6 compared to other utilities?

7 A. I think I've read in the paper that they've
8 got a high environmental consciousness, but I haven't
9 seen any facts on that.

10 Q. Do you ever consider the effects that your
11 adjustments may have on the environmental record?

12 A. I did not take that into consideration, no.

13 Q. What understanding do you have of Ameren's
14 rates compared to other utilities in Missouri, other
15 electric utilities in Missouri?

16 A. I haven't done that analysis, so I can't
17 answer that.

18 Q. Do you have any --

19 A. I have no knowledge of how AmerenUE's rates
20 compare to all of the other utilities companies.

21 Q. Do you have any conception of how rates in
22 Missouri compare to rates nationwide?

23 A. No, I do not.

24 Q. Do you have any concept of how efficient a
25 company Ameren is compared to other utilities?

1 A. No, I do not.

2 Q. Do you ever consider the effects of your
3 adjustments on Ameren's efficiency?

4 A. I did not consider that.

5 Q. Do you ever consider the effects of your
6 adjustments on rate stability?

7 THE COURT REPORTER: Rate what?

8 MR. TODD: The rate stability.

9 BY MR. TODD:

10 Q. The stability of rates over time.

11 A. I did not specifically do that type of
12 analysis.

13 Q. Do you have any sense of the impact of your
14 own adjustments on the overall rate case?

15 A. I know the amount of my adjustments. How
16 they apply to the whole case, I could look it up, I
17 could get -- I could get the information, but I
18 couldn't spout that off the top of my head.

19 Q. Bear with me on this one.

20 If rates are set based on the cost of
21 service for the test year ending June 30th, 2001
22 excluding all one-time, nonrecurring costs, and,
23 subsequently, in 2003 the Company experiences another
24 one-time, nonrecurring cost, how will the Company get
25 recovery of that cost?

1 A. Are you talking the same one-time,
2 nonrecurring? Are you talking about a different
3 one-time, nonrecurring?

4 Q. A different one-time, nonrecurring. A cost
5 that was not factored into the -- the test year ending
6 June 30th, 2001 rate base.

7 A. Well, if the one-time, nonrecurring cost
8 happened after the test year, it's not going to be
9 figured into the rates. That's outside the realm of
10 the test year or the update period, and Staff would
11 have no idea that it was a one-time, nonrecurring cost
12 into the future. So anything I could give you would
13 only be a speculation on that.

14 Q. Let me give you the most far-fetched
15 hypothetical I can think of.

16 If Staff proposes a case and the Commission
17 adopts it wholeheartedly, every single thing that
18 Staff proposes is accepted, and the year after --
19 let's say that's test year ending June 30th, 2001.

20 The rates are set. The first year those
21 rates are in effect every single thing Staff proposed
22 would happen does happen that year. It identically
23 mirrors the test year -- it's a miracle -- except for
24 one single one-time, nonrecurring cost of \$10.

25 Would the rates set in that prior rate case

1 compensate the Company for that \$10 charge?

2 A. For the one-time, nonrecurring that happened
3 in the future?

4 Q. Yes.

5 A. I don't see how it could.

6 Q. We had a break a while back.

7 A. Okay.

8 Q. I want to know what conversations you had
9 with your attorney while you were out in the hall.

10 MR. FRANSON: Objection. You're not to
11 answer that question.

12 MR. TODD: What do you think about that
13 objection?

14 MR. FRANSON: Objection. And you're not to
15 answer that question either.

16 BY MR. TODD:

17 Q. Do you understand why your attorney is
18 objecting?

19 A. Client/attorney privilege.

20 Q. What do you think about the attorney/client
21 privilege?

22 A. What do I think about it?

23 Q. Sure.

24 A. I guess it's a necessity to protect the
25 interest of both parties.

1 Q. Pretty much everyone here lives in Missouri
2 except me; is that right? Probably?

3 A. Probably.

4 Q. Everyone here is a taxpayer. Would you
5 agree with that?

6 A. Everyone here is a taxpayer?

7 Q. Sure, except for me, a taxpayer of Missouri.

8 A. I would say so.

9 Q. So is it fair to surmise that everyone here
10 is paying some portion of your salary?

11 A. I would say that's -- well, no. I disagree
12 with that.

13 Q. Everyone here is contributing on a tax basis
14 to the system that ultimately pays your salary?

15 A. Well, I think our salaries are paid on an
16 assessment of the utilities company, not to the state
17 of Missouri.

18 Q. People here pay utility rates?

19 A. I'm sure they pay them to someone, some
20 utility company. You have to have power, gas.

21 Q. Okay. So let's take someone who pays money
22 to a utility and that utility is assessed and that
23 money goes to the Commission and that pays your
24 salary. Is that right?

25 A. Okay.

1 Q. Okay. That person is paying for the
2 Commission. They don't have an interest in knowing
3 what conversations are going on inside the
4 Commission?

5 A. That's according to whether it is
6 proprietary, nonproprietary.

7 MR. FRANSON: I'm going to object as to
8 speculation and --

9 MS. O'NEILL: Stupidity.

10 MR. FRANSON: Go ahead and answer the
11 question.

12 MR. TODD: Did you get "stupidity" on the
13 record?

14 MS. O'NEILL: Yeah. You can add stupidity
15 if you want. That's my objection, but I guess I can't
16 object in this one. That would be mine.

17 THE WITNESS: Could you repeat your
18 question?

19 BY MR. TODD:

20 Q. Sure. Is there any interest on the part of
21 those who pay for the services that the Commission
22 provides to know what goes on inside the Commission
23 Staff?

24 A. That what -- what goes on in the Commission
25 Staff?

1 Q. Uh-huh.

2 A. I think most of it is public record that has
3 not got some type of confidentiality on it or
4 proprietary item, whether the information is
5 protected.

6 Q. But things that are privileged are not
7 public record. Right?

8 A. Things that are not privileged?

9 Q. Things that are covered by the
10 attorney/client privilege are not public record?

11 A. Are not public record?

12 Q. Yeah.

13 A. I don't know on that. I don't know if the
14 attorney/client privilege is public record or not for
15 this situation you're talking about.

16 Q. Okay. Well, based on the objection that
17 was just lodged, I don't have a right to know. No
18 one in this room has a right to know what
19 conversation occurred out in the hall. Correct?

20 A. I don't know. I know he objected to it. I
21 know that you're still asking the question, so
22 evidently you want an answer to it.

23 Q. But you said you thought -- generally, you
24 thought the attorney/client privilege is a good
25 thing?

1 A. Yes, I do. It protects the interests of
2 both parties, like I said.

3 Q. What do you understand to be meant by the
4 term or by the phrase "safe and adequate electric
5 service"?

6 A. That you will provide safe service to the
7 ratepayers of Missouri and adequate to meet their
8 needs.

9 Q. So safe is a -- what is safe a function
10 of?

11 A. What's that?

12 Q. What does the term "safe" mean? What's
13 included in that?

14 A. Safety as far as a person -- personnel
15 safety or issues along those lines, anything to do
16 with safety.

17 Q. And --

18 A. Protection of the people.

19 Q. And what does "adequate" mean?

20 A. Sufficient.

21 Q. Calculated how?

22 A. Well, it's whatever a person might need,
23 whatever his adequate amount is. It would be
24 different for everybody. Everybody's utility bill
25 will be different.

1 Q. So adequate is a function of demand?

2 A. I would say so.

3 Q. What do you understand -- or what would you
4 mean if you used the phrase "direct benefit to the
5 ratepayer"?

6 A. Direct benefit to the ratepayer?

7 Q. Uh-huh.

8 A. That they have an interest in it.

9 Q. What type of interest?

10 A. Could be a gain. It could be knowledge. It
11 could be anything. It's a direct benefit that they're
12 receiving from the Company.

13 Q. Knowledge, you said?

14 A. Knowledge might not be the right word.
15 But it's a direct benefit that they're receiving
16 from the utility company whether it be power, whether
17 it be gas, whether it be water, whether it be sewer.
18 It's a benefit that they are getting out of the
19 service.

20 Q. Okay. Can ratepayers benefit indirectly?

21 A. I'm sure that's possible.

22 MR. TODD: We're done.

23 MR. FRANSON: One matter. We need to talk
24 about -- we will waive presentment, but we do want
25 signature. We will not waive signature.

(PRESENTMENT WAIVED; SIGNATURE REQUESTED.)

PAUL R. HARRISON

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,

PAUL R. HARRISON,

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 131 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.)

4/11/2002

Staff's Response to
Union Electric Company's Data Request No. JJC-16

JJC-16. Please provide copies of all remaining work papers, documents and source material reviewed or relied upon in preparing your Direct Testimony dated March 1, 2002, not already provided.

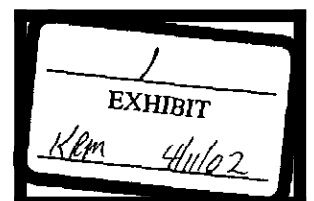
Staff Response:

Copies of work papers have previously been provided in both electronic and hardcopy format.

In addition to the documents listed in the Staff's response to Union Electric's First Set of Requests for Production of Documents item number 7, I also reviewed the Company's responses to the following data requests which were submitted in Case No. EC-2002-1:

38, 43, 44, 45, 46, 47, 48, 49, 50, 51, 68, 70, 72, 73, 74, 114, 115, 116, 126, 127, 132, 133, 142, and 146.

Submitted by: Paul R. Harrison



7-2-2008

Case No. EC-2002-1

Responses to Question 13, 14, 31, 32, 33, 34 and 35 of Union Electric Company's First set of Requests for production of Documents.

13. All documents reviewed by, relied upon, or prepared by Paul R. Harrison or any other member of the Staff as part of the work done to prepare Mr. Harrison's Direct Testimony, exhibits, schedules and work papers for the above-captioned case, including but not limited to notes, e-mails, draft analysis, draft schedules, draft testimony, and calculations.

a. Total plant in service- General Ledger, DR No. 108R, 193R and 205R, Company's FERC Form 1 (annual report), Gary Weiss work papers-EM-96-149, 5th Sharing Period

b. Depreciation reserve- General Ledger, DR No. 108R, 193R and 205R, Company's FERC Form 1 (annual report), Gary Weiss work papers-EM-96-149, 5th Sharing Period

c. Plant in service adjustment (update plant in service through Sep 30, 2000 and Dec 31, 2000)- General Ledger, DR No. 108R, 193R and 205R, Company's FERC Form 1 (annual report), Gary Weiss work papers-EM-96-149, 5th Sharing Period

d. Depreciation reserve adjustment- General Ledger, DR No. 108R, 193R and 205R, Company's FERC Form 1 (annual report), Gary Weiss work papers-EM-96-149, 5th Sharing Period

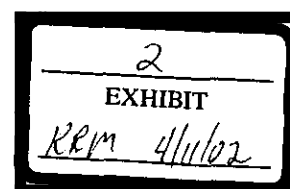
e. Materials and supplies- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R

f. Prepayments- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R

g. Fuel inventory- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R

h. Customer advances for constructions- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R

i. Customer deposits- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R



j. Power plant maintenance expense (Jan 1998 through Dec 2000) - Financial and Statistical Report Detail, DR No. 265R and DR No. 290R

k. Tree trimming expense (Jan 1997 through Dec 2000)- General Ledger, DR No. 129R and 160R, Memo from Dave Schepers to Jim Ketter on tree trimming effects dated 6/14/01.

l. Automated meter reading service expense- General Ledger, Combination Ledger, DR NO. 40, DR No. 172R, and GA19607-1UEC Report

m. Customer deposit interest expense- General Ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, and DR No. 139R and 195R

n. Property taxes- DR No. 36R and 194R, and Tax Department (Joseph Meyer) work papers.

o. Year 2000 computer modification expense- General ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, for the credit case and Report and Order in Case No. EO-96-14

p. Computer software expense- General ledger, Gary Weiss work papers-EM-96-149, 5th Sharing Period, for the credit case and Report and Order in Case No. EO-96-14

q. Amortization of Year 2000 computer modification expense- General ledger, DR No. 98 of Case No. EM-96-149 dated 02/09/00 and Report and Order in Case No. EO-96-14

r. Regulatory advisor consulting fees- DR No. 147 of Case No. GR-2000-512 and DR No. 233R, 257R of Case EM-96-149 both cases are AmerenUE.

s. Board of director advisor fees- DR No. 147 of Case No. GR-2000-512 and DR No. 233R, 257R of Case No. EM-96-149. Both cases are AmerenUE.

t. All work papers for Case EC-2002-1 were already provided to the Company

14. All prior testimony, reports, articles, memoranda, and presentations by Paul R. Harrison relating to total plant in service, depreciation reserve, plant in service adjustment, depreciation reserve adjustments, materials and supplies, prepayments, fuel inventory, customer advances for construction, customer deposits, power plant maintenance expense, tree trimming expense, automated meter reading service expense, customer deposit interest expense, property taxes, Year 2000 computer modification expense, computer software expense,, amortization of Year 2000 computer modification expense, regulatory advisor consulting fees, board of director advisor fees, or the process or objectives or ratemaking in general.

Attached is a copy of my testimony for AmerenUE Gas Case GR-2000-512 for the issues mentioned in question number 14.

31. All documents identified in response to Interrogatories.

All documents identified in the Interrogatories were provided as part of the previous questions.

32. All work papers, notes, e-mails, draft analysis, and calculations relating to or concerning or created for the Staff's audit of UE's earning under the EARP.

Attached is a copy of my work papers of Coal Inventory for 5th Sharing Period of the EARP.

Attached is a copy of my testimony for 5th Sharing Period of the EARP

33. All documents reviewed, relied upon, or consulted by you as part of the audit of UE's earning under the EARP.

Ameren Financial and Statistical Report Detail and Gary Weiss work papers EM-96-149, 5th Sharing Period.

34. All documents reviewed, relied upon, prepared, created, or consulted by you as part of the work done in preparing the Direct Testimony, exhibits, and schedules filed in the above-captioned rate case.

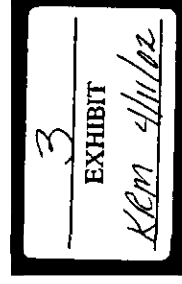
All documents were previously provided as part of question No. 13 and 14.

35. All source documents consulted by you or in any way used by you in the analysis presented in the Direct Testimony, exhibits, and schedules filled in the above-captioned rate case.

All source documents were identified in response to question No. 13.

Going Forward our adjustment
is warranted for Rate making
Purposes.

file Accounting Authority order
to receive treatment for ~~operator~~
unusual costs.



July 2. Testimony
Mar 1. Testimony

Greg Meyer, Steve Rekers, Mark Oligschlaeger
Joan Wendel, Lena Marshall,

Grammer & Clairfontaine

Lawyers -

Steve Dotthheim, Robert Frenson, Tim Schwarz

Eric Anderson, Jerry Frey, David Meyer

Grammer & Clairfontaine

Tree Trimming

Rick Schenk

Dave Schepers

Mature

John Roth

Accounting

Geary Winsa

Test Year
Update

1st June 30, 2000
Dec 31, 2000

Test Year
Update

Novel ~~Apr~~ Jan 30, 2001
Sep 30, 2001

The Staff was forced to go outside of the first year to make this adjustment. If the company had a looked thru expenditure in a reserve or deferred account which they received the insurance settlement ^{not to cash} after only the expense expenditure close & beyond the reimbursement of the settlement would had to be booked to the plant & maintenance expense accounts.

Double recording - expenses included in Cost of Service for setting rats and reimbursement from the insurance company

With out this adjustment it would have the expenditures included in the Cost of Service for every year going forward.

except for Book of Director Advisor fees
2 Prior Period Adjustments & analyzed
Question Plant maintenance expenses

Material & Supplies weighted Avg
Customer Advances for Construction
Customer deposits up and run
APR list for month 13 months Avg
Coal inventory analyzed, adjust change
one thing
change cost

5 Year avg now
13 months avg before







ERRATA SHEET

Deposition of: Paul R. Harrison
Case Caption: EC-2002-1
Date Taken: November 27, 2001

Page	Line	Correction	Reason
19	17	"2" should be "tube"	Typo
19	21	"2" should be "tube"	Typo
21	14	"GR double 0512," should be "GR-2000-512"	Typo
22	15	"base rate" should be "rate base"	Typo
23	23	"KTR [sic] double 0512" should be "GR-2000-512"	Typo
24	8	"97393" should be "GR-97-393"	Typo
28	9	"Field" should be "Fuel"	Typo
28	12	"GR double 0512," should be "GR-2000-512"	Typo
37	22	"Fixed" should be "Fifth"	Typo
48	22	"didn't use" should be "used"	Misquote
60	2	"FURC" should be "FERC"	Typo
60	10	"FURC" should be "FERC"	Typo
60	14	"FURC" should be "FERC"	Typo
63	2	"FURC" should be "FERC"	Typo
65	6	"dark" should be "column"	Typo
68	11	"EC" should be "NEC"	Typo
90	1	"for my" should be "and rigged"	Typo

Paul R. Harrison
Signature

(This is the signature page to the deposition of Paul R. Harrison taken on November 27, 2001.)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Paul R. Harrison, 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 _____

Paul R. Harrison
(Name)

My Commission Expires: _____

Notary Public: _____

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

THE STAFF OF THE MISSOURI)	
PUBLIC SERVICE COMMISSION,)	
)	
Complainant,)	Cause No.
)	EC-2002-1
vs.)	
)	
UNION ELECTRIC COMPANY,)	
d/b/a AMEREN UE,)	
)	
Respondent.)	

ENTIRE DOCUMENT PROPRIETARY

DEPOSITION OF PAUL R. HARRISON _____

Taken on behalf of the Respondent
November 27, 2001

Sheryl A. Pautler
Certified Shorthand Reporter

ORIGINAL

ASSOCIATED COURT REPORTERS

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spherion.

1	QUESTIONS BY:	PAGE NO.
2	Mr. Wolski	6
3	Mr. Franson	98

4
5 INDEX OF EXHIBITS

6	RESPONDENT'S NO.	PAGE MKD.
7	1 Materials and supplies document.	50
8	2 Automated meter reading document.	62

9
10 (Whereupon the exhibits were attached to the original
11 and the copies.)
12
13
14
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

THE STAFF OF THE MISSOURI)	
PUBLIC SERVICE COMMISSION,)	
)	
Complainant,)	Cause No.
)	EC-2002-1
vs.)	
)	
UNION ELECTRIC COMPANY,)	
d/b/a AMEREN UE,)	
)	
Respondent.)	

DEPOSITION OF WITNESS, PAUL R. HARRISON,
produced, sworn, and examined on the 27th day of November,
2001, between the hours of eight o'clock in the forenoon
and twelve o'clock noon of that day, at the Governor Office
Building, 200 Madison Street, Jefferson City, Missouri,
before SHERYL A. PAUTLER, a Notary Public and Certified
Shorthand Reporter within and for the State of Missouri, in
a certain cause now pending before the Public Service
Commission in the State of Missouri, wherein THE STAFF OF
THE MISSOURI PUBLIC SERVICE COMMISSION is the Complainant,
and UNION ELECTRIC COMPANY, d/b/a AMEREN UE is the
Respondent.

A P P E A R A N C E S

For the Complainant:

Mr. Robert V. Franson
Public Service Commission State of Missouri
Governor Office Building
200 Madison Street
Jefferson City, Missouri 65102
573-751-6651

For the Respondent:

Mr. Victor J. Wolski
Cooper & Kirk
1500 K Street N.W.
Suite 200
Washington D.C. 20005
202-220-9644

Also Present:

Mr. Mark L. Oligschlaeger
Department of Economic Development
Governor Office Building
200 Madison Street
Jefferson City, Missouri 65102
573-751-7443

Ms. Suedeene G. Kelly
Modrall, Sperling, Roehl, Harris & Sisk
500 Fourth Street NW 87102
Albuquerque, New Mexico 87103
505-848-1800

Mr. Gary Weiss
Ameren UE
1901 Chouteau Avenue
St. Louis, Missouri 63166
314-554-3878

Mr. Bruce E. Bruzina
Ameren UE
1901 Chouteau Avenue
St. Louis, Missouri 63166
314-554-4188

1 IT IS HEREBY STIPULATED AND AGREED, by and
2 between counsel for Complainant and counsel for Respondent,
3 that the deposition of PAUL R. HARRISON, may be taken in
4 shorthand by Sheryl A. Pautler, a notary public and
5 shorthand reporter, and afterwards transcribed into
6 typewriting; and the signature of the witness is expressly
7 reserved.

8 * * * * *

9 PAUL R. HARRISON,
10 of lawful age, being produced, sworn and examined on
11 behalf of the Respondent deposes and says:

12 MR. WOLSKI: For the record, we should
13 probably go around and introduce ourselves. We can start
14 with the witness, Mr. Harrison.

15 THE WITNESS: I'm Paul R. Harrison, regulatory
16 auditor Level 2 for the Public Service Commission.

17 MR. FRANSON: Robert Franson, associate
18 general counsel Public Service Commission here representing
19 staff and Mr. Harrison.

20 MR. OLIGSCHLAEGER: Mark Oligschlaeger, I'm a
21 regulatory auditor with the staff. I'm just here
22 observing.

23 MS. KELLY: Suedeene Kelly, I'm a professor of
24 law at the University of New Mexico School of Law currently
25 on part-time leave and working at the Modrall, Sperling Law

1 Firm.

2 MR. WEISS: Gary Weiss, supervisor of
3 regulatory accounting for Ameren.

4 MR. BRUZINA: Bruce Bruzina, I'm assistant
5 plant manager of Sioux Plant.

6 MR. WOLSKI: I'm Victor Wolski. I'm your host
7 this evening. I'm an attorney with Cooper and Kirk and I
8 represent Ameren UE in this case.

9 [EXAMINATION]

10 QUESTIONS BY MR. WOLSKI:

11 Q. I take it you're being represented today by
12 Mr. Franson; is that correct?

13 A. That's correct.

14 Q. Have you ever been deposed before?

15 A. No, I have not.

16 Q. You haven't. Just to make sure there's no
17 misunderstanding about what we're doing here today,
18 Mr. Harrison, I'll go over some of the ground rules and
19 explain the procedures that we're following. As you may or
20 may not know, a deposition is a procedure for taking your
21 testimony under oath in connection with a pending legal
22 action.

23 Even though we're here in a relatively
24 informal setting, this might be more formal than some
25 occasions at work depending on your office culture, but

1 even though this is relatively informal being in your
2 office in a conference room, your testimony is given today
3 under penalties of perjury just as if you were testifying
4 in a court of law. Do you understand that?

5 A. I understand that.

6 Q. As you can see, the court reporter here is
7 taking down everything that is being said by us during the
8 course of this deposition. I don't know if you will want
9 to waive presentment and signature.

10 MR. FRANSON: We will waive presentment but
11 not signature. We want it sent for signature for
12 corrections.

13 Q. (By Mr. Wolski) When your deposition is over,
14 you will get a copy of the transcript to read over and sign
15 and make corrections.

16 A. Okay.

17 Q. Today during the course of the deposition, I
18 will be asking you questions and your counsel, Mr. Franson,
19 might object to the form of the question for purposes of
20 getting the objection on the record, but you're still to
21 answer the question unless he expressly orders you not to
22 answer the question. Do you understand?

23 A. I understand.

24 Q. Feel free if you don't understand one of my
25 questions to ask for a clarification.

1 A. Okay.

2 Q. You can also ask if you want the court
3 reporter to read back a question for you.

4 A. Okay.

5 Q. If you don't ask for a clarification of one of
6 my questions, I'll assume that you understand that question
7 as it was phrased. Is that clear?

8 A. Okay.

9 Q. Now, there might be times when you don't know
10 an exact answer to the question I ask but you might have
11 some information on the subject or you can make a
12 reasonable approximation or estimate. Under those
13 circumstances, provide the information that you have to me.
14 Is that clear?

15 A. I understand.

16 Q. Of course on the other hand, if you have no
17 earthly idea of an answer, it's okay to say I don't know as
18 well.

19 A. Okay.

20 Q. Now, the court reporter is a human being as
21 you can see. She has just two hands and it's hard for her
22 to transcribe when two people are talking at the same time
23 or talking over each other. We have to be careful in the
24 course of the deposition not to interrupt each other. It's
25 probably a bigger concern for me than for you since I'm

1 from New Jersey and I'm inclined to interrupt people.

2 A. Okay.

3 Q. Just try to make sure we don't talk over each
4 other. Do you understand that?

5 A. Understood.

6 Q. Since the court reporter can't transcribe
7 non-verbal responses, she can only transcribe verbal ones,
8 it's important that you give a verbal response to all of my
9 questions instead of a nod of the head or shake of the
10 head. Do you understand that?

11 A. Yes, I do.

12 Q. That's when you're supposed to nod your head
13 and not say anything. Now, a few questions that we ask
14 everybody, so don't feel offended by them. Is there any
15 reason at all why you would not be able to give truthful
16 and accurate testimony to the best of your recollection at
17 today's deposition?

18 A. No.

19 Q. Do you have any medical condition or problems
20 that might interfere with your ability to give truthful and
21 accurate testimony in today's deposition?

22 A. No.

23 Q. Are you currently taking any drugs or
24 medication that might interfere with your ability to give
25 truthful and accurate testimony in today's deposition?

1 A. No.

2 Q. Now, what steps have you taken to prepare for
3 today's deposition?

4 A. We've had deposition prep last Wednesday and
5 also today. I reviewed my testimony, went over my work
6 papers, I discussed some the issues with Level 5, Level 4
7 auditors. I've also talked to my attorneys.

8 Q. Okay. Putting aside the discussions with your
9 attorneys since we don't want to breach any confidences,
10 who were the -- what were the discussions you had with the
11 Level 5 auditors; can you name the people that you
12 discussed this with?

13 A. Mark Oligschlaeger and Greg Meyer. That was
14 deposition prep.

15 Q. Okay. Did the discussions pertain to any of
16 the particular topics of your testimony?

17 A. The issues in general.

18 Q. Okay. Did you -- you said this was deposition
19 preparation?

20 A. Preparation for deposition, yes.

21 Q. What were the -- what were the topics of the
22 discussions you had, not with your attorneys but with the
23 regulators?

24 A. They asked some of the questions about power
25 plant maintenance and tree trimming and AMR expenses. They

1 asked typical questions that was in my testimony to see how
2 I responded to it.

3 Q. They have not given you any information that
4 pertains to those topics other than feedback?

5 A. No. Just feedback on what I answered to the
6 questions.

7 Q. The Level 4 auditors, who helped prepare you?

8 A. Doyle Gibbs. I asked him a couple questions
9 about different things that he was working on at his
10 deposition prep, just general questions.

11 Q. Any other Level 4 auditors?

12 A. That's basically it, had he been under a
13 deposition and what was it like; stuff like that.

14 Q. Just basic?

15 A. Yeah. What to expect.

16 Q. Okay. In addition to reviewing your testimony
17 and the work papers, did you review any other documents in
18 preparation?

19 A. For this?

20 Q. Yes.

21 A. Data requests that I received from the
22 company.

23 Q. Okay. Do you recall which ones those were?

24 A. The ones I received for the -- on the power
25 plant maintenance and for tree trimming and for plant in

1 service depreciation reserve and for AMR and also some of
2 the regulatory consultant fees.

3 Q. Had any of the answers to the data requests
4 come in after you filed your testimony?

5 A. Yes, they had.

6 Q. Did any of the -- did any of the information
7 in any of these data request responses cause you to at this
8 time to want to modify or change your testimony in any way?

9 A. No, it did not.

10 Q. Okay.

11 A. I also looked at the interrogatories that was
12 submitted to the company. I received that from the lawyer
13 and I went over those.

14 Q. Okay. Speaking of the interrogatories, I
15 guess three of the interrogatories --

16 MR. FRANSON: Let me interrupt. Which
17 interrogatories are we referring to; are we referring to
18 the company's interrogatories to staff?

19 Q. (By Mr. Wolski) Yes. I believe you just said
20 you looked at those interrogatories?

21 A. Right.

22 Q. Do you have a copy of those?

23 A. I think so.

24 Q. I can introduce an exhibit, but it might be
25 easier if I just take a look at them.

1 A. Which ones in particular?

2 Q. Do you have the staff response to the first
3 set of interrogatories, which is the second document there?

4 A. Yes, I have that one.

5 Q. Okay. If I recall correctly, three of these
6 interrogatories pertain to your testimony -- to the
7 prefiled testimony?

8 A. I think that's correct.

9 Q. The answers would be on Page 27 of that, Page
10 27 of the staff response.

11 A. Okay.

12 Q. Now, you were asked to identify the people who
13 reviewed a draft of your prefiled testimony?

14 A. That is correct.

15 Q. And you identified several people here?

16 A. That's correct.

17 Q. I was wondering if we could go through the
18 list of names that were identified as people who reviewed
19 your draft testimony and if you could tell me if any of
20 them have provided any substantive changes or suggestions
21 or any correction to the methodology of any of your topics?

22 MR. FRANSON: I will object only in that
23 several of these people are staff attorneys.

24 Q. (By Mr. Wolski) Well, when we hit each
25 attorney. Greg Meyer, did he have any substantive

1 suggestions or correct the methodology?

2 A. Clarification and spelling.

3 Q. Clarification, you mean --

4 A. To state the purpose a little better than the
5 way I stated it but still mean the same thing. He made
6 suggestions. If I agreed with that change, then I made the
7 change.

8 Q. Nothing that would change the substance or any
9 of the numbers?

10 A. No, it would not.

11 Q. Jim Schwieterman?

12 A. He's a Level 4 auditor and he was the lead
13 auditor for the case.

14 Q. Did he make any substantive changes to the
15 numbers?

16 A. Just clarification, spellings, grammar; that
17 type of thing.

18 Q. Mark Oligschlaeger?

19 A. He's here with us today. Same thing;
20 clarification, grammar.

21 Q. And his grammar clarifications were
22 particularly well taken?

23 A. Yes, sir.

24 Q. Lena Mantle?

25 A. She was the co-case coordinator. She reviewed

1 it, but I didn't get any feedback on it.

2 Q. The case coordinator, what does that person
3 do?

4 A. She interacted while we were at -- the audit
5 staff was on site at Ameren UE. She interacted with the
6 other counterparts here at the Commission and we provided
7 her the data request responses and the ones that were
8 submitted, she got with the responsible individual or
9 people that needed to know the information.

10 Q. Okay. Did she give any substantive
11 suggestions or change any of your numbers in any way?

12 A. I didn't get any feedback so I don't know.

13 Q. Jim Ketter?

14 A. He's an engineer here at the department and he
15 was on a couple meetings with us and I passed it through
16 him for tree trimming, power plant maintenance, to see if
17 he had anything with it. He had made no changes.

18 Q. Steve Dottheim?

19 MR. FRANSON: I'll tell you right now, Steve
20 Dottheim, Tim Schwarz, Denny Frey, Eric Anderson, Victoria
21 Kizito, Robert Franson, and Dave Meyer are all staff
22 attorneys here at the Commission.

23 Q. (By Mr. Wolski) Okay. We can blow past those
24 names.

25 A. Okay.

1 Q. Now, you also identified several of the people
2 who are listed in No. 22 as having participated or
3 contributed to the preparation of the testimony. Did they
4 participate in any way that's different from what you
5 described in connection with the review process?

6 A. No.

7 MR. FRANSON: Same objection as to the staff
8 attorneys previously identified.

9 Q. (By Mr. Wolski) Other than the attorneys?

10 A. No, they did not.

11 Q. Okay. Could you repeat again what your
12 current position is with the Commission Staff?

13 A. I am a Level 2 regulatory auditor for the
14 Public Service Commission.

15 Q. How long have you held that position?

16 A. Level 2 since January of 2001. Prior to that,
17 I was here for one year as a Level 1 auditor.

18 Q. Prior to coming to the Commission, what was
19 your job immediately before that?

20 A. I was a manager for Tool Warehouse,
21 Incorporated.

22 Q. For what?

23 A. Tool Warehouse, Incorporated.

24 Q. Is that located in Missouri?

25 A. It's in Missouri, yes.

1 Q. How long were you there?

2 A. Four years.

3 Q. What were your responsibilities there when you
4 were a manager?

5 A. Sales analysis, looking at previous sales
6 comparing to current sales, sales projection going forward,
7 sales quotas, purchasing, inventory, customer relations;
8 that type of stuff.

9 Q. Okay. And the particular product or service
10 that you were selling?

11 A. Tools.

12 Q. Would that be all manner of tools or household
13 tools?

14 A. Power tools, household tools, industrial
15 tools.

16 Q. What would be the largest tool or machine that
17 you would have been responsible for there?

18 A. Compressors, drill presses; that type of thing
19 would have been the largest.

20 Q. Prior to working at Tool Warehouse, Inc.?

21 A. I was in the Air Force.

22 Q. Okay. How long were you in the Air Force?

23 A. 23 years.

24 Q. What were your responsibilities there? Did
25 you ever have any engineering responsibilities?

1 A. No, I did not. I was superintendent of
2 missile mechanical flight when I retired from the Air
3 Force.

4 Q. That's what -- that's the position you held
5 when you retired?

6 A. When I retired.

7 Q. What other positions did you hold in the Air
8 Force?

9 A. I was superintendent of team training branch,
10 I was superintendent of the missile wing job control
11 branch, I was a non-commissioned officer in charge of
12 several missile sections, I was a missile handling team
13 chief, missile maintenance team chief, missile technician.

14 Q. Okay. Had you taken any engineering courses
15 while you were in the Air Force?

16 A. No, I did not.

17 Q. Did you take any while you were in college?

18 A. No, I did not.

19 Q. Did you ever work in a field that related to
20 engineering in any way?

21 A. No, I did not.

22 Q. Okay. I take it you've never worked at an
23 electric power plant?

24 A. I toured a couple three of them, but I have
25 not worked at them, no.

1 Q. When were your tours?

2 A. This past summer, I visited Rush Island, I
3 visited Venice Power Plant, and Sibly Power Plant.

4 Q. Okay. Were these tours as a member of the
5 group from the Commission?

6 A. Yes, it was.

7 Q. When you were at each of the plants, about how
8 long did you tour the plant; do you recall how many hours?

9 A. Rush Island, we were there for about three
10 hours, three to four hours; Venice, we were there about
11 three hours; the Sibly Power Plant, we were there two and a
12 half to three hours.

13 Q. Was the itinerary of the tour determined by
14 the Public Service Commission Staff?

15 A. The first one, I was there with some
16 engineers. They were looking at when one of the units went
17 down for the Vent 2 problem. They had it opened up and we
18 were looking at that. We had a tour of the whole place
19 while we were there.

20 Q. Could you explain a little more about the Vent
21 2 problem?

22 A. It overheated and one of the units were
23 shutdown and they had it pulled apart performing
24 maintenance on it. We got to see what inside the turbine
25 and everything looked like.

1 Q. So you went not because there was a problem,
2 but because this gave you an opportunity to look at the
3 inside of it?

4 A. The engineer was going because of the problem.
5 I went down there so I could get a tour with some of the
6 other folks here at the Commission.

7 Q. Okay. The other trips?

8 A. They were basic just tours at the plants.

9 Q. In the other trips, did you get to observe the
10 maintenance process at all?

11 A. No. They were up and running. We got to go
12 through and look at the boilers, the turbines, the
13 generator, the switching yard; stuff like that.

14 Q. Okay.

15 A. Coal piles; that kind of thing.

16 Q. Could you identify today any information that
17 you learned based on the plant trips that helped you in
18 determining your adjustment on power plant maintenance?

19 A. Actually, getting to see the different things
20 and understanding the concepts behind what they were
21 talking about the different things.

22 Q. Do you recall which concepts in particular
23 stick out?

24 A. The turbine and we were talking -- talked to
25 the plant manager there at Rush Island about interval for

1 power plant maintenance, amount of coal they have stored
2 there; that kind of thing.

3 Q. What did you learn concerning the amount of
4 coal that was stored?

5 A. How much they had on hand at any given time.

6 Q. Do you happen to know if that was increasing
7 over time or if it had increased?

8 A. No, I don't know.

9 Q. Now, I believe the prefiled testimony that you
10 submitted in this case is the second occasion that you
11 filed testimony for the Commission?

12 A. That is correct.

13 Q. And your previous testimony was in the --

14 A. Ameren UE Case No. GR double 0512.

15 Q. Now, that testimony had some similar issues
16 with your current testimony, I believe. There was an
17 automated meter reading service issue, correct?

18 A. Correct.

19 Q. And there was Y2K software expenses?

20 A. Correct.

21 Q. I think there were consulting advisor fees?

22 A. Advisor fees, dues and donations, advertising.

23 MR. FRANSON: Mr. Harrison, do you have that
24 testimony with you? Would that help you in answering these
25 questions?

1 THE WITNESS: I don't have it with me.

2 Q. (By Mr. Wolski) Other than the automated
3 meter reading service, Y2K software, and consulting advisor
4 fees, I believe that the other topics of your prefiled
5 testimony in this case are new topics that you hadn't
6 covered previously; is that correct? At least they were
7 not included in your prior testimony?

8 A. I believe that is correct.

9 Q. There was no materials and supplies adjustment
10 for the gas case by you?

11 A. There was none for me, but the lead auditor,
12 Jim Schwieterman, worked on that. He showed me different
13 things about what he was doing, how he was doing it,
14 interaction between that. He did plant in service,
15 depreciation reserve, other base rate items in this case.

16 Q. Did you work with him in his formulation of
17 those numbers in this case?

18 A. I gathered some data with him and I also
19 worked with him on some of his issues gathering data for
20 him and seen the reasons behind some of the issues and some
21 of the adjustments he was making.

22 Q. So for materials and supplies for instance,
23 Mr. Schwieterman, was that the main person you turned to
24 when you were assigned the topic in this case?

25 A. He was the lead auditor; that is correct.

1 Q. Did you obtain information from any other
2 staff member concerning materials and supplies after you
3 had been assigned to that topic in this case?

4 A. No.

5 Q. Did you rely on anyone's past testimony for
6 the topic of materials and supplies?

7 A. The accounting department has technical
8 manuals, training manuals, and they cover specific items
9 and specific issues and depreciation reserve, plant in
10 service and other rate base items is included in those.
11 They call them white papers, technical manuals. We also
12 have a training module, and I went over that different
13 stuff -- different kinds of stuff.

14 Q. Okay. For the topic of customer advances for
15 construction, when you were assigned that in this
16 particular case, who did you turn to for information?

17 A. Lead auditor, Jim Schwieterman.

18 Q. Was there anyone else you discussed that
19 subject with?

20 A. No.

21 Q. Did you look at any past testimony on that
22 topic?

23 A. The KTR [sic] double 0512. When I was working
24 these issues, Jim Schwieterman worked those issues. I knew
25 that information was there. Since that was for the same

1 company, I utilized that quite a bit and his work papers
2 and also his testimony and looked at that, the way he had
3 did it to give me a starting point to work these issues.

4 Q. Did you look at any testimony prior to that
5 case for the subject of customer advances for construction
6 prior to the 2000 gas case?

7 A. I've looked at other testimony pertaining to
8 it, but I think it was the 97393 case of Ameren UE and that
9 was another gas case, but I can't tell you who was working
10 the issues.

11 Q. Okay. You hadn't worked on materials and
12 supplies or customer advances for construction. Did you
13 work on those two issues, in either of those two issues, in
14 support capacity when you were a Level 1 auditor; did you
15 support the person who was giving testimony for any
16 utility?

17 A. Jim Schwieterman, the lead auditor, as he was
18 working through it on the gas case, like I said, I gathered
19 data for him. And I also, as he worked through the
20 different issues, as I had questions, I asked and he would
21 give me the explanation for the reasons why he was doing
22 certain things.

23 Q. Did you have any involvement with those
24 topics, materials and supplies and customer advances for
25 construction, in connection with any other case last year?

1 A. No, I did not.

2 Q. Okay. Power plant maintenance, had you worked
3 on that issue prior to giving your testimony in this case?

4 A. No, I have not.

5 Q. Okay. Who did you turn to for information on
6 that topic once it was assigned to you for this case?

7 A. I utilized two people actually; Greg Meyer,
8 who's Level 5, he's the case coordinator and also Jim
9 Schwieterman, the lead auditor.

10 Q. Now, as a case coordinator, what would
11 Mr. Meyer's role be in this particular case?

12 A. He coordinated the case with other PSC and
13 also he was on site and he worked different issues and he
14 also coordinated between all the different ones we had down
15 there. Normally if we had meetings with the company or
16 something like that, he would be in on that.

17 Q. Okay. You said Jim Schwieterman was the lead
18 auditor. Does that mean that all the individual auditors
19 would report to him for purposes of checking the testimony?

20 A. As they completed their issues and their
21 testimony and also their work papers and their adjustments,
22 they coordinated it through him.

23 Q. To your knowledge, did he review everybody's
24 testimony prior to it being finalized?

25 A. I don't know that. I know he reviewed mine

1 and he also reviewed all my work papers.

2 Q. Is there a new lead auditor that was put on
3 the case since Mr. Schwieterman left?

4 A. I think Doyle Gibbs picked up his issues, but
5 I don't know if he picked up the responsibility as lead
6 auditor.

7 Q. Okay. What are the other roles that a lead
8 auditor plays other than what we just mentioned?

9 A. They have their own issues that they are
10 working and coordination within the audit team that's on
11 site and also if we have meetings, different things with
12 the company, he sits in on that. I think he's been around
13 for about 26 years. He had a lot of experience that he
14 could pass on to all of the auditors.

15 Q. Okay. Prior to being assigned tree trimming
16 expenses for this case, had you worked on tree trimming
17 expenses in previous cases?

18 A. No, I have not.

19 Q. When you were assigned that topic for this
20 case, who did you turn to to get information from in order
21 to do the adjustments?

22 A. The lead auditor and I also looked at
23 testimony and work papers of previous cases. If I could
24 find it, I don't know whether tree trimming was one of them
25 or not. I reviewed that, looked at the technical manuals,

1 training manuals, everything within the accounting
2 department. As I worked through the issues, anything I had
3 a problem with or didn't understand, I utilized the
4 knowledge of Jim Schwieterman or Greg Meyer or one of the
5 other auditors that was on site that would have had the
6 experience.

7 Q. Okay. Did Mr. Schwieterman explain whether or
8 not the Public Service Commission Staff had any particular
9 policy concerning how you average past years or past months
10 data in order to get a test year number?

11 A. I have discussed that with Mr. Schwieterman --
12 or Jim Schwieterman, yes, several different times.

13 Q. And did he tell you if there's a policy as to
14 when you would go with the actual data from the test year
15 and when you would make some adjustment or normalize it?

16 A. Based on the data, whether it went up, whether
17 it went down, tracking period; that kind of stuff. We
18 talked about that and some of the technical manuals,
19 training manuals that I reviewed that also discussed that.

20 Q. Okay. Tracking period; can you explain what
21 you mean by that?

22 A. What's that?

23 Q. I believe you said tracking period?

24 A. I don't think I said that.

25 Q. That's what I thought you said.

1 A. If I used the word tracking period, I'm
2 talking about the length of the period in which you're
3 looking at.

4 Q. What would there be about a particular expense
5 item or rate base item that would conclude -- that would
6 make you conclude that the item needed to be adjusted or
7 normalized?

8 A. We would look at an average. For instance,
9 like field inventory that I looked at, we used a 13-month
10 average on that and reviewing the company's papers and also
11 reviewing the previous papers that was done in GR double
12 0512. That case, that was the method used there, the
13 methodology that was used.

14 Q. Do you know why 13 months are used as opposed
15 to 12 months or 14 months?

16 A. 13 months gives you -- 13 balances 12 period.
17 It gives you a starting point and ending point so you've
18 got a full year of data to analyze.

19 Q. Is it important to use a full year of data?

20 A. I think so, yes.

21 Q. Okay. What are the factors that would lead
22 one to conclude that the test year number is not a
23 representative number for purposes of determining what
24 future expenses or future rate base should be?

25 A. If you've got an upward trend throughout the

1 whole period of time or if you've got one period that is
2 extremely high like at the beginning, then it drops off and
3 stays constant throughout, then you've got an abnormal test
4 year. If you've got an extremely low month and that's the
5 only one, at the beginning or anywhere in it, then you try
6 to figure out why it's lower than the rest of it is and try
7 to come up with some type of analysis.

8 Q. Okay. Is there any particular rule of thumb
9 that the staff follows to determine when you're averaging
10 several years data how many years back you go; for
11 instance, why would you use a three-year average as opposed
12 to a five-year average?

13 A. We try to use the most current data that's
14 available to use. Then you look at the years, the
15 historical period month by month and try to come up with
16 some calculation how the numbers all fit together, do some
17 type of analysis of it.

18 Q. So you don't have --

19 A. The most current is better and then you
20 look -- just look at the numbers and come up with an
21 analysis.

22 Q. So you don't come to an expense category with
23 a rule already in place as to how many months or years back
24 you're going to average. You would take a look at the data
25 first and try to determine from that the period of time in

1 which you're going to be doing your average?

2 A. If you're talking about rate base items for
3 instance, you've got methodology that's already there
4 that's been utilized by the Commission, by the staff in
5 previous cases. It's typically done the same way each time
6 from case to case.

7 I use a 13-month average unless there's
8 something that precludes that. As far as the other
9 averages, like for power plant maintenance or tree
10 trimming, we try to look at most current data available and
11 try to connect with actual expenses like cycle or interval
12 which is happening at the company for that period of time.

13 Q. So before you had looked at the power plant
14 maintenance issue for this particular case, you hadn't
15 already adopted a period over which you would be averaging
16 the expenses; the period you chose was based on your review
17 of the data?

18 A. That is correct. I had not had a number of
19 years that I was going to do an average walking into it
20 until after I collected the data, the data requests and all
21 the different information from the company and looked at
22 the F and S report and different stuff like that, analyze
23 the data.

24 Q. Your analysis of the data is what led you to
25 choose the time period that you used for purposes of making

1 the average?

2 A. For which?

3 Q. For the one you just -- the example you just
4 gave.

5 A. Power plant maintenance or tree trimming?

6 Q. Tree trimming for instance.

7 A. Right. Meetings with the company we had and
8 information that we got from them and also data requests
9 that we got from them.

10 Q. And that's -- Let me clarify my question. The
11 time period that you chose over which to average the tree
12 trimming expenses was determined after consulting the data?

13 A. Right. That is correct.

14 Q. I just wanted to clarify. And the same thing
15 is true for the power plant maintenance?

16 A. That is correct.

17 Q. So there was no preconceived rule you followed
18 coming in?

19 A. No, there was not.

20 Q. Okay. Are you aware of the total size of the
21 revenue reduction that's proposed by the staff in this
22 case?

23 A. I believe it's \$250 million.

24 Q. In the course of doing your adjustments, do
25 you know how your adjustments have affected that amount,

1 that revenue reduction amount?

2 A. No, I do not.

3 Q. Okay. Have you considered what the revenue
4 reduction that's proposed by the staff in this case would
5 do to UE's rates?

6 A. No, I have not.

7 Q. Okay. Have you considered the impact that
8 this revenue reduction proposed by the staff would have on
9 UE's ability to make needed investments?

10 A. No, I have not.

11 Q. Or on UE's ability to invest in New
12 Generation?

13 A. No, I have not.

14 Q. Or UE's ability to invest in infrastructure?

15 A. No, I have not.

16 Q. Have you considered the impact of the revenue
17 reduction on Ameren UE's stock price?

18 A. No, I have not.

19 Q. Are you familiar with mergers and acquisitions
20 involving American utilities over the last few years?

21 A. No, I am not.

22 Q. Did you know that Louisville Gas and Electric
23 was taken over by a British company recently?

24 A. I was not aware of that.

25 Q. Did you consider whether the revenue reduction

1 that's proposed by the staff in this case would make Ameren
2 UE more vulnerable to a takeover bid?

3 A. No, I did not.

4 Q. Have you considered the impact of the revenue
5 reduction proposed by staff on economic development on the
6 State of Missouri?

7 A. At the time I was doing the issues, no, I did
8 not.

9 Q. Okay. Have you considered that since?

10 A. I've read up on economic development, that
11 being one of the departments that we work underneath, and
12 that is one of the goals of the Public Service Commission.
13 I am aware of that, but that was after the fact.

14 Q. Okay. Do your proposed adjustments in your
15 testimony increase or decrease the total revenue reduction
16 proposed by the staff in the case, do you know on that?

17 A. I don't know.

18 Q. The Public Service Commission is obligated to
19 set rates that are just and reasonable?

20 A. That is correct.

21 Q. Is the Public Service Commission obligated to
22 balance the interest of rate payers, investors,
23 shareholders, and the public?

24 A. The staff's position is to balance the
25 interest between the rate payers and the company.

1 Q. Okay. One purpose of your job as a member of
2 this staff would be to develop a recommendation to the
3 Commission as to UE's revenues based on your particular
4 items?

5 A. Could you repeat that question, please?

6 Q. Yes. One purpose of your job as a member of
7 this staff is to develop a recommendation to the Commission
8 as to UE's revenues for the particular topics of your
9 testimony?

10 A. Based on my issues, that is correct.

11 Q. What's your understanding of the term just and
12 reasonable as it pertains to rates?

13 A. Just and reasonable rates for the rate payer.
14 It could have several different definitions by different
15 people. Fair price.

16 Q. How would the fairness of a price be
17 determined?

18 A. Looking at both sides of the issue for the
19 company and for the rate payer and balance the interest
20 between the two and coming up with a calculation based on
21 the analysis and the numbers.

22 Q. What are the concerns of the company that you
23 would consider in performing this balance?

24 A. One of the things that we have to look at is
25 the opportunity for the company to have a good rate of

1 return. There's nothing guaranteed, but we have to look at
2 the opportunity as members of the staff to try to balance
3 the interest there and also with the rate payers.

4 Q. Do you know what the rate of return proposed
5 by staff in this case is?

6 A. No, I do not.

7 Q. Okay. Your job includes the responsibility to
8 give the Commission sufficient information and analysis to
9 allow them to determine just and reasonable rates?

10 A. That's correct.

11 Q. Your written prefiled testimony recommends
12 certain adjustments to UE's proposed revenues?

13 A. That's correct.

14 Q. These adjustments are to help the Public
15 Service Commission to determine just and reasonable rates?

16 A. That's correct.

17 Q. In developing your just and reasonable
18 recommendation for the Commission, you considered all the
19 factors that were material to the various areas in your
20 testimony?

21 A. Yes, I did.

22 Q. And you included in your written testimony all
23 the information that's material to the analysis of each of
24 the topics?

25 A. That is correct.

1 Q. So everything that the Commission would need
2 to make its just and reasonable decision on the topics of
3 your testimony are included in --

4 MR. FRANSON: Objection. A lot of this calls
5 for speculation. You're asking for interpretation of what
6 the Commission would consider and that's outside the scope
7 and knowledge of this witness.

8 Q. (By Mr. Wolski) Let me rephrase the question
9 then. In your opinion, as a staff member who's responsible
10 for giving analysis and recommendations to the Commission,
11 everything that the Commission would need to make a
12 decision on your topics is included in your prefiled
13 testimony?

14 A. I would say, yes, I did everything possible to
15 put together all the information that they would need to
16 make a decision.

17 Q. Okay. Is it your understanding that in
18 setting just and reasonable rates, the Commission's
19 required to consider any gains that might be realized
20 through increased efficiency?

21 A. Could you repeat the question, please?

22 Q. Is it your understanding that in setting just
23 and reasonable rates, the Commission's required to consider
24 any gains that might be realized through increased
25 efficiency?

1 A. I don't know.

2 Q. In performing your analysis, did you consider
3 any gains that might be realized through increased
4 efficiency?

5 A. I didn't look at it.

6 Q. Okay. So you didn't consider questions of
7 efficiency at all in making your recommendations?

8 A. No, I did not.

9 Q. Is it your understanding that in setting just
10 and reasonable rates, the Commission's obligated to
11 consider rate stability?

12 A. I don't know.

13 Q. In performing your analysis, did you consider
14 rate stability?

15 A. No, I did not.

16 Q. Are you aware of the EARP, the Experimental
17 Alternative Regulation Plan, that UE has been under for the
18 previous six years?

19 A. I'm not that familiar with it. I got in on
20 the tail end of it. I think I picked up one of the issues
21 that one of the other auditors had right at the end of the
22 case; the fixed sharing credit I think it was.

23 Q. In performing your analysis for your
24 testimony, did you consider how UE's operating under an
25 EARP may have affected its expenses?

1 MR. FRANSON: I'm going to object as to
2 relevance to any questions at all about the EARP. Just
3 make it a continuing objection with the idea hopefully I
4 don't have to say that every single time.

5 MR. WOLSKI: Fair enough.

6 THE WITNESS: Could you repeat the question,
7 please?

8 MR. WOLSKI: Could you read back the question
9 please?

10 (Whereupon the reporter read back the previous
11 question.)

12 MR. FRANSON: Before he answers, we have an
13 agreement that I have a continuing objection to the
14 relevance of any questions regarding the EARP so I don't
15 have to object every single question?

16 MR. WOLSKI: Sure.

17 A. Could you repeat the question again?

18 Q. (By Mr. Wolski) In performing your analysis
19 for the issues in your prefiled testimony, have you
20 considered how UE's operating under an EARP might have
21 affected its expenses or the amount in any rate base
22 category that was the subject of your testimony?

23 A. I don't know enough about EARP to give you an
24 answer about it.

25 Q. So you didn't compare expenses under the EARP

1 with expenses pre EARP to determine whether the EARP made
2 any difference?

3 A. I did not, no.

4 Q. Okay. Earlier, you mentioned that a 13-month
5 average is used so you would have a full year of data in
6 certain categories?

7 A. That's correct.

8 Q. Materials and supplies is one of those
9 categories which you used a 13-month average or you used a
10 12-month average?

11 A. I used a 12-month average on materials and
12 supplies.

13 Q. What was the reason you only used 12 months?

14 A. Sometime between December '99 and January 1
15 or -- January 31, 2000, there was a decrease of 12,615,000
16 and it remained at that -- it was permanent from that date
17 forward so I used a 12-month average with that one instead
18 of 13.

19 Q. But typically, the staff would use a 13-month
20 average for this rate base component?

21 A. That is correct.

22 Q. Okay. It's also the staff's policy to throw
23 out a month like the December/January month that you didn't
24 use?

25 A. That is correct; that's my understanding.

1 Q. Is that based on anything in the manual or is
2 that something Mr. Schwieterman said or do you recall?

3 A. When I talked to Mr. Schwieterman, that's what
4 he indicated.

5 Q. Okay. But you tried to use 13 months if you
6 can to capture a full year's data?

7 A. That is correct.

8 Q. Are you aware of the Commission in the past
9 using 12 months instead of 13 months as the average for
10 materials and supplies?

11 A. According to Jim Schwieterman, it had been
12 done. Have I personally seen it? No.

13 Q. Why did you use a straight average as opposed
14 to a weighted average for this category?

15 A. For materials and supplies?

16 Q. For materials and supplies.

17 A. Typically the methodology used is a 13-month
18 average. So I dropped that one month out and I used a
19 12-month average instead. I didn't really look at the
20 weighted average.

21 Q. Typically the weighted average isn't used?

22 A. Typically a weighted average would be more if
23 you had an upper trend at the end of the period or
24 something like that, then you'd give more weight to that
25 period so you would use a weighted average. I think that's

1 what I used in customer advances for construction.

2 Q. Do you have available the January 31, 2001,
3 balance for materials and supplies?

4 A. I think so.

5 Q. Do you happen to know when you got that?

6 A. December 31, 2000?

7 Q. January 31, 2001, balance.

8 A. I've got December 31, 2000, balance.

9 Q. But you have not received the January 31,
10 2001, balance yet?

11 A. As part of this case, I don't think I have.

12 Q. The testimony you filed was in -- it was July
13 I believe, correct?

14 A. July 2 of 2001.

15 Q. Did you ask for the January 31, 2001, balance?

16 A. I asked for the test year updated through
17 December 31, 2000. That was our update test period.

18 Q. Now, if you wanted to use a 13th month for an
19 average of materials and supplies, couldn't you have gotten
20 the January 31, 2001, data?

21 A. I didn't look at that.

22 Q. If you had the January 31, 2001, number, would
23 it have taken much more time to calculate the average?

24 A. Well, see, since our test year update ended
25 December 31, 2000, and all the plant in service, all the

1 reserve, all the rate base items, everything is inclusive
2 of that period. We would be going outside of our test year
3 period to incorporate January 31, 2001, into it.

4 Q. If you used December 31, 1999, data, you would
5 have also been going outside the test year, wouldn't you,
6 to do a 13-month average since the test year is a year and
7 13 months is more than 12?

8 A. That's the methodology that we've always used,
9 using 13 months, pulling back to the previous point. No,
10 it would not. Actually, our original test year ran from
11 July of '99 through June 2000, to the end of June 2000.
12 Our update test period carried us forward to December 31,
13 2000. That was inclusive in the period of time we were
14 looking at.

15 Q. If the most recent data is more important to
16 use than older data, as I think you said earlier you try to
17 use the most recent data, do you know why the staff would
18 have a policy of pulling the 13th month from the past,
19 rather than going forward and using the more recent month?

20 A. Could you give me an example, please?

21 Q. Example would be the update period herein
22 through December 31, 2000.

23 A. Correct.

24 Q. For the 13th month in that period, you said
25 you normally would pull back to December '99?

1 A. That's correct.

2 Q. Is there a reason why the Commission would
3 move backwards in time to get the 13th month, rather than
4 move forward in time to the next month, which in this case
5 would be January 2001?

6 MR. FRANSON: Objection only to the form of
7 the question. You're using the term Commission a lot. I
8 need to remind you that Mr. Harrison is a member of staff.

9 MR. WOLSKI: Thank you.

10 A. There again if I understand your question,
11 January 2001 falls outside the test year as updated and I
12 would not have utilized that period of time. As far as the
13 selection of the test year, I had nothing to do with the
14 selection of the test year. These were the parameters that
15 I was given that I was working under.

16 Q. (By Mr. Wolski) Test year numbers are updated
17 for known and measurable changes for future periods; is
18 that correct?

19 A. That's my understanding.

20 Q. Looking at known and measurable changes would
21 require you to look at data that's more recent than the
22 test year period, doesn't it?

23 A. I don't know.

24 Q. Wouldn't the actual data for the materials and
25 supplies account of the company as of January 31, 2001, be

1 something that's both known and measurable?

2 A. There again, that falls outside our test year
3 as updated. And my guidance on these issues was
4 specifically the date range of our test year as updated
5 through December 31, 2000.

6 Q. Do you know who made that decision?

7 A. That was given to me by Jim Schwieterman and
8 also the case coordinator, Greg Meyer, and I don't know
9 where they received it from.

10 Q. Okay. Another category that you used the
11 13-month average --

12 MR. FRANSON: At any time --

13 MR. WOLSKI: I forgot to say earlier, we can
14 take a break whenever you want to.

15 MR. FRANSON: If this is a good time.

16 MR. WOLSKI: Sure.

17 (Whereupon there was a short break and
18 Ms. Kelly left the deposition.)

19 Q. (By Mr. Wolski) Now, another component of the
20 rate base that you used the 13-month average was the
21 customer advances for construction?

22 A. That is correct.

23 Q. And that's the one you used the weighted
24 average?

25 A. Right. I've got a copy of that on the back of

1 my schedule.

2 Q. That's attached to the back of the testimony?

3 A. Yes, it is, Schedule 1.

4 MR. WOLSKI: I guess one thing I should note
5 now for the record is that if we're discussing -- since we
6 might be discussing or it's possible we'll be discussing
7 proprietary information that was in the prefiled testimony,
8 what we should probably do is keep the transcript initially
9 confidential because of the proprietary information and
10 just review and if we can release everything but
11 proprietary numbers that might show up.

12 MR. FRANSON: All of the depositions that I
13 know will be considered confidential by staff. However I'm
14 sure the protective orders and the statutes will govern
15 that. Are you asking for anything extra or something in
16 particular in this case?

17 MR. WOLSKI: I guess I'm not asking for
18 anything more than that, but just to clarify we might be
19 discussing proprietary information so that the transcript
20 is going to be subject to a protective order so we should
21 have the transcript marked that it's subject to a
22 protective order and it's confidential so that it's a
23 safeguard against any information that's in there.

24 MR. FRANSON: The problem is we've probably
25 already done that numerous times. Are you asking the whole

1 thing to be proprietary?

2 MR. WOLSKI: I think we should consider it
3 proprietary until we have a chance to review and make sure
4 there are instances of non-proprietary information that can
5 be released.

6 MR. FRANSON: You folks would be the primary
7 ones since it's primarily your information we're talking
8 about. So as far as I'm concerned, I don't believe I
9 understand you to be asking for anything different than the
10 protective order and the statutes would require. If you're
11 asking to label the whole thing proprietary, I don't know
12 that we have an objection to that.

13 MR. WOLSKI: I think that might be the best
14 approach to it in case there is proprietary information
15 that we will discuss or have discussed already in the
16 course of the deposition that would be in the transcript.
17 I don't believe we have so far, but.

18 MR. FRANSON: Oh, I think actually we have.
19 We talked about power plant maintenance, tree trimming.

20 MR. WOLSKI: Well, we'll consider it
21 proprietary until we have a chance to review and make sure.

22 MR. FRANSON: I don't know that we disagree.
23 I'm not quite sure what you're wanting.

24 MR. WOLSKI: I just want to make sure it's
25 clarified. Just so we feel easier about referring to

1 numbers and whatnot.

2 Q. (By Mr. Wolski) That was Schedule 1 to your
3 prefiled testimony?

4 A. That's correct.

5 Q. That has 13 months that you used for customer
6 advances for construction?

7 A. That is correct.

8 Q. And is there a specific staff policy that
9 governs when you would use a weighted average?

10 A. If there's an upward trend on the other rate
11 base items.

12 Q. How would upward trend be determined?

13 A. If you look at this analysis here for
14 instance, from like August on up, it's constantly going up
15 every month. That's why I used a weighted average here to
16 indicate that upward trend at the end of the period there.

17 Q. When would -- why didn't you instead of using
18 the weighted average, just use the final month and multiply
19 by 12?

20 A. I could have used an ending balance as of
21 December because it's clearly an upward trend from
22 December '99 to December 2000. I could have used the
23 upward trend on that.

24 Q. There's no particular rule that would require
25 you to use one or the other?

1 A. No. I could have used either method. I chose
2 this method because I thought it was more accurate, more
3 actual than going with the upward number because of the
4 several months on the low side that was up and down.

5 Q. Okay. Why don't we go through that. From
6 looking at your Schedule 1 to your testimony, from Month 1
7 to Month 2 --

8 A. There was a decrease.

9 Q. -- it goes down. Then Month 2 to Month 3?

10 A. It went up.

11 Q. But it was still down relative to the first
12 month, right?

13 A. That's correct.

14 Q. Month 4?

15 A. It increased.

16 Q. Then Month 5?

17 A. Decreased just a little.

18 Q. Okay. Then Month 6 it goes down?

19 A. Right.

20 Q. It goes down quite a bit in Month 6? That's
21 actually the lowest of the months, isn't it?

22 A. That's another reason I didn't use the
23 weighted average because it was up and down. Then June, it
24 went up.

25 Q. June went up. July?

1 A. July went up. August it dropped back down
2 some, then September, October, November, and December it
3 went up.

4 Q. Overall, I guess --

5 A. Right there at the end is the upward trend.

6 Q. Just the last four months is the upward trend?

7 A. But if you look at December '99, compared to
8 December 2000, there's clearly an upward trend there.

9 Staff has used both methodology, both methods. They used
10 the ending balance and they've also used the weighted
11 average. I used the weighted average because I felt it
12 would be closer to the actual numbers.

13 Q. What would be the primary factor that would
14 make you choose the weighted average as opposed to the
15 ending balance; was it because months went up and down?

16 A. Right. One of them, customer deposits that I
17 did, it went up continuously throughout for that
18 particular --

19 Q. So if it goes continuously up --

20 A. It went continuously up I think except for
21 November. But for all the rest of it -- December
22 actually dropped down from what November was, but for every
23 month, it constantly went up where there's clearly an
24 upward trend through the entire period.

25 Q. You said you also consider the first period

1 and the last period and see if there's an upward trend?

2 A. Right.

3 Q. Do you have your work papers for materials and
4 supplies?

5 A. Yes, I do.

6 Q. Is this sheet one of the sheets that you used?

7 A. Can I see it, please?

8 Q. Sure.

9 A. Yes, it is.

10 MR. WOLSKI: Mark this as Exhibit 1.

11 MR. FRANSON: Could I see that?

12 (Whereupon the reporter marked Respondent's
13 Exhibit No. 1 for identification.)

14 Q. (By Mr. Wolski) Here's Exhibit 1. Now, for
15 materials and supplies, this is the one where you threw out
16 the December '99 because you said it was the periodic
17 adjustment that the company makes for the inventories?

18 A. That's correct.

19 Q. You did not use an extra month. You just used
20 12 months for the average?

21 A. That is correct.

22 Q. Now, from the first period of your sample
23 which was January of 2000 down to December, comparing
24 January 2000 to December 2000, it's clearly gone up, hasn't
25 it?

1 A. There is an increase, yes. But if you look at
2 the various months, 78,305, in the second month 79,473.

3 Q. The second month -- from the first to the
4 second, it goes up?

5 A. Right.

6 Q. The second to the third it goes up?

7 A. That's correct.

8 Q. And then the third to the fourth?

9 A. It goes up.

10 Q. The fourth to fifth it goes down again; fifth
11 and sixth goes up?

12 A. But not as far up as it was in April.

13 Q. The next month it goes up?

14 A. Right.

15 Q. Higher than it had been previous?

16 A. That's correct.

17 Q. Then the next month, it goes up again?

18 A. Right.

19 Q. Then the following month was September?

20 A. It drops down.

21 Q. It drops down. October it goes up?

22 A. Correct.

23 Q. November it goes up?

24 A. Correct. Then in December, it drops.

25 Q. December it drops again?

1 MR. FRANSON: Just for clarification, could
2 you specify for the transcript which of these columns
3 you're referring to so people reading this will know?

4 MR. WOLSKI: Certainly. It's the far column
5 on the right marked materials and supplies that lists data
6 from January 2000 through December of 2000 then has the
7 total and an average under it. We were just going month by
8 month through that. Thanks for the clarification.

9 Q. (By Mr. Wolski) It looks like it goes down
10 three months and going up eight months?

11 A. That's correct.

12 Q. And in the other, in the instance which you
13 used the weighted average for the customer advances for
14 construction, it went up eight months?

15 A. It was constant at the end of the period if
16 you looked at the other one. This one here dropped by
17 almost a million dollars for the last month. Each
18 succeeding months before here, they went up and they went
19 down. All that went into my consideration when I was
20 looking at this, analyzing the data.

21 Q. Okay. Now, for the materials and supplies
22 data we're looking at, the last six months of the year are
23 the six highest of them, aren't they?

24 A. Well, if you look at December, it's almost a
25 million dollars lower than what November is.