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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF UNION ELECTRIC COMPANY d/b/a
AMERENUE FOR AUTHORITY TO FILE TARIFFS INCREASING
RATES FOR ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN
THE COMPANY'S MISSOURI SERVICE AREA

Cause No. ER-2007-0002

DEPOSITION OF STEVE RACKERS
JANUARY 12, 2007

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

DEPOSITION OF STEVE RACKERS, produced, sworn,
and examined on the 12th day of January, 2007, at
AmerenUE, 101 Madison Street, in the City of
Jefferson City, State of Missouri, before Susan M.
Fiala, Certified Court Reporter, Registered
Professional Reporter, within and for the State of
Missouri, in a certain cause now pending Before The
Public Service Commission of The State of Missouri,
In the Matter of Union Electric Company d/b/a
AmerenUE for Authority to File Tariffs Increasing
Rates for Electric Service Provided to Customers in
the Company's Missouri Service Area.

APPEARANCES:

ON BEHALF OF THE PUBLIC SERVICE COMMISSION:

Public Service Commission
State of Missouri
Steven Dottheim, Esq.
Governor Office Building
200 Madison Street, Suite 800
Jefferson City, Missouri 65102-0360
(573) 751-7489

ON BEHALF OF AMERENUE:

Smith Lewis, LLP
James B. Lowery, Esq.
City Centre Building
111 South Ninth Street - Suite 200
Columbia, Missouri 65205-0918
(573) 443-3141

ALSO PRESENT:

Mr. John Cassidy, MPSC
Mr. Greg Meyer, Staff/MPSC
Mr. Ryan Kind, Missouri Office, Public Counsel

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EXHIBITS

Deposition Exhibit I Page 100
(File)

(Exhibit attached to original transcript and all
copies of same.)

STIPULATION

IT IS HEREBY STIPULATED AND AGREED by and
between counsel for the parties that this deposition
may be taken in shorthand by Susan M. Fiala,
Certified Court Reporter, Registered Professional
Reporter, and afterwards transcribed into printing,
and signature by the witness is reserved.

STEVE RACKERS,

of lawful age, being first duly sworn to tell the
truth, the whole truth and nothing but the truth
deposes and says as follows:

EXAMINATION BY MR. LOWERY:

Q. Good afternoon, Mr. Rackers. How are you
today?

A. Just fine.

Q. Have you had your deposition taken before?

A. Yeah. I made a list. In the last 10 years
I think I've had three depositions.

Q. Okay. And did you write those on this list
that you've brought with you?

A. Yeah. I was just going to read them to you.

Q. Sure. You can read them into the record.
That's fine.

A. Okay. There were two depositions in Case
No. EC2002-1 and another deposition in Case No.

EO9614.

Q. Mr. Rackers, what did EO9614 with? That was
a UE case also, wasn't it?

A. Yes. That was the experimental regulatory
plan case.

Q. All right. Well, so you have -- this isn't
the first time you've done this, but I'll just go
over a couple of ground rules. Or I don't know if I
should call them rules, but you know that you need to
verbalize your answers and not nod your head because
the court reporter can't take it down. And you and I
have to try not to talk over each other so she can
get my questions and your answers.

Mr. Dottheim may object to a question that I
pose, and unless he instructs you not to answer on
the grounds of privilege or something like that, then
you can go ahead and answer the question but he can
lodge his objection.

If you need to take a break -- I don't
anticipate this going real long, but if you need to
take a break, let me know.

Do you know of any reason, medication you're
taking or otherwise, that you couldn't understand my
questions or give truthful answers to the questions
I'm going to ask you this afternoon?

1 A. No.
 2 Q. Okay. If you don't understand a question
 3 that I ask or if I'm not clear about something, tell
 4 me and I'll try to rephrase to make it clear. Okay?
 5 A. Okay.
 6 Q. The subject of your direct testimony
 7 starting on Page 11 is Staff's view of the
 8 appropriate price for rate based purposes of the
 9 Pinckneyville and Kimmundy generating plants owned by
 10 AmerenUE, right?
 11 A. Yes.
 12 Q. What impact on the total revenue requirement
 13 recommended by Staff in this case does your proposed
 14 adjustment have?
 15 A. I believe it would be in the neighborhood of
 16 approximately 8 million dollars.
 17 Q. Okay. A 7.2 million dollar figure comes to
 18 mind. Is -- do you know -- do you know if that
 19 figure is right or if it's closer to eight or where
 20 we would find that number? Is it in Staff's
 21 accounting schedules?
 22 A. I don't think you could find that number
 23 specifically in Staff's accounting schedules because
 24 a portion of it would be return on rate base.
 25 Q. Okay.

1 MR. DOTTHEIM: I believe it's Michael
 2 Taylor.
 3 A. Michael Taylor.
 4 Q. (By Mr. Lowery) Michael Taylor. So Michael
 5 Taylor provided you -- did a construction audit on
 6 the Pinckneyville facility?
 7 A. Yes.
 8 Q. And provided you information about what he
 9 thinks the output of the facility is; the capacity of
 10 the facility is?
 11 A. Correct.
 12 Q. What about Kimmundy?
 13 A. Kimmundy is approximately 232.
 14 Q. Is the source of that information the same
 15 as the source of the information on Pinckneyville?
 16 A. Yes.
 17 Q. And Mr. Taylor also did the construction
 18 audit on Kimmundy?
 19 A. That's my understanding.
 20 Q. When was that done?
 21 A. I don't have the exact date.
 22 Q. You've brought a large stack of documents
 23 with you here today. Can you tell me what those are,
 24 please? Obviously, not page by page, but in general.
 25 You have two, three or four files with you.

1 A. That has to do with the plant in reserve,
 2 and then there would be some depreciation expense
 3 that would follow that too so --
 4 Q. Okay. So it's -- those components would
 5 total this approximately 8 million dollars that's
 6 coming to mind?
 7 A. Correct.
 8 Q. All right. Can you give me some background
 9 on Pinckneyville and Kimmundy? Where is
 10 Pinckneyville located; do you know?
 11 A. In Illinois.
 12 Q. You don't know where geographically?
 13 A. No, sir.
 14 Q. How many megawatts is Pinckneyville? Or you
 15 can express it in kilowatts if you prefer.
 16 A. My understanding it's approximately 316.
 17 Q. From where are you getting that information?
 18 I see you're looking at a document.
 19 A. That's a document that was based on -- I
 20 believe that's based on the -- some information I got
 21 from our Staff engineers that did the construction
 22 audits.
 23 Q. Who was that; if you know?
 24 A. Mr. Taylor.
 25 Q. Steve Taylor; is that right? No.

1 A. Well, I've got a file for each one of the
 2 major issues that I worked on.
 3 Q. In the case?
 4 A. Yes. And then this is a file with some
 5 documents regarding Pinckneyville and Kimmundy.
 6 Q. May I see the file on Pinckneyville and
 7 Kimmundy, please?
 8 A. Sure. There's some more documents here on
 9 Pinckneyville and Kimmundy.
 10 Q. Okay. You said there's another large stack
 11 of documents that you brought related to
 12 Pinckneyville and Kimmundy. Now, what is the
 13 distinction -- well, let me back up.
 14 This file --
 15 MR. LOWERY: Which I think I'm just going to
 16 mark this as Deposition Exhibit 1. Is that
 17 acceptable to you, Mr. Dottheim? Everything in here
 18 -- and I'm going to need that back.
 19 Q. (By Mr. Lowery) But this file is labeled
 20 Pinckneyville and Kimmundy in your handwriting,
 21 Mr. Rackers?
 22 A. Yes.
 23 Q. That's obviously one of your files on
 24 Pinckneyville and Kimmundy, right? What are the
 25 other -- go ahead and answer the question verbally.

1 That's one of your files on Pinckneyville
2 and Kinmundy; the one that is labeled in your
3 handwriting Pinckneyville and Kinmundy, right?

4 A. Yes.

5 Q. What are these other stack of documents that
6 you say pertain to Pinckneyville and Kinmundy?

7 A. These are various documents that other Staff
8 members had regarding other cases; some involving UE,
9 some involving Aquila regarding turbine issues,
10 turbine valuation.

11 Q. That you received from various Staff
12 members?

13 A. Yes.

14 Q. While Mr. Dottheim thumbs through that we'll
15 come back to it.

16 But when did you first start doing work on
17 this case regarding -- I'm just going to say P&K to
18 shorten it up -- regarding P&K?

19 A. Well, during the case I devoted, you know,
20 various time to working on the issue either, you
21 know, reviewing some documents or looking at the
22 company's annual report which has some language --
23 their 10-K has some language. So I mean, I can't
24 really pinpoint a day that I started.

25 Q. Well, when did you first start working on

1 fair way of saying it?

2 A. Yes.

3 Q. All right. And who made that assignment?

4 A. Mr. Meyer and I made those assignments
5 together.

6 Q. All right. And with regard to P&K, what was
7 your assignment?

8 A. Just to examine the appropriateness of the
9 transfer price that UE assigned to those units.

10 Q. And did you have a similar assignment with
11 respect to any other UE assets; rate based assets?

12 A. No.

13 Q. Why did you and Mr. Meyer focus on P&K with
14 respect to that issue?

15 A. Well, we were aware that the transfer had
16 occurred during our test year and the Missouri
17 Commission had been involved with this transfer with
18 UE filing in front of FERC. And I'm sure you know we
19 --- the company approached us about writing letters
20 to FERC regarding you gaining approval of the
21 transfer. Excuse me, you. The company gaining
22 approval of the transfer.

23 Q. Right.

24 A. And, in fact, as part of that case I think
25 there was some discussion about that the actual

1 this case in general? You have several issues, but
2 when did you -- when were you first assigned to do
3 something on the AmerenUE electric rate case that's
4 currently pending?

5 A. I would say I first started devoting a
6 significant amount of time in September.

7 Q. All right. And were you assigned particular
8 issues in September?

9 A. Well, by September I had been assigned
10 issues.

11 Q. Okay.

12 A. I can't remember when the list was actually
13 put together.

14 Q. Was P&K one of those issues by September?

15 A. I believe so.

16 Q. So was it an issue -- let me put it this
17 way.

18 You were assigned several issues. Was it
19 assigned more or less contemporaneously with the
20 other issues that you were assigned on the case or
21 was it assigned later on, earlier?

22 A. I think it was contemporaneous.

23 Q. All right. It was one of a number of issues
24 more or less around the same time that you were asked
25 to be responsible for on this rate case; is that a

1 valuation would be handled on a state level. So it
2 was something that we were -- you know, had a duty to
3 follow up on certainly as part of this case since it
4 was the first time you were going to put the assets
5 in rate base.

6 Q. Now, there were some -- there are other
7 generating assets for AmerenUE that are being put
8 into rate base for the first time in this case also,
9 correct?

10 A. Yes.

11 Q. But you didn't see any issue in terms of the
12 valuation of those with respect to including all --
13 or all of the value of those in rate base, correct?

14 A. Correct.

15 Q. And so I guess I'm back to my original
16 question. Why Pinckneyville and Kinmundy and not the
17 others, for example?

18 A. Well, Pinckneyville and Kinmundy, as I said,
19 those were being transferred from an affiliate and we
20 had a -- the Commission had a history with these
21 units, and so we felt it was required that we examine
22 the appropriateness of that transfer price as part of
23 this case.

24 Q. All right. The --

25 MR. LOWERY: Let's just consider this whole

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1 packet as Exhibit 1. I'll have you mark it as such.
 2 MR. DOTTHEIM: Mr. Lowery, I think as you
 3 probably noticed there's at least one document in
 4 there that's marked HC. And I don't know literally
 5 if there's anything else that should be that isn't,
 6 but I believe it's an AmerenUE data request response
 7 that's attached to the very first document. It
 8 appears to be a draft of a stipulation and agreement;
 9 an incomplete stipulation and agreement.
 10 It's got the case number from the Staff's
 11 excess earnings complaint case against AmerenUE from
 12 four years ago.
 13 Q. (By Mr. Lowery) Well, let me ask you a
 14 question, Mr. Rackers, without identifying anything
 15 in this document.
 16 I think Mr. Dottheim is referring to
 17 response to data request 362. And this aspect is not
 18 highly confidential. It relates to Taum Sauk. Is
 19 there some reason that's in this file?
 20 A. Wrong file on that one.
 21 MR. LOWERY: With that, we'll mark this as
 22 Exhibit 1 when we're done here.
 23 Q. (By Mr. Lowery) Mr. Rackers, what we've --
 24 what will be marked as Exhibit 1 and these other
 25 documents that you've brought with you that are in

1 them, that you didn't have any work papers,
 2 associated at least with this issue, underlying your
 3 direct testimony filed December 15th; is that true?
 4 A. No. I don't think that's true.
 5 Q. Okay. You did have some work papers?
 6 A. (Witness Indicated.)
 7 Q. Okay. Do you happen to have those with you?
 8 A. I think they're in that folder.
 9 Q. Okay. So any work papers you have are part
 10 of Exhibit 1?
 11 A. Yes.
 12 Q. All right. Fair enough.
 13 Other than you have -- has anyone else on
 14 Staff, to your knowledge, prepared any studies or
 15 analyses relating to the appropriate pricing of
 16 Pinckneyville and Kimmundy for rate based purposes?
 17 A. Not that I'm aware of.
 18 Q. You're the guy on that issue?
 19 A. As far I know.
 20 Q. Who did you talk to on Staff about this
 21 issue? And I'm not asking for conversations with
 22 your lawyers, but who did you talk to on Staff about
 23 this issue other than Mr. Meyer?
 24 A. I spoke with Mr. Taylor, Lena Mantle. I had
 25 some conversation with Nathan Williams also.

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1 front of you that you received from other Staff
 2 members, as I understand it, are those all of the
 3 written information that you referred to and relied
 4 upon in preparing your direct testimony regarding P&K
 5 in this case?
 6 A. Yes. I placed -- didn't place much reliance
 7 on this. I reviewed it.
 8 Q. You didn't place much reliance on the other
 9 documents from Staff that are not in Exhibit 1?
 10 A. Correct.
 11 Q. So the principle source of information that
 12 you relied upon is reflected in Exhibit 1?
 13 A. Yes.
 14 Q. What about verbal information you might have
 15 received from others; was there anything material,
 16 significant, that -- any information you received
 17 from anyone else not reflected in Exhibit 1 that you
 18 relied upon in arriving at your adjustment, your
 19 opinions, regarding Pinckneyville and Kimmundy?
 20 A. I don't believe so.
 21 Q. Did you prepare or conduct any particular
 22 analyses or studies related to Pinckneyville and
 23 Kimmundy?
 24 A. No.
 25 Q. Okay. And it's my belief, unless I missed

1 Q. What did you discuss with Ms. Mantle?
 2 A. She provided me with a lot of these
 3 documents. So we set down one evening and she kind
 4 of went through and told me all the things she had.
 5 You know, what -- where it came from and what it had
 6 to do with it.
 7 Q. Had you asked her to get some information
 8 together for you?
 9 A. I had asked her -- I had asked to look at
 10 her file.
 11 Q. And why did you think she had a file
 12 pertinent to -- that you thought was pertinent to
 13 this issue?
 14 A. I don't recall.
 15 Q. And Mr. Taylor who's in the engineering
 16 department, correct?
 17 A. Yes.
 18 MR. DOTTHEIM: Mr. Lowery, excuse me. I
 19 have with me a copy of Mr. Taylor's direct testimony
 20 that's been filed in the case that deals with plant
 21 and service that deals with Pinckneyville. In
 22 particular it also -- it was designed to deal with
 23 Kimmundy but the tests that were necessary to perform
 24 regarding Kimmundy had not been completed so
 25 Mr. Taylor is going to be submitting some

5 (Pages 14 to 17)

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1 supplemental direct testimony. So I have that.
2 MR. LOWERY: Might I take a quick look at
3 that?

4 MR. DOTTHEIM: Yes. Please.

5 MR. LOWERY: Thank you.

6 Q. (By Mr. Lowery) Let me ask you this,
7 Mr. Rackers. Other than information you received
8 from Mr. Taylor about how big the units are, what
9 kind of units they are, what kind of peaking plants,
10 fuel, all those kinds of things, is it fair to say
11 that other than what Mr. Taylor provided to you you
12 don't really know any -- you wouldn't have really
13 known anything about these particular units in terms
14 of those plant characteristics; is that fair?

15 A. I think that's fair.

16 Q. All right. And when did you obtain
17 information from Mr. Taylor about these various plant
18 characteristics?

19 A. I think it was either late November or very
20 early December.

21 Q. All right. Who do you report to?

22 A. I report to Joan Wandell the manager of the
23 auditing department.

24 Q. Do you and Mr. Meyer then -- are you
25 co-equals in the organizational structure?

1 didn't meet the affiliate transaction rules?

2 A. That's what I cited in my testimony.

3 Q. Well, that's not exactly my question,
4 though. That is what you cited in your testimony.

5 Is there some other reason that you propose
6 this adjustment other than your contention that it
7 doesn't comply with the transfer pricing rules in the
8 affiliate transaction rules?

9 A. No.

10 Q. Okay. Now, you also testified that Staff --
11 and the word you used I believe was Staff -- examined
12 FERC and PSC filings, Missouri Public Service
13 Commission filings, related to this issue. When you
14 say Staff, who are you talking about specifically?
15 Is that you or is that somebody else?

16 A. Where are you in my testimony?

17 Q. I am on Page 12 -- I'm sorry. On Page 12,
18 Lines 19 to 20.

19 A. I am appearing on behalf of Staff sponsoring
20 this adjustment.

21 Q. I understand that. But did you examine FERC
22 filings and MPSC filings or did other people on Staff
23 review those and then provide you information?

24 A. No. I examined it for the purpose of
25 writing this testimony.

1 A. Yes.

2 Q. All right. Did you discuss this --

3 A. There's actually six of us with the same
4 title.

5 Q. Okay. And you all report to Ms. Wandell?

6 A. Correct.

7 Q. Did you discuss this issue with her?

8 A. She reviewed my testimony. I don't remember
9 having specific discussion about this issue with her.

10 Q. Okay. I want to make sure that I understand
11 your testimony. It's a short piece of testimony on
12 this issue.

13 Your contention is that the purchase price
14 paid in '05 by AmerenUE to Ameren Energy Generating
15 for these units did not comply with the affiliate
16 transaction rule; is that right?

17 A. Yes.

18 Q. All right. And it's on that basis, lack of
19 compliance with the affiliate transaction rules, that
20 you propose this roughly 70 million dollar rate base
21 write down, correct?

22 A. Yes.

23 Q. And that's the only basis for your proposed
24 adjustment; that it doesn't meet the affiliate
25 transaction rules, correct? The transfer price

1 Q. All right. And on Line 17 -- starting on

2 Line 17 it indicates that Staff examined data
3 regarding the cost of construction of combustion
4 turbine facilities, etc. Is that you also or is that
5 somebody else at Staff conducting these examinations?

6 A. That's me.

7 Q. That's you. All right.

8 Well, let's kind of pursue that a little bit
9 more. On Line 21 you ask -- the question is what are
10 Staff's conclusion, and then on -- starting on Line
11 22 a belief -- it says the Staff believes the company
12 was able to build similar facilities at a cost that
13 is less, etc. Again, is that your belief,
14 Mr. Traxler, or is it the belief of somebody else at
15 Staff? Is that your opinion?

16 A. You mean Rackers?

17 Q. I'm sorry. Traxler. Rackers. I apologize.
18 Too many Steves. Wrong side of the state.

19 A. At least you didn't call me Steve Dottheim.

20 MR. DOTTHEIM: At least you didn't insult
21 him.

22 MR. LOWERY: I wasn't going to draw that
23 inference.

24 THE WITNESS: Yeah. I didn't mean it that
25 way either.

1 Q. (By Mr. Lowery) I'm not trying to trick you
2 but you've provided this testimony under oath and
3 it's continuously saying Staff believes this or Staff
4 did that, and I'm trying to understand are these your
5 opinions that you are giving the Commission or is it
6 somebody else's opinion?

7 A. Mine.

8 Q. All right. So can I conclude that when your
9 testimony on Pages 11 to 14, which is where the --
10 all the testimony related to Pinckneyville and
11 Kinmundy generating plants, it starts on Line 15 of
12 Page 11, can I conclude where it says Staff believes,
13 Staff examined, that that means Steve Rackers
14 concluded or Steve Rackers believes or Steve Rackers
15 examined this information? Is that a fair conclusion
16 for me to reach?

17 A. Well, perhaps we should add on to that on
18 behalf of the Staff or as a representative of the
19 Staff. You know, I wouldn't be here if I wasn't
20 representing the Staff.

21 Q. I understand. But you also wouldn't have
22 filed this testimony unless you hold those beliefs or
23 you conducted those reviews personally, correct?

24 A. Correct.

25 Q. All right.

1 MR. LOWERY: I apologize. Can we go off the
2 record for a second?

3 (Thereupon, the deposition stood in
4 temporary recess.)

5 Q. (By Mr. Lowery) The materials that you
6 reviewed in connection with this issue as reflected
7 in Exhibit 1 and these other materials that I guess
8 principally came from Lena Mantle, right?

9 A. Yes.

10 Q. What process did you go through to figure
11 out well I want to review these eight things versus
12 another eight things I could have reviewed? Is there
13 some process you went through to decide what you were
14 going to review?

15 A. I tried to review as much as I had time to
16 prior to filing.

17 Q. Okay. All right. The underlying basis for
18 -- and I'm going to say your determination because I
19 think we've established it may be on behalf of Staff
20 but you've made the determinations reflected in your
21 testimony, right?

22 A. Yes.

23 Q. The underlying basis for your determination
24 that a 70 million adjustment should take place is
25 your belief that AmerenUE could build what you refer

1 to as similar facilities at a cost less than what UE
2 payed AEG, Ameren Energy Generating Company -- I'll
3 shorten it to AEG -- for these units, correct?

4 A. Yes. I mean, I think they could have
5 purchased them for less also. You said build.

6 Q. Buy or build.

7 A. Okay.

8 Q. I think you use the term build on Line 22 on
9 Page 12 which is why I use the term build.

10 You would amend that to say buy or build?

11 A. On Page 12. Where you at?

12 Q. Line 22.

13 A. Well, as part of the -- if you continue on
14 with the answer, I think I say purchase from
15 individual -- excuse me, independent third parties
16 too.

17 Q. All right. Fair enough.

18 And the basis for your belief that we could
19 -- the company could have bought or built these for
20 less than they paid AEG is this 2002 price that you
21 talk about in your testimony from NRG; is that the
22 basis?

23 A. That's the basis for -- that's pretty much
24 the basis for buy. I think a little bit further down
25 on Page 13 I discuss the build.

1 Q. Okay. So if you are examining whether or
2 not you believe that the company could have bought
3 units for less than they bought the units from AEG,
4 you're relying upon this 2002 NRG number, correct?

5 A. Well, I'm relying on -- I'm using that as
6 the basis for the trans -- for how I valued the
7 transfer. I think you could also examine other units
8 that UE bought. They bought Goose Creek, Raccoon
9 Creek. So there's other purchases out there that
10 they made.

11 Q. Did you consider those other purchases --

12 A. I did.

13 Q. -- in arriving at your conclusions?

14 I may have missed it. But I don't -- I
15 don't think you mentioned, for example, Goose Creek
16 and Raccoon Creek in your testimony. Is that true
17 that you did not mention those?

18 A. I don't think I mentioned them by name.

19 Q. What units did you consider then -- I guess
20 we can separate between the buy and the build case.
21 What units did you consider -- or the prices about
22 which units did you consider in coming up with your
23 conclusion that UE could have bought these units for
24 cheaper than they did, or could have bought other
25 units for cheaper than they paid for Pinckneyville

1 and Kinmundy?
 2 A. Audrain.
 3 Q. Audrain.
 4 A. Can I have my file back?
 5 Q. Sure.
 6 A. Audrain, Goose Creek and Raccoon Creek.
 7 Q. All right. So in evaluating whether you
 8 thought UE could have bought at a cheaper price,
 9 those were the three units you looked at?
 10 A. Yes.
 11 Q. Three plants I should say. There's probably
 12 more than one unit at those plants.
 13 What about the construction case; did you
 14 have a different set of plants that you considered in
 15 arriving at your conclusion that UE in your view
 16 could have built for less?
 17 A. Yes.
 18 Q. What were those?
 19 A. The combustion turbine units they added at
 20 the Venice plant.
 21 Q. Venice. All right. And that's it, right?
 22 A. Yes.
 23 Q. Okay. Can I borrow your file back?
 24 A. Yes.
 25 Q. And in giving me those answers about what

1 question.
 2 Q. Well, do you -- tell me what you think an
 3 offer is. Because you use the term offer in your
 4 testimony; do you not?
 5 A. I do. Well, you've got my file. Let me --
 6 Q. Sorry.
 7 A. I consider this to be an offer.
 8 Q. You're referring to an August 15th, 2002,
 9 letter to Clarence Joe Hopf, H-O-P-F, from Connie L.
 10 Paoletti, P-A-O-L-E-T-T-I, at NRG, correct?
 11 A. Yes.
 12 Q. That's the basis of your use of the term
 13 offer in your testimony; this letter, correct?
 14 A. Yes.
 15 Q. And that's part of Exhibit 1, right?
 16 A. Yes.
 17 Q. Well, what's a letter of intent? Do you
 18 know what a letter of intent is?
 19 A. No.
 20 Q. How about an indicative proposal; do you
 21 know what an indicative proposal is?
 22 A. I think this document uses that term. It
 23 says as requested, NRG is pleased to present an
 24 indicative proposal to sell the Audrain facility to
 25 Ameren so --

1 other plants you looked at in the buy and the build
 2 scenario, you were looking at documents in Exhibit 1,
 3 correct?
 4 A. Yes.
 5 Q. Would you agree that in order for an offer
 6 to buy or sell something to exist that the person
 7 whom the offer is directed must have the power to
 8 accept that offer and bind the person making the
 9 offer to sell the asset to them at that price?
 10 MR. DOTTHEIM: Mr. Lowery, you're asking for
 11 a legal conclusion for --
 12 MR. LOWERY: I'm not asking for a legal
 13 conclusion.
 14 A. Can I hear that again?
 15 Q. (By Mr. Lowery) Would you agree that in
 16 order for an offer to exist the person making the
 17 offer must -- the person to whom the offer is made
 18 must have the power to accept that offer in a way
 19 that will bind the person that made the offer to sell
 20 the asset at that price?
 21 A. The person to whom the offer was made?
 22 Q. Must have the power to accept it and to bind
 23 the person who made the offer to sell the whatever
 24 we're talking about at the price that was offered?
 25 A. I'm not sure I know the answer to your

1 Q. Well, you -- you've taken this letter that
 2 we're talking about, this August 15th, 2002, letter,
 3 and in your testimony you're telling the Commission
 4 that an offer was made.
 5 How did you make the leap from the
 6 indicative proposal that you just read in that letter
 7 to the -- to a conclusion that you drew, your words,
 8 that an offer was made to sell those units?
 9 A. Well, that -- as I read this letter it
 10 indicates to me that NRG is willing to sell the
 11 Audrain units to AEG for 200 million. That's my
 12 interpretation of what this letter says. And I use
 13 the term offer.
 14 Q. But you don't know what NRG was or was not
 15 willing to do, do you?
 16 A. To me this letter indicates they were
 17 willing to sell.
 18 Q. Do you know whether they were willing to
 19 sell at that price?
 20 A. I didn't speak to anyone at NRG, if that's
 21 what you mean. I've got a written document here that
 22 indicates they're willing to sell at 200 million.
 23 Q. I'm going to ask my question again.
 24 Do you know whether or not NRG was, in fact,
 25 willing to sell at that price?

1 A. That's what the letter indicates to me.
 2 Q. Do you know?
 3 MR. DOTTHEIM: Mr. Lowery, I object. I
 4 think Mr. Rackers has answered your question.
 5 MR. LOWERY: I don't think he has.
 6 Q. (By Mr. Lowery) Do you know for a fact --
 7 you've interpreted their letter. You've arrived at
 8 an interpretation of their letter, but does that give
 9 you knowledge of what was inside the minds of the
 10 executives at NRG?
 11 A. No.
 12 Q. Do you know upon what terms and conditions
 13 they were willing to sell the plant at any particular
 14 price?
 15 A. Except as spelled out in that letter.
 16 Q. Do you know what the indemnities would have
 17 been in the sales contract, for example?
 18 A. No.
 19 Q. Did you read the entire letter? I assume
 20 you did, correct?
 21 A. I did. Let me go back. You asked me
 22 something about indemnities.
 23 Q. Okay.
 24 A. You know, I can't pinpoint it right now, but
 25 it seemed like there was something in this letter

1 and actually sign the deal, have our executives
 2 approve it, maybe our board approve it, and only at
 3 that point do we have a deal at any price? Isn't
 4 that what that means?
 5 A. I would agree that that's true.
 6 Q. Have you ever worked for a utility,
 7 Mr. Rackers?
 8 A. No.
 9 Q. Merchant generating company?
 10 A. No.
 11 Q. Have you ever bought or sold utility assets?
 12 A. No.
 13 Q. Have you ever drafted a letter of intent or
 14 an indicative proposal or a memorandum of
 15 understanding?
 16 A. No.
 17 Q. Ever negotiated a purchase and sale
 18 agreement for a utility asset or any other industrial
 19 asset?
 20 A. No.
 21 Q. Ever bought or sold a business?
 22 A. No.
 23 Q. You've been with the Commission since when?
 24 A. '78.
 25 Q. Is that basically when you graduated with, I

1 about indemnities. So to the extent it's in the
 2 letter, that's what I know.
 3 Q. Mr. Rackers, could you read the next to last
 4 paragraph of that letter out loud, please?
 5 A. Right here?
 6 Q. Next to last paragraph. The one no
 7 agreement.
 8 A. No agreement will be deemed to be reached,
 9 and unless the parties agree otherwise in writing,
 10 neither Ameren nor NRG will be obligated to the other
 11 in any manner until the execution and delivery of
 12 definitive agreements setting forth the understanding
 13 of the parties.
 14 Q. Now, what does that mean to you? You've
 15 drawn other conclusions from reading the letter.
 16 What does that mean to you?
 17 A. It means no final sale or agreement will
 18 exist until documents have been executed.
 19 Q. What's a definitive agreement? Do you have
 20 an understanding of what a definitive agreement is?
 21 A. I would think it would be something like a
 22 -- something like sales contracts.
 23 Q. Doesn't the paragraph that you just read
 24 indicate we don't have a deal until we negotiate a
 25 deal, reach agreements on long complicated contracts

1 believe, an accounting degree; is that correct?
 2 A. Yes.
 3 Q. Can the terms of a sales contract -- other
 4 than just the dollar figure for the asset that you
 5 may be buying or selling, can the terms affect the
 6 effective purchase price or the effective value being
 7 transferred from buyer to seller?
 8 A. Yes.
 9 Q. Okay. Non-price terms may affect the
 10 overall economic value of that deal one way or the
 11 other, correct?
 12 A. Say that again, would you please?
 13 Q. Non-price terms in a contract to buy or sell
 14 an asset can affect the economic value that the buyer
 15 is paying or that the seller is actually getting,
 16 correct?
 17 A. One more time, please.
 18 Q. Well, let me try an example.
 19 What if I buy -- I sell a generating plant
 20 to somebody, and I also require as part of that deal
 21 that I get a long-term source of power out of that
 22 plant at a cheap price. The price that I may have
 23 sold it for may not really be indicative, taken by
 24 itself, of what the real value of that deal to me
 25 was, would it?

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1 A. The price -- you're saying the price you
2 paid wouldn't be indicative of the value --
3 Q. Of that asset taken alone.
4 A. Oh. The value of the asset taken alone.
5 Q. Right. If I misspoke, I'm sorry.
6 A. I would agree with that.
7 Q. And if I buy an asset and I have to take on
8 all the environmental liabilities, for example,
9 associated with that asset, I may pay a lower price
10 for the asset to take on that risk, correct?
11 A. Yes.
12 Q. So just looking at the price, even in an
13 actual sale, may or may not tell you what the market
14 value of that particular asset really is, correct?
15 A. No. I don't think I'd agree with that.
16 Q. You agree that non-price terms can affect
17 the economics of that transaction, correct?
18 A. Yes.
19 Q. Then how could it be that simply the
20 purchase price for an asset always reflects the fair
21 market value of that asset standing alone when that
22 purchase price can be influenced by non-price
23 factors?
24 A. Well, I think you asked me a question
25 whether that could be the case; whether it could be

1 A. No, I don't.
2 Q. Would you agree, Mr. Rackers, that a fair
3 market price is a price that a willing seller would
4 sell something for being under no compulsion to sell
5 it and that a willing buyer would pay for something
6 being under no compulsion to buy it?
7 A. That's a definition of what did you say
8 again?
9 Q. Fair market price.
10 A. I'll accept that.
11 Q. You'd agree that's a fair definition of fair
12 market price?
13 A. Yes.
14 Q. And the reason it's important for there to
15 be an absence of compulsion to sell or to buy
16 involved in this transaction is to make sure the
17 price is fair, right? I mean, if I'm the seller and
18 I have to sell now for reasons, whatever reason, some
19 compulsion I'm under, I have to sell now, I may be in
20 a weak bargaining position and may not be able to
21 hold out for what's a fair price, true?
22 A. Say that again, please.
23 Q. Well, just to take an example. Well, let's
24 break it down.
25 The reason that we need to have an absence

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1 other factors besides the stand-alone asset and I
2 said yes. But my assumption is when you finally sign
3 on the dotted line for this plan, that you've made
4 yourself aware through some due diligence or
5 something not only the price of the asset you're
6 getting in the ground but these other risks or these
7 other things that you're taking on by buying that
8 plant.
9 Q. That's your assumption?
10 A. Well, I think that would be good business
11 sense to know what you're buying and to let that
12 influence the price of what you get.
13 Q. You haven't actually bought and sold any
14 assets or businesses yourself, though, correct?
15 Well, I'm sure you've bought a car or a house, but
16 any --
17 A. You mean utility-wise?
18 Q. -- other utility assets, for example, or
19 industrial assets?
20 A. I have not.
21 Q. Do you know who Ms. Paoletti is that signed
22 the August 15th letter that you're talking about?
23 A. No. I don't see her title, so no.
24 Q. You don't know where she stood in the
25 organization at NRG at all, correct?

1 of compulsion on the seller's part and the buyer's
2 part to reach a fair market price is because we're
3 trying to get to a, quote, fair price under the
4 circumstances, right?
5 A. Right.
6 Q. All right. And just as an example, if I'm a
7 seller, I've got some compulsion that means I've got
8 to, for whatever reason, sell this now, I may be in a
9 weak position as, vis-a-vis, the buyer be in a weak
10 bargaining position, and I may not be able to demand
11 a fair price from that buyer because I've got some
12 compulsion driving me to sell it now at a cheaper
13 price. Doesn't that happen?
14 A. I'm sure it happens.
15 Q. And it could be the other way. I may be the
16 seller. I've got all the time in the world. I've
17 got a buyer who needs something really bad. He needs
18 it now. I've got the advantage so the buyer pays an
19 unfairly high price. It could go the other way,
20 right?
21 A. Well, I don't necessarily agree that just
22 because one party may have an advantage over the
23 other or -- that that doesn't necessarily determine
24 the market that's out there. What's available to UE,
25 for example. If there are -- for whatever reason UE

10 (Pages 34 to 37)

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1 has an advantage in terms of its bargaining position
2 with companies who are out there selling combustion
3 units, I don't think that -- just because they may
4 have some advantage because of their -- because their
5 large size, they're a big purchaser of units, that
6 that somehow taints this market that's out there of
7 --

8 Q. I don't think my question had anything to do
9 with how big UE was or what their bargaining power
10 because of that. I think my question had to do with
11 if I'm a -- in the first instance, if I'm a seller
12 and I have some compulsion forcing me to sell now,
13 then I may be at a disadvantage in the fact I've got
14 to sell now and I've got to take the price I can get
15 now. Whereas, if I wasn't under that compulsion, I'd
16 have more latitude and could demand a higher price.
17 I mean, that's fair, isn't it?

18 A. Well, I'm sure that happens, but I think the
19 way you're using it it might imply that somehow the
20 offer that's made or the price that's out there is
21 not -- no longer fair just because I'm in a position
22 for whatever reason that I'm ready to sell now and/or
23 UE is in a position for whatever reason that it's
24 able to exert -- you know, it has preference in the
25 market for some reason. I don't know if that somehow

1 to be?

2 A. I -- it was my understanding. I don't see
3 it in the letter, and I'm not positive where I got
4 that understanding, but it was my understanding that
5 the plant was already running.

6 Q. When you say already running, do you have
7 any information about how much it ran, how often it
8 ran, what the market for its power was, how
9 commercially viable the plant was or was not; do you
10 know anything about that at all?

11 A. No.

12 Q. Are you -- just to be clear. Are -- was it
13 your understanding that it was capable of operating;
14 that it had been tested and it had demonstrated that
15 it can run, or was it your understanding that it was
16 in commercial operating and it was selling power into
17 the power market on a regular basis?

18 A. It was my understanding that the plant was
19 already operating. That's -- how you characterize
20 operating --

21 Q. Is a plant being capable of operating and it
22 being operational, is that different than a plant
23 that is able -- that is able to make commercial sales
24 of power into a power market? Are those two
25 different things; operational capability versus the

1 taints the market or makes this market not
2 representative of what a fair price is.

3 Q. Well, the -- an indicative proposal for one
4 particular plant isn't going to set the market, is
5 it? Is one plant, one data point, going to set a
6 market for combustion turbine generators?

7 A. I would say one alone doesn't set the
8 market.

9 Q. When NRG made this indicative proposal on
10 August 15th as it is described in that letter, do you
11 know what NRG's financial condition was?

12 A. I don't.

13 Q. Do you know at that time whether the NRG
14 Audrain plant -- and that's the plant we're talking
15 about, right; the Audrain plant over near Vandalia?

16 A. Yes.

17 Q. Do you know whether that plant had ever been
18 commercially operated at the time of that August
19 15th, 2002, letter?

20 I'm sorry to interrupt you while you're
21 looking, but in drafting your testimony did you
22 consider whether or not that plant had been
23 commercially operated in deciding to rely upon that
24 200 million dollar number in that letter to value or
25 to determine what your rate base write down was going

1 ability to actually sell into the market?

2 A. I don't know. I don't know that I could
3 make that distinction for you.

4 Q. All right. Do you know anything about the
5 transmission situation with respect to the NRG
6 Audrain plant back at this time in terms of whether
7 it actually had outlet capability to get the power
8 out of the plant and into the market?

9 A. I thought there was something in this letter
10 that discussed the interconnection. Bear with me.
11 There's some discussion on -- I believe it's the
12 first page of Attachment 1 -- I'm sorry. The first
13 page of the Audrain Information Memorandum that
14 discusses the interconnection that Audrain has.

15 Q. And that's attached to this August 15th
16 2002, letter that's part of Exhibit 1, right?

17 A. It's attached to the offer, yes.

18 Q. What you call the offer?

19 A. Correct.

20 Q. May I see that, please? You're referring to
21 this section called Electricity Interconnection?

22 A. Yes.

23 Q. Would you like to point out in the
24 electricity interconnection section of this

25 information memorandum where it discusses the outlet

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1 capability from the plant, or doesn't discuss the
2 outlet capability?

3 A. This language indicates to me that Audrain
4 has the capability to get its power out to the
5 market.

6 Q. That's the assumption you made based upon
7 this information in proposing the adjustment you
8 proposed; is that correct?

9 A. That's how I read this information.

10 Q. And since that's how you read it you assumed
11 it was true in terms of preparing your testimony in
12 this case; is that right?

13 A. Yes.

14 Q. Thank you. I want you to assume that --
15 well, let me ask you.

16 Were you aware that NRG's financial
17 condition was deteriorating and that NRG was in
18 discussion with creditors about debt restructuring
19 about the same time this indicative offer -- this
20 indicative proposal was sent to AEG; were you aware
21 of that?

22 A. No.

23 Q. How would that affect your opinion of the
24 200 million dollar number used in this indicative
25 proposal had you known that?

1 they're really worth in the market to raise that cash
2 now? Isn't that a pretty simple proposition?

3 A. I would agree that they're willing to sell
4 those units less than others might sell the units who
5 are not in a similar situation.

6 Q. Well, you agreed earlier with the definition
7 of what a fair market price is, and you agreed that
8 it's got to be a buyer and a seller who are both
9 willing and neither one are under a compulsion to buy
10 or sell. That's a fair market price. And given that
11 definition you're talking about these other people.
12 You're saying well, they may sell for less than these
13 other people. You're describing other people who are
14 under no compulsion to buy or sell. That's who
15 you're describing; are you not?

16 A. I'm trying to recall if I agreed with
17 exactly what you just said I did.

18 Q. Well, we can go back and find it if
19 necessary.

20 A. Well, I think I may have agreed with that
21 statement, but I think we had an additional
22 discussion where that didn't necessarily taint the
23 market; the fact that there were people out there who
24 were willing to sell their assets for whatever price
25 for whatever reason.

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1 A. I don't think it would have effected it at
2 all.

3 Q. Doesn't make any difference to you.

4 So if a company owns a plant, they're in
5 financial trouble and they needed to raise cash in
6 order to shore up their balance sheet to keep from
7 violating loan covenants on debt they may have
8 issued, you don't agree that they might sell that
9 plant for less than fair market price to raise the
10 cash they need?

11 A. They may sell it for less than other vendors
12 would sell their unit because they're in a situation
13 where they need to raise cash.

14 Q. Because they're under a compulsion, aren't
15 they? They're about to violate their loan covenants
16 and that debt is going to be called if they don't
17 raise some cash, right? And that's a compulsion,
18 isn't it?

19 A. Well, I don't know that to be a fact.

20 Q. Well, you don't know if that was the fact
21 here, but what if it was the fact? I mean, are you
22 unwilling to agree with the simple proposition that
23 somebody that needs to raise cash now to prevent some
24 bad consequence over here, you're unwilling to agree
25 that they might sell some assets less than what

1 Q. Well, Mr. Rackers, let's say that your house
2 is about to be foreclosed because you're in financial
3 trouble; you're about to lose your house. And you've
4 got a 2002 car and the Kelley Blue Book and the NADA
5 all -- they're all -- it's pretty clear what the
6 market value of that car is. It's worth \$10,000.

7 But you can stave off that foreclosure if you get
8 \$6,000 right now. If you don't get 6,000 right now,
9 you're going to lose your house. You think you might
10 sell the car for \$6,000, stave off foreclosure even
11 though the fair market price of the car is 10?

12 A. I might.

13 Q. You might do that, might you?

14 A. I might.

15 Q. And companies might do that when they're
16 selling generating assets too, might they?

17 A. I suppose there are situations where they
18 might.

19 Q. It's certainly possible that's exactly what
20 was going on at NRG back in 2002, isn't it?

21 A. I think it's possible.

22 Q. Okay.

23 A. I certainly don't know.

24 Q. You don't know, right?

25 A. Correct.

12 (Pages 42 to 45)

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1 Q. I mean, you're using this 200 million dollar
2 number to suggest a rate base write down in this case
3 but you don't know the circumstances facing NRG at
4 that time, do you?
5 A. I do not.
6 Q. You don't know how those circumstances might
7 affect the price that they were willing to sell for,
8 do you?
9 A. I don't.
10 Q. Do you know what a force sale is; does that
11 term have any meaning to you?
12 A. Not really.
13 Q. Do fair market prices for various things
14 change over time?
15 A. Yes.
16 Q. Sure. For generating plants, particular
17 CTGs, fair market prices change. They're different
18 at different points in time, correct?
19 A. I would assume that's true.
20 Q. Do you know who Ershell Redd is?
21 A. Not offhand, no.
22 Q. Have you ever reviewed any testimony of
23 Mr. Redd? Probably not if you don't know who he is.
24 Mr. Redd's testimony is not in Exhibit 1 anywhere,
25 right?

1 A. No.
2 Q. Is Mr. Redd's testimony in these other
3 documents you reviewed in connection with the case?
4 A. No.
5 Q. Let me just take a look at these other
6 documents. I just want to be clear. These
7 documents, this stack that you've brought with you
8 that you indicated you principally got from Lena
9 Mantle, and Exhibit 1, that's all the FERC filings
10 and MPSC filings that you reviewed in connection with
11 your Pinckneyville and Kinmundy testimony in this
12 case, right?
13 A. Yes.
14 Q. Okay. You've looked through all those
15 documents I just described in connection with your
16 work on this case regarding Pinckneyville and
17 Kinmundy; is that right?
18 A. Yes.
19 Q. Is it fair to say that Mr. Redd's testimony
20 was not among the documents you reviewed?
21 A. I don't recall.
22 Q. You have no recollection of seeing any
23 testimony from Mr. Redd, right? You don't recall who
24 he is?
25 A. I've read a lot of the testimony that was

1 filed in the -- in UE's case. If he was one of the
2 witnesses there and I read it several months ago, I
3 may have read that but --
4 Q. So is it your testimony here today that you
5 -- in addition to Exhibit 1 and these documents
6 you've brought you've read testimony how; on-line --
7 A. No.
8 Q. -- from the FERC?
9 A. I read all -- oh. You said of the FERC. I
10 said if he's one of the witnesses in this case for
11 UE.
12 Q. I apologize.
13 A. I've read most of the testimony of this
14 case.
15 Q. All right. If we were to take a break and
16 have you look through this stack of documents from
17 Lena Mantle, would Mr. Redd's testimony be in here?
18 A. I don't think I need to take a break. I'm
19 sure it's not.
20 Q. You're sure it's not in there?
21 A. Right.
22 Q. Were you aware that Mr. Redd is the
23 president and CEO of NRG?
24 A. No.
25 Q. Were you aware that he testified in the FERC

1 docket involving these generating units,
2 Pinckneyville and Kinmundy, that NRG believed that
3 they could sell the units for a price of up to \$391
4 per KW as opposed to the \$312 you calculated?
5 A. I wasn't aware of that.
6 Q. Does that affect any of your opinions in
7 this case; that the president and CEO of NRG
8 testified to a different number than the one you've
9 used?
10 A. No.
11 Q. It doesn't affect it?
12 A. No.
13 Q. Can you tell me why an indicative proposal
14 from an employee who you don't know and don't know
15 what position in the company has more influence on
16 you than the sworn statements of the president and
17 CEO of the company?
18 A. Well, my interpretation of this letter is
19 that a representative of NRG had the authority to
20 write it and make at least what I consider to be an
21 offer.
22 Q. Do you -- how do you know that Connie
23 Paoletti had authority to make an offer on behalf of
24 NRG?
25 A. I believe that she would not have written

1 this letter unless she would have had that authority
 2 or had received permission to make this offer.
 3 Q. It's based on your belief?
 4 A. Yes.
 5 Q. Based on your interpretation of the letter
 6 that you've read; is that -- that's how you -- it's a
 7 belief. It's not knowledge on your part. It's a
 8 belief that you have; is it not?
 9 A. It's my interpretation of the letter. I
 10 didn't speak to Connie personally.
 11 Q. You don't even know who she is, right?
 12 A. A representative of NRG.
 13 Q. Is she a low-level manager, high-level
 14 manager, an executive, member of the board of
 15 directors, officer; do you have any idea?
 16 A. Her title isn't provided here.
 17 Q. And you don't have any independent knowledge
 18 of who she is, right?
 19 A. Correct.
 20 Q. All right. Let's check some math which is a
 21 dangerous thing for me to do with an accountant I
 22 know, but I can probably handle simple math.
 23 The book value of Pinckneyville and Kinmundy
 24 paid by AmerenUE was 241 million dollars, right? I
 25 believe it's on Line 9 of your testimony on Page 13.

1 A. 241 million, correct.
 2 Q. All right. And you don't dispute that
 3 that's the book value of those units, correct?
 4 A. I do not.
 5 Q. We're not going to dispute about that. All
 6 right.
 7 And you divided 241 million by 548,000
 8 kilowatts to arrive at a per kilowatt price, correct?
 9 A. Yes.
 10 Q. All right. And if I did my math right, that
 11 gives me a figure of \$439.78 per KW, right?
 12 A. Yes.
 13 Q. All right. Are you familiar with a Metro
 14 East case involving AmerenUE that was concluded a
 15 couple years ago?
 16 A. I'm familiar with it in that I know that it
 17 occurred. I read some documents. I read some
 18 briefs.
 19 Q. What did you read?
 20 A. You know, I couldn't give you a list right
 21 now.
 22 Q. Did you read the order the Commission
 23 issued?
 24 A. I thought there was more than one order, but
 25 I read an order.

1 Q. Do you recognize this report and order on a
 2 rehearing dated February 10, 2005?
 3 A. It's been a long time ago that I read it.
 4 Q. When you say a long time ago, it wasn't in
 5 connection with Pinckneyville and Kinmundy -- your
 6 work on this case regarding Pinckneyville and
 7 Kinmundy?
 8 A. That's correct.
 9 Q. All right. Well, you've read some briefs
 10 and you've read some orders at least. Were you aware
 11 that a key issue in that case was whether the least
 12 cost way for UE to obtain more capacity was to shed
 13 load by transferring away its Illinois T&D business,
 14 essentially, versus buying or building CTGs to
 15 provide that capacity?
 16 A. I would say yes but not in a real in-depth
 17 -- you know, not that I researched and analyzed it.
 18 It might have been a part of what I read.
 19 Q. But you were aware that that was sort of --
 20 that was a key issue in the case. You know, should
 21 they -- is it a least cost way to serve -- is freeing
 22 up -- is creating -- I'm sorry.
 23 Is meeting these capacity needs that UE had,
 24 was it cheaper for UE to transfer this load or was it
 25 cheaper for them to buy or build CTGs. You generally

1 understood that that was an issue in the case, right?
 2 A. I think you're giving me more credit than is
 3 due.
 4 Q. All right. Well, I want you to assume
 5 that's the case. All right? Assume that that was a
 6 key issue.
 7 A. Okay.
 8 Q. If you were going to do that, to understand
 9 that which option might be a least cost option, you'd
 10 have to make some assumptions about what -- at what
 11 price you could buy or build CTGs, right?
 12 A. Yes.
 13 Q. All right. Were you aware that the
 14 Commission found in that case that a mix of CTGs for
 15 AmerenUE with an average cost of \$471 per KW was an
 16 appropriate figure for UE to have used in its least
 17 cost analyses conducted for that case?
 18 A. No.
 19 Q. Do you recall reading the paragraph starting
 20 with the Commission does not agree on Page 24 of the
 21 report and order on rehearing February 10, 2005, in
 22 Case No. EO2004-0108?
 23 A. I do not recall whether I read that or not.
 24 Q. All right. Were you aware that the
 25 Commission made that determination just a few months

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1 before the Pinckneyville and Kinmundy CTGs were
2 acquired by AmerenUE at a lower figure of \$439 per
3 KW?

4 A. No.

5 Q. So you weren't aware of any of that when you
6 filed your testimony in this rate case, right?

7 A. Correct.

8 Q. Okay. In relying upon the 200 million
9 dollars that is in this indicative proposal that you
10 call an offer -- we'll use both our terms. The math
11 went like this. You divided 200 million by 640,000
12 KW, right; 200 million dollars divided by 640,000,
13 right?

14 A. Yes.

15 Q. Was the 540,000 KW used for the
16 Pinckneyville and Kinmundy plants in the calculation
17 you did based on their book value, was that those
18 plants' nameplate capacity or was it their net summer
19 capability; if you know?

20 A. I obtained that rating based on this
21 analysis of our --

22 Q. May I see that, please? When you say this
23 analysis, this is one of the documents that's part of
24 Exhibit 1, correct?

25 A. Yes.

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1 Q. That you got from Michael Taylor?

2 A. Yes.

3 Q. And across the top it has columns; unit,
4 manufacturer, model, commercial operation date,
5 capacity, net, and then some notes, right?

6 A. Correct.

7 Q. And then down at the very bottom it has a
8 depreciation reserve at 4 percent number of negative
9 3.255 million, right?

10 A. Yes.

11 Q. So the numbers you used as your denominator
12 in effect came from this document we were just
13 describing, correct?

14 A. I'd have to check it real quick, but I
15 believe so, yes.

16 Q. All right. Please go ahead and check it. I
17 want to make sure we know where your numbers came
18 from.

19 A. Yes.

20 Q. All right. Do you know whether the numbers
21 for the Audrain plant are its nameplate rating or
22 its net summer capability?

23 A. I don't know.

24 Q. You don't know. Do you know what the
25 difference is?

1 A. I've heard those terms used. I don't know
2 that I could differentiate them for you.

3 Q. Do you know when AmerenUE's gas-fired CTGs
4 typically run?

5 A. I would assume in the summer.

6 Q. In the summer. When it's hot, right?

7 A. Yes.

8 Q. I take it you don't know how net summer
9 capability is computed, do you?

10 A. No.

11 Q. And you don't know how nameplate rating of a
12 CTG is computed, do you?

13 A. Well, it was my belief that that's the
14 manufacturer's rating.

15 Q. Do you know what determines how many
16 kilowatts a CTG can actually produce on a given day;
17 what factors determine what it actually -- what its
18 actual capability is on a given day of the year?

19 A. Well, you'd need some kind of a rating, and
20 assuming it could run for 24 hours a day you could --

21 Q. Humidity, temperature; do you think those
22 might have something to do with it?

23 A. Yes.

24 Q. Might it make sense to you that on a very
25 hot and humid day the capability of that unit might

1 not be as good as it is on a cool day?

2 A. I don't know that.

3 Q. Don't know. All right. Let me ask you
4 this.

5 If the Pinckneyville and Kinmundy numbers
6 that you used are net summer capability and the
7 Audrain numbers that you used are nameplate ratings
8 and they're substantially different, you're going to
9 create a problem in the comparison you're trying to
10 draw; are you not?

11 A. Yes. And if there's some -- if that is the
12 situation, we should be working with a consistent set
13 of numbers. I agree. No one has pointed that out to
14 me since I filed this testimony but that certainly is
15 something that we can discuss.

16 Q. Okay. What if, because of transmission
17 constraints or other issues, the actual outlet
18 capability from a particular CTG is less than either
19 its nameplate rating or its net summer capability,
20 wouldn't that affect the actual value of that plant
21 on a per KW basis?

22 A. I think it could. I think -- but I think
23 that's an adjustment that could be made to the
24 purchase price to try to take that into account;
25 what's the value of that.

15 (Pages 54 to 57)

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1 Q. But you would agree, would you not,
2 Mr. Rackers, that if you used the wrong denominator
3 in calculating the per kilowatt price for the NRG
4 Audrain plant, whether it be because it was on a
5 completely different basis than the denominator you
6 used for Pinckneyville and Kinmundy or because the
7 actual capability of that plant for transmission
8 constraint reasons or otherwise wasn't what you
9 thought it was, that you need to use the right
10 number? Even if we -- even if we disagreed
11 conceptually about whether there ought to be an
12 adjustment at all, you need to use the right numbers;
13 do you not?

14 A. I think you could consider if there's some
15 constraint on that unit. I think you could consider
16 that, whether that needs to be an adjustment to the
17 200 million dollar price, say, for the Audrain unit,
18 to get it on a comparable basis.

19 Q. You certainly agree that if one unit -- if
20 the denominator on one unit is based on net summer
21 capability and the other one is based on nameplate,
22 you definitely need to use the same basis for that
23 number; do you not?

24 A. Yes. Otherwise, the adjustment that I'm
25 proposing could be incorrect.

1 Q. Do you know what a TLR is?

2 A. I've heard that term before but --

3 Q. You don't really know what it is?

4 A. Yes.

5 Q. Do you know anything about the Bland
6 Defranks Line or its history in Missouri or even what
7 it is?

8 A. I've heard that term before.

9 Q. Do you know what it is?

10 A. I believe it to be a transmission line.

11 Q. Do you know anything about it; about its
12 operation, about any proceedings at the Commission
13 that might have implicated that line?

14 A. No.

15 Q. What about the Palmyra 345/165kv
16 transformer; have you ever heard of that particular
17 transmission asset?

18 A. No.

19 Q. You don't know anything about it.

20 And you don't know how many kilowatts were
21 deliverable from the NRG Audrain plant when AmerenUE
22 bought it last year, do you? You don't have that
23 information, right?

24 A. How many kilowatts were deliverable?

25 Q. Correct. Into the transmission grid. You

1 don't know if it was 400,000, 640,000, 542,000. You
2 don't know how many kilowatts were actually
3 deliverable, do you?

4 A. No.

5 Q. Okay. Mr. Rackers, would you agree -- well,
6 if you'd just do this for me. 200 million dollars is
7 your numerator for the NRG plant, right?

8 A. Yes.

9 Q. If the summer net capability of NRG Audrain
10 was 616,000 --

11 A. Do you want me to put 200 million in?

12 Q. Yes. Please.

13 A. Divided by?

14 Q. 616,000. Gives you how much per KW?

15 A. 324.675.

16 Q. And if that's actually the net summer
17 capability to put that plant on an apples to apples
18 basis with the Pinckneyville and Kinmundy plants, on
19 a minimum that's the figure that you should have been
20 using, right?

21 A. I think that's probably correct, yes.

22 Q. Mr. Rackers, assume I need to buy a car --
23 assume I need to buy a car, you need to buy a car,
24 Mr. Dottheim needs to buy a car, although he doesn't
25 buy one very often I don't think. Do some cars cost

1 more than others?

2 A. Yes.

3 Q. Why? Why does one car cost more than
4 another? Let's just say why does one 2007 car cost
5 more than another 2007 car? Let's just take the age
6 issue out of it.

7 A. It may be in short supply. It may have
8 certain features that another car doesn't have.

9 Q. Right. Features. It's probably features,
10 right; it's size, how many people it can carry, how
11 fancy it is, what capability it has, right, versus
12 the cheaper car? You know, a more expensive car --
13 you know, I've got a family, a bunch of kids. I haul
14 people around all the time. I may need a big SUV
15 that hauls a lot of people as opposed to I'm a single
16 guy. I don't hardly haul anybody. I can buy a
17 smaller car, right?

18 A. I think those are some of the reasons.

19 Q. Right. Or I may live in the country. I
20 need a four-wheel drive to get around in the winter.
21 If I live in town, I don't need one. Those features
22 -- that four-wheel drive feature costs more money
23 than one without a four-wheel drive right, in
24 general?

25 A. In general.

1 Q. In other words, the fair market price of
2 vehicle A may be different than Vehicle B, correct;
3 because of the features and capabilities of A and B
4 are different, right?

5 A. I'd agree with that.

6 Q. Now, doesn't it follow, Mr. Rackers, that
7 the fair market value of a CTG with more features and
8 capabilities is going to be higher -- I should say
9 fair market price, excuse me, of a CTG with more
10 features and capabilities is going to be higher than
11 the fair market price of a CTG with less features and
12 capabilities?

13 A. I'd agree with that as a general
14 proposition.

15 Q. All right. Now, you testify at Page 12,
16 Lines 22 to 23 that Staff's belief underlying -- and
17 we've established that it's your belief on behalf of
18 Staff, underlying your recommended rate base
19 adjustment is based upon a belief that UE could build
20 what you call similar facilities for less than the
21 price that they paid for Pinckneyville and Kinmundy,
22 right?

23 A. Yes.

24 Q. All right. Tell me the characteristics of a
25 similar facility that you're talking about.

1 similar to a GE turbine?

2 A. I think it's similar. It may have different
3 operating characteristics.

4 Q. All right. So we got capacity and we got
5 CTGs and we got manufacturer. Anything else?

6 A. There's a whole host of things that might
7 make units different. I didn't attempt to quantify
8 those or consider them.

9 Q. But you don't really know what those whole
10 host of things are. You're really looking at --
11 you're looking at this document that's part of
12 Exhibit 1 given to you by Mr. Taylor that we talked
13 about before, and the information you've got are the
14 name of the unit, who manufactured it, what its model
15 is, when at least according to this it went into
16 commercial operation, and what its capacity is.
17 That's basically the information you have, right?

18 A. Correct.

19 Q. And is it fair to say these model numbers
20 don't really mean anything to you?

21 A. I know what FT-8s are. And I know that
22 that's an aero derivative as are, I think, an LM6000
23 is an aero derivative.

24 Q. Well, could you tell me what an aero
25 derivative CTG is versus a large frame CTG versus a

1 A. I viewed these characteristics in terms of
2 the capacity of the units.

3 Q. Okay. Capacity; that's a characteristic?

4 A. The type of unit; if they were both
5 combustion turbines.

6 Q. As opposed to a coal plant, right?

7 A. Yes.

8 Q. Or a nuclear plant?

9 A. Yes.

10 Q. Or a steam plant?

11 A. Yes.

12 Q. All right. What else? We got capacity and
13 we've got they're both combustion turbines. Or
14 they're all -- you're looking at this document with
15 the columns we were talking about before. Capacity
16 and -- you're looking at all CTGs. You're not
17 looking at CTGs and coal plants, right? So those are
18 two characteristics.

19 A. Right.

20 Q. What else makes a similar facility?

21 A. They could be built by the same vendor.

22 Q. So GE turbines, maybe another GE turbine
23 similar?

24 A. Yes.

25 Q. Is a Pratt & Whitney turbine not necessarily

1 small frame CTG; how the characteristics differ
2 between those different types of CTGs?

3 A. I think the smaller you -- you said large
4 frame, small frame. I think your small frame CTGs
5 take less time to fire up and begin running. But
6 they're not designed, I don't believe, to run for as
7 long as a large frame would.

8 Q. What about an aero derivative; what do you
9 know about those?

10 A. I think it's similar to a small frame unit.

11 Q. Do you know -- you've got a list of I don't
12 know how many. I guess it actually says. You've got
13 a list of 36 CTGs on that page, right?

14 A. Yes.

15 Q. Do you know -- do you know which type of CTG
16 each of those are?

17 A. It was conveyed to me by Mr. Taylor that
18 actually none of these are really what he would
19 consider to be large frame.

20 Q. None of those are large frame. What kind of
21 CTGs are at Audrain?

22 A. MS7001EA.

23 Q. Does that tell you what kind of CTGs are at
24 Audrain?

25 A. You mean whether they're large or small?

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1 Q. Large, small, aero derivative?
 2 A. Those aren't aero derivatives.
 3 Q. And you're not sure if they're small frame
 4 or large frame?
 5 A. Well, as I said, based on what I was told by
 6 Mr. Taylor none of these units are really large
 7 frame.
 8 Q. Based on what Mr. Taylor told you?
 9 A. Right.
 10 Q. Do you know if an aero derivative unit -- if
 11 the fair market price of an aero derivative unit is
 12 typically more than that of a large frame unit or of
 13 a small frame unit? Do you know anything about that?
 14 A. I don't know if that's true or not.
 15 Q. What kind of units are at Pinckneyville and
 16 Kinmundy?
 17 A. Pinckneyville has four aero derivatives and
 18 then the other four are -- well, they're a different
 19 type of unit. They're not an aero derivative.
 20 Q. And there's no aero derivative units at
 21 Audrain, are there?
 22 A. That's correct.
 23 Q. What about at Venice; are there aero
 24 derivative units at Venice?
 25 A. Yes. Venice 2 is an aero derivative.

1 A. I guess the model.
 2 Q. The model. So the extent that those model
 3 numbers depict different CTGs with different
 4 characteristics, that may very well drive the fair
 5 market price of different CTGs?
 6 A. I think it would affect it. You say drive
 7 it.
 8 Q. Well, affect it.
 9 A. Yes.
 10 Q. Change. One type -- one CTG with
 11 characteristics with A, B, C, and D may very well
 12 have a different fair market price than a CTG with
 13 four other characteristics, right?
 14 A. Well, if you're just trying to compare those
 15 two units, I could see that those -- having those
 16 different characteristics would -- you might assign a
 17 different price to it, yes.
 18 Q. Well, in calculating your rate base
 19 reduction you compared the price of however many
 20 units are at Audrain, the Audrain plant, and whatever
 21 its mix of units are to the price of the
 22 Pinckneyville and Kinmundy CTGs and whatever those
 23 units are, right?
 24 A. Yes. But as I also said, you could make --
 25 if there are things about Pinckneyville and Kinmundy

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1 Q. The installed cost of a CTG, what else might
 2 it depend on besides the type of unit and its
 3 capacity?
 4 A. Did you -- are we including, when you say
 5 type of unit, all the different characteristics; you
 6 know, all its features?
 7 Q. Yeah. Well, what characteristics do you
 8 think would drive the fair market price of one CTG
 9 versus another?
 10 A. Well, I think I said the different
 11 characteristics that it had would be one factor, yes.
 12 Q. And I think you listed manufacturer,
 13 capacity, size?
 14 A. Uh-huh.
 15 Q. Would you agree that whether it's an aero
 16 derivative versus a small frame versus a larger frame
 17 also may drive its price?
 18 A. I would agree that it may. I don't know
 19 that.
 20 Q. You don't know?
 21 A. Correct.
 22 Q. All right. You don't know what else may
 23 drive the price of a CTG besides capacity,
 24 manufacturer -- and I keep forgetting the third one.
 25 What was the third one that you said?

1 that make it more valuable, you could make
 2 adjustments to that Audrain price to try to --
 3 Q. Absolutely.
 4 A. -- try to capture that difference.
 5 Q. But you didn't make any of those
 6 adjustments, did you?
 7 A. Well, I didn't. But if you look at this
 8 offer, you can see that that is -- I would doubt very
 9 seriously whether that would have been the final
 10 price that would have been paid. If you read this
 11 offer, the language in there invites a counteroffer.
 12 So there's going to be some reduction off that 200
 13 million that could pay for or account for some
 14 superior thing that UE saw in Pinckneyville and
 15 Kinmundy.
 16 Q. I want to clarify something. You're giving
 17 your opinion about whether there was going to be some
 18 reduction off that 200 million dollar figure. You
 19 don't know that for a fact, do you?
 20 A. I'm giving you my opinion based on what I
 21 think is the clear language in the offer.
 22 Q. It's your opinion, though?
 23 A. It is.
 24 Q. All right. Not fact?
 25 A. I didn't speak to Connie.

18 (Pages 66 to 69)

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1 Q. I mean, there was never a contract between
2 NRG and AEG back at that time frame for less than 200
3 million or even 200 million, right?
4 A. There was no specific contract. But I think
5 a clear reading of that offer would tell you that
6 that was not going to be the final price. That those
7 units could have been obtained, even at that time,
8 for less than 200 million.
9 Q. All right. We talked about a minute ago --
10 I think you indicated that the Venice plant does have
11 one aero derivative unit, right?
12 A. Yes.
13 Q. And it's got three large frames. Can you
14 tell that from your sheet?
15 A. I didn't -- I don't think they're large
16 frame.
17 Q. You don't think they're large frames?
18 A. I don't.
19 Q. That's because that's what Mr. -- Mr. Taylor
20 told you that none of these were large frames?
21 A. That he would consider none of these units
22 to be large frames.
23 Q. He would consider none of them to be large
24 frames. Independent of what Mr. Taylor may or may
25 not have said you don't really know the difference

1 between a large frame, small frame. You don't really
2 know anything about that, right?
3 A. I don't know whether any of these units are
4 large or small other than how he characterized them.
5 Q. Well, if somebody gave you a spec sheet on a
6 particular unit and a spec sheet on another, do you
7 have the knowledge and capability within your sphere
8 of what you do to evaluate this is a large frame,
9 this is a small frame; do you have that knowledge
10 yourself?
11 A. No.
12 Q. All right. I want you to assume that the
13 Venice units that we're talking about, that one of
14 them, the aero derivative, had an installed cost of
15 \$570 per KW with a particular net summer capability.
16 There were two other ones that had an installed cost
17 of \$356 per KW with a particular net summer rating.
18 There was another one with an installed cost of \$368
19 per KW. In determining the price per KW of the
20 Venice units -- and that's something you looked at,
21 right, in looking at whether you ought to make this
22 adjustment and how much adjustment you should make,
23 right? You looked at the installed cost of Venice?
24 A. I considered that, yes.
25 Q. Did you use the weighted average cost for

1 the various units? I mean, how did you come up with
2 your \$337 I guess is my question; \$337 per KW for
3 Venice which I believe is the figure you cited for
4 Venice?
5 A. I would have weighted those figures
6 together.
7 Q. You did weight those units?
8 A. Yes.
9 Q. What figures did you use? Do you have that
10 somewhere?
11 A. I think it's on this sheet.
12 Q. Okay.
13 A. I think if you weight those Venice units
14 together, you would get that.
15 Q. You've got an installed cost for Venice 2 of
16 8.5 million dollars.
17 A. Yes.
18 Q. This came from Mr. Taylor, right?
19 A. No.
20 Q. Where did you get that figure? That yields
21 -- I guess you actually dun it if I look over here.
22 You've got Venice 2 at \$178 per KW.
23 A. Yes.
24 Q. Where did you get that information?
25 A. I think I got that information based on

1 either the company's 10-K or from its website. And I
2 thought I had copies of that here with me but
3 apparently I don't. But I -- if that number looks
4 incorrect to you, I can certainly check that and get
5 back to you.
6 Q. Well, the information I have indicates that
7 the price per KW for Venice 2 is \$570 per KW not \$178
8 per KW. So I suggest you might want to check your
9 data.
10 A. Okay.
11 Q. And if, in fact, that's true, then the
12 weighted average price that you've calculated is
13 going to be too low, isn't it, by some figure? We'd
14 have to do the math but it would just be -- whatever
15 the math is what it is, correct?
16 A. Yes. But I mean, that's a very small unit.
17 I mean, that's only 48 megawatts out of --
18 Q. I understand.
19 A. -- out of the entire Venice plant of 500.
20 So it's not going to move that price a lot, but, yes,
21 it would have some upward pressure on it.
22 Q. In calculating the weighted average price of
23 Venice, which I believe you came up -- you did
24 testify -- you did use a weighted average price in
25 your testimony, right?

1 A. Yes.
 2 Q. And I believe that was \$337 per KW?
 3 A. Yes.
 4 Q. You calculated that why? What were you
 5 using that number for? You didn't use that number in
 6 terms of calculating your rate base adjustment,
 7 right? You used whatever it was, the \$312.50
 8 calculated using the 200 million NRG proposal number
 9 and the 640,000 kilowatts that you assumed at least
 10 at that time was correct for the NRG plant, right?
 11 A. Yes.
 12 Q. What were you using this \$337 number for?
 13 A. Well, the affiliated transaction rule speaks
 14 to the lower of cost or market, and this was the cost
 15 that UE incurred to build combustion turbines itself.
 16 Q. So would you agree at a minimum that if the
 17 cost you calculated is wrong, then that also is going
 18 to change even if -- even if we'd assume that your
 19 position on whether an adjustment ought to be made is
 20 right, it's going to change the amount of that
 21 adjustment?
 22 A. No.
 23 Q. Why not?
 24 A. Well, because this is an example of what it
 25 would cost for UE to build. I'm using the lower of

1 Q. All right. And that means that Staff had no
 2 concerns about AmerenUE's cost for the Venice CTGs or
 3 the Peno Creek CTGs, right?
 4 A. I think you could interpret it that way.
 5 Q. Well, how else would I interpret it?
 6 No concerns about the cost of constructions,
 7 no rate based disallowances proposed. The Staff
 8 didn't have any concerns, did they?
 9 A. Well, in the same way I can't get inside of
 10 Ms. Connie Paoletti's head, I presume you haven't
 11 talked to Leon Bender either. So I can only
 12 interpret what Mr. Bender said in his testimony. I
 13 didn't speak to him personally about writing it or
 14 what he said.
 15 Q. Let me ask you this question.
 16 It strikes me as odd that a CPA in the
 17 Staff's accounting area is making judgments about
 18 rate based disallowances for CTGs instead of a Staff
 19 engineer. Why are you proposing this adjustment?
 20 A. Well, the auditors usually deal with the
 21 cost aspects of the case. The engineers examined the
 22 data, they did the construction audits. We usually
 23 have an auditor participate in the construction
 24 audits. We just didn't have available resources at
 25 the time.

1 cost or market, and the market as defined by this
 2 offer is still lower.
 3 Q. Isn't it fair that if this -- you're using
 4 this as a comparison point, I guess, right? Did you
 5 use it as a comparison point?
 6 A. The build price, yes.
 7 Q. Right. If that comparison point is higher
 8 and becomes closer to the book value paid for
 9 Pinckneyville and Kimmundy, doesn't that indicate
 10 that the calculated price that you're using may be
 11 too low?
 12 A. No.
 13 Q. Not at all?
 14 A. Not to me.
 15 Q. Now, you're aware that Staff has audited the
 16 construction of Venice Units 2 to 5 and Peno Creek 1
 17 to 4, and Mr. Bender testified in this case, quote,
 18 no construction costs during construction -- or he
 19 testified that there were no construction costs
 20 during construction -- I apologize.
 21 His testimony was that there were no
 22 construction costs during construction that should
 23 not be allowed in rate base. Do you recall that
 24 testimony?
 25 A. I read Mr. Bender's testimony, yes.

1 Q. But in order to make these judgments about
 2 what units are similar, not similar and those types
 3 of things, you need to have an understanding of CTGs
 4 and the engineering behind them, don't you?
 5 A. I don't really believe so.
 6 Q. You don't think so. Do you know whether the
 7 fact that the Pinckneyville and Kimmundy units have
 8 better heat rates than the Audrain units would make
 9 them more efficient than the Audrain units?
 10 A. Yeah. I think that would make them more
 11 efficient.
 12 Q. Might that affect the value of one set of
 13 CTGs versus another?
 14 A. Yes.
 15 Q. Quick start capability; might that affect
 16 the value?
 17 A. Yes.
 18 Q. Dual fuel capability; would that affect the
 19 value?
 20 A. I think it could. It probably would depend
 21 on if you really believed you were going to use that
 22 capability or not. If you thought you were primarily
 23 going to run the unit on gas, then the fact that it
 24 also ran on oil would probably have very limited
 25 value.

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1 Q. But you didn't really take those
2 characteristics into account in deciding that you
3 ought to be using the NRG 200 million dollar number
4 for the rate base adjustment versus the Pinckneyville
5 -- and price paid at Pinckneyville and Kinmundy?

6 A. I didn't. But as I tried to explain, I
7 don't think -- I think 200 million is the upper limit
8 on that price. I think that if you read the offer as
9 I do, I think it's pretty clear that that would have
10 been the upper limit of that offer and that there
11 would have -- their final negotiated price would have
12 been much lower than that.

13 Well, in fact, UE paid, I think, 115
14 million.

15 Q. Four years later, right?

16 A. Four years later.

17 Q. Four years later.

18 A. So I believe that even at that time the
19 negotiated price would have been much less than 200.
20 And if there's additional value that Pinckneyville
21 has -- Pinckneyville and Kinmundy has that Audrain
22 doesn't have, there's a way to capture that to get
23 back to 200.

24 Q. But for this indicative proposal from Ms.
25 Paoletti you really don't have anything else to go on

1 did you take into account any differences in the
2 characteristics between Goose and Raccoon Creek and
3 the Audrain plant?

4 A. No.

5 Q. Even though those characteristics can drive
6 the price of a CTG plant, right?

7 A. I think they could affect it.

8 Q. Now, you're not an engineer, right,
9 Mr. Rackers?

10 A. That's correct.

11 Q. And you don't have any engineering training?

12 A. No.

13 Q. Have you ever run a power plant?

14 A. No.

15 Q. Have you ever made a resource planning
16 decision?

17 A. No.

18 Q. Do you advise the Commission on resource
19 planning decisions?

20 A. No.

21 Q. Are you involved -- I take it you're not
22 involved in AmerenUE's current IRP docket?

23 A. No.

24 Q. If a utility was evaluating whether it
25 needed generating capacity and what it should buy and

Page 79

Page 81

1 in arriving at this 200 million dollars divided by
2 640,000 KW number, do you; in calculating your rate
3 base adjustment. That's the basis of it, right?

4 A. Yes.

5 Q. Okay.

6 A. But you've got other -- you've got the build
7 price. You've got other units that UE bought. I
8 mean, they finally did buy Audrain at a lower price.
9 Goose Creek and Raccoon Creek; I mean, there's other
10 units that UE has purchased.

11 Q. Just to clarify. They bought Audrain at a
12 lower price four years later when market prices could
13 be vastly, vastly different, correct?

14 A. Well, they did. But this --

15 Q. That was a yes, right? Market conditions
16 could be vastly different four years later?

17 A. They could be, right. But the actual
18 transfer didn't occur until 2005; Pinckneyville and
19 Kinmundy.

20 Q. Market conditions could vary from 2005 to
21 2006 too, couldn't they?

22 A. Well, based on the price I see for Goose
23 Creek and Raccoon Creek, if there's a direction,
24 they're going lower.

25 Q. And in reaching those kinds of conclusions

1 what price it should pay, you wouldn't be the guy
2 they'd come and ask about that, would you?

3 A. Say that again.

4 Q. If a utility was evaluating whether it
5 needed capacity and what kind of capacity it needed
6 and what price it should pay for that capacity, you
7 wouldn't be the guy that they'd want to ask about
8 that, would you?

9 A. The utility?

10 Q. Yeah. Let's say you work for a utility;
11 you're an accountant for a utility with all the same
12 set of knowledge, skills and background that you
13 have. They wouldn't come ask you that question,
14 would they?

15 A. I could see me being a member of a team that
16 would perform that evaluation, yes.

17 Q. And what role would you play on that team as
18 opposed to the engineers who are involved in resource
19 planning?

20 A. Well, analysis of the cost data that
21 supported the value of these units.

22 Q. But not an analysis of the characteristics
23 of the plants themselves and how they met needs,
24 those type of things, right?

25 A. But I might be asked to assign a cost to

21 (Pages 78 to 81)

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1 that; to the value of those different
2 characteristics.

3 Q. When did AmerenUE complete its Penno Creek
4 CTGs?

5 A. The date I have says commercial operation
6 5/19 of 2002.

7 Q. Can you show me in your testimony where you
8 took the \$570 per KW cost to build Penno Creek into
9 account?

10 A. I didn't take that into account.

11 Q. Why not?

12 A. Well, because up until very near when I
13 wrote my testimony, based on UE's website I was under
14 the impression that Penno Creek was much cheaper then
15 -- as a fact. There must be an incorrect listing on
16 UE's website because the price that I got off of
17 there was not indicative of this 500 number.

18 Q. What price did you get off -- or at least
19 you contend you got off of UE's website -- or
20 Ameren's website about Penno Creek?

21 A. It says Penno Creek CTGs-35.2 million. And
22 it's got a listing of some other units, and the other
23 units match very well, but this Penno Creek doesn't
24 seem to work.

25 Q. So it would surprise you if Penno Creek --

1 Q. Well, Mr. Rackers, the engineers don't have
2 any concerns and haven't recommended any rate based
3 disallowances for Penno Creek. Are you telling me
4 that regardless of what it costs to build if a
5 utility could have bought for less, that's okay?
6 We'll just include whatever the costs are to build
7 something in rate base. I mean, that's not your
8 testimony, is it?

9 A. Well, the affiliated transaction rules say
10 if lower of cost or market.

11 Q. And you don't think that the cost to build a
12 CTG plant has anything to do, any relationship, to
13 the market price of buying CTGs at a given point in
14 time?

15 A. Well, you singled out one unit. I mean, or
16 one plant, Penno Creek. What about --

17 Q. Well, that's --

18 A. I'm not asking you a question. You singled
19 out Penno Creek. There are other units that UE was
20 able to build at a cheaper price than that.

21 Q. But I'm asking you about Penno Creek at this
22 point.

23 Isn't there a relationship at a particular
24 point in time, a market at a particular point in
25 time, between what utilities can build a plant for

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Page 85

1 the installed cost of Penno Creek was actually \$570
2 per KW?

3 A. No. It doesn't surprise me. I became aware
4 of that just as a comment from Mr. Kind before I
5 found that testimony, and having -- since then I've
6 read his testimony.

7 Q. And, of course, Mr. -- the engineers have
8 done construction audits of the Penno Creek project
9 and they haven't found any concerns about the
10 construction costs with regard to Penno Creek, have
11 they?

12 A. That's what Mr. Bender's testimony says.

13 Q. That's what Mr. Bender testified to, isn't
14 it?

15 A. Yes.

16 Q. Penno Creek 2002, NRG indicative proposal
17 2002; don't you think that \$570 per KW price is
18 relevant; something that you should have considered
19 or should consider now if you're trying to look
20 around at what UE could have bought or built CTGs
21 for?

22 A. I think it may be indicative of what UE
23 could build for, but I don't know that it's
24 indicative of what they could buy for in that time
25 frame.

1 and what they can buy them for? Isn't there some
2 relationship between those? If somebody is looking
3 for a CTG, they look at can I build it cheaper, can I
4 buy it cheaper. And those interrelationships affect
5 the market price of CTGs generally; do they not?

6 A. I could see that that would have some
7 affect.

8 Q. Do you intend to take the cost that UE
9 incurred to build Penno Creek into account with
10 respect to the rate based adjustment that you're
11 suggesting for Pinckneyville and Kinmundy?

12 A. No.

13 Q. So you intend to ignore that?

14 A. Well --

15 Q. You don't think it's relevant?

16 A. I'm aware of it. I don't think it affects
17 the price that I've used.

18 Q. Can you show me in your testimony where you
19 took into account any differences in the unit
20 characteristics between the units at Pinckneyville
21 and Kinmundy and the unit at the Audrain facility in
22 using the 200 million dollar Audrain CTG figure?

23 A. I didn't specifically do that. As I stated
24 earlier, I don't believe -- I believe that 200
25 million dollar price is the top end price.

22 (Pages 82 to 85)

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1 Q. You've concluded based on Ms. Paoletti's
2 letter that 200 million is not the real number. It's
3 really lower. So you were safe using the 200
4 million. That's the basis of ignoring those
5 differences in unit characteristics; is that fair to
6 say?
7 A. I think that's a little bit of a
8 mischaracterization. I don't believe that the final
9 negotiated price -- and I think that's clear from
10 reading the language in that offer -- that the 200
11 million would have been the final price. I think it
12 would have been something else. The letter invites a
13 counteroffer to that 200 million. And I assumed UE
14 wasn't going to suggest a higher price so --
15 Q. Just so I'm clear --
16 A. -- so I --
17 Q. I'm sorry. Go ahead.
18 A. -- so I think to the extent you place a
19 value on some characteristics that Pinckneyville and
20 Kimmunity have that maybe Audrain doesn't, there's a
21 cushion, if you will, built into that price to absorb
22 the cost of those differences.
23 Q. So you just don't think it's relevant to
24 take into account different characteristics between
25 the different units?

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1 A. I think it would be relevant, but as I said,
2 I think there's a cushion in that 200 million dollar
3 price.
4 Q. You haven't done any analysis to determine
5 whether or not whatever cushion you think might exist
6 is more than offset by differences in operating or
7 plant characteristics, have you?
8 A. I have not done that.
9 Q. You don't really even have the training or
10 experience to do such an analysis, do you?
11 MR. DOTTHEIM: Mr. Lowery, I think
12 Mr. Rackers has answered your question.
13 MR. LOWERY: This is a different question.
14 A. Can I hear the question again?
15 Q. (By Mr. Lowery) You haven't done any such
16 analysis. Do you even really have the training and
17 knowledge and experience necessary to value those
18 various characteristics, differences between one CTG
19 plant and another, place a value on those to
20 determine if the, quote, cushion that you talk about
21 is sufficient to offset that?
22 A. I think I could perform such an analysis. I
23 haven't attempted to do it.
24 Q. Can I see Exhibit 1, again, please?
25 Mr. Rackers, is the number you used for Peno

1 Creek this 103.4 million dollar number?
2 A. I think if you use the 103, that's how you
3 get a much higher value. The number I was talking
4 about is --
5 Q. I see.
6 A. -- that one.
7 Q. And --
8 MR. DOTTHEIM: Which number were you
9 pointing to, Mr. Rackers?
10 THE WITNESS: This 35.2.
11 Q. (By Mr. Lowery) Just so -- trying to make
12 the record clear. There's a document in here. It
13 was printed, I think, on 12/13/2006. Would you agree
14 with that?
15 A. Yes.
16 Q. And it's from sec.gov/archives/edgar/data
17 and a long string of numbers ending in EXV13. And
18 that's a Securities and Exchange Commission document,
19 right?
20 A. That's from your 10-K.
21 Q. From the 10-K.
22 MR. DOTTHEIM: When you say your?
23 THE WITNESS: UE's 10-K.
24 Q. (By Mr. Lowery) Or probably the Ameren 10-K
25 since UE stock is not publicly traded.

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1 103.4 million dollars is at least the cost
2 of the revenue bond issued with regard to Peno Creek,
3 right?
4 A. That's right.
5 Q. And this document titled Union Electric
6 Company ER-2007-0002 Generating Unit Costs, Website
7 Explanations of 2006 Rate Filing, Item 4. Did you
8 type this up from website information, did you cut
9 and paste or --
10 A. I cut it right out of your website.
11 Q. Okay.
12 MR. DOTTHEIM: Your website being Ameren?
13 THE WITNESS: Ameren's website.
14 Q. (By Mr. Lowery) And it's got 35.2 million
15 dollars listed?
16 A. It does.
17 Q. And you don't know for sure which one is
18 right in terms of the actual cost?
19 A. Well, it appears that the 103 is closer, but
20 I probably need to talk to someone at the company --
21 Q. All right.
22 A. -- to determine if that's the actual way
23 they're valuing the unit based on -- based on the
24 revenue bond.
25 Q. Okay.

23 (Pages 86 to 89)

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1 A. I mean --
 2 Q. Well, or if -- the relevant inquiry for
 3 purposes of drawing these comparisons between buy and
 4 build and what the cost is would be what it costs to
 5 build a unit, right?
 6 A. Yes.
 7 Q. Let's talk about this sheet that -- at the
 8 top it has purchase year, cost, megawatts, dollars
 9 per kilowatt, and at the bottom it's got 237 million
 10 one-hundred dollars. It's a one-page document. In
 11 the upper left in bold it says New UE Generation and
 12 Rate Base. This is part of Exhibit 1, right?
 13 A. Yes.
 14 Q. What is this?
 15 A. This is actually a document that I -- if I
 16 remember this correctly, I think Mr. Kind produced
 17 this document.
 18 Q. All right. Produced when and where; do you
 19 know?
 20 A. I don't know when he made it.
 21 Q. And it came into your possession before you
 22 filed your testimony?
 23 A. Yes.
 24 Q. It's got 103.4 million dollars for Peno
 25 Creek on it, right?

1 A. It does.
 2 Q. Was it Mr. Kind's idea to use the 200
 3 million dollar NRG indicative order; is that where
 4 Staff got the idea?
 5 A. No.
 6 Q. Did you get this before or after you made
 7 the determination you were going to suggest a rate
 8 base reduction based on that 200 million dollar
 9 number?
 10 A. I can't honestly tell you.
 11 Q. This document -- one-page document. It's
 12 landscape in its formatting. It says call Leon and
 13 Taylor or Cary on in service for Aquila. Is that
 14 your handwriting, I take it?
 15 A. Yes.
 16 Q. Leon Bender, Michael Taylor. That's who
 17 Leon and Taylor are, right?
 18 A. Yes.
 19 Q. And Cary is Cary Featherstone?
 20 A. Correct.
 21 Q. What's this document about?
 22 A. This is the -- I think it's the summary of
 23 the same type of information that Mr. Taylor produced
 24 for the UE in-service audits that they produced for
 25 the KCP&L in-service audits.

1 Q. All right. Thank you.
 2 A. Uh-huh.
 3 Q. Okay. There's an email, I guess, three days
 4 before your testimony was filed from Leon Bender to
 5 you, copied to Steve Dottheim and Lena Mantle.
 6 Steve, if you're still looking for more info on value
 7 of the Kimmundy units. Were you still looking for
 8 more info then?
 9 A. What's the date on that?
 10 Q. December 12th. He goes on to -- Mr. Bender
 11 goes on to say they are identical --
 12 A. I don't recall.
 13 Q. You don't recall. They are identical to
 14 Aquila's South Harper units except there are three
 15 units at South Harper. And he gives you a South
 16 Harper case number, I think. Maybe a couple South
 17 Harper case numbers.
 18 There is a large collection of documents
 19 from DR's in those cases concerning the value of
 20 those units and others gathered by the Kansas City
 21 auditors and OPC in those cases. Cary Featherstone
 22 had some argument in his testimony about their value.
 23 Let me stop. Did you go look at a large
 24 collection from DR's, etc., that he refers to in
 25 here?

1 A. No. I didn't have the time to do that. I
 2 think I did read Cary's testimony.
 3 Q. Okay. Have you gone and looked at this
 4 large collection of documents Mr. Bender refers to?
 5 A. No.
 6 Q. All right. Don't intend to?
 7 A. At this point I don't intend to.
 8 Q. And you read Mr. Featherstone's testimony
 9 about the value of the South Harper units, I take it?
 10 A. I believe that I did, yes.
 11 Q. And how, if at all, did that impact your
 12 opinions in this case or the testimony you filed?
 13 A. It really didn't.
 14 Q. It says RW Beck did an appraisal of South
 15 Harper units also which I have a copy of. Did you
 16 look at that?
 17 A. I think I may have gotten that. I don't --
 18 no, I don't think I did. There's an RW Beck -- I
 19 think I'm thinking of this document which doesn't
 20 relate to that.
 21 Q. Did that RW Beck appraisal have any impact
 22 on your opinions, your testimony?
 23 A. I didn't read it.
 24 Q. Didn't read it. Okay.
 25 A. This one? Or the one --

1 Q. The RW Beck one that Mr. Bender refers to.
 2 MR. DOTTHEIM: Mr. Rackers, you were
 3 pointing to an RW Beck document. Could you identify
 4 that RW Beck document?
 5 THE WITNESS: It says Limited Appraisal of 3
 6 SWPC501D5A Combustion Turbines and Auxiliaries
 7 Prepared for Aquila, Inc. by RW Beck, November 22,
 8 2004.
 9 MR. DOTTHEIM: Thank you.
 10 Q. (By Mr. Lowery) What units is that an
 11 appraisal of; where?
 12 A. It appears they are units currently in
 13 possession of -- or at that time in the possession of
 14 Aquila Equipment, LLC.
 15 Q. Just all of that particular Aquila entity's
 16 units, whatever they were at that time?
 17 A. Well, it's these three specific units.
 18 Q. Okay. You don't know where those units were
 19 located?
 20 A. No.
 21 Q. Okay.
 22 A. Oh, here. I'm sorry. At this time I guess
 23 they were in a warehouse or some kind of warehouse
 24 facility. I don't know.
 25 Q. Okay. And you don't know where those units

1 don't underlie your opinions at all?
 2 A. It's just background information I looked
 3 at.
 4 Q. Do you have any other opinions about the
 5 rate-making treatment with respect to Pinckneyville
 6 and Kinmundy or any other AmerenUE generating station
 7 in this rate case that you haven't mentioned in your
 8 testimony or that we haven't talked about here today?
 9 A. No.
 10 Q. Have you been asked by your superiors or do
 11 you intend to give any testimony related to rate base
 12 adjustments that we haven't talked about here today
 13 or that you haven't talked about in your testimony?
 14 A. When you say -- well, let me go back in
 15 terms of my previous answer. There may be some
 16 testimony that would need to be put in regarding the
 17 Taum Sauk plant.
 18 Q. All right.
 19 A. And that's with regard to the depreciation
 20 reserve. I think I mentioned that in my testimony.
 21 Q. Okay.
 22 A. And you said rate base as opposed to
 23 generating facility. Did you mean generating
 24 facilities?
 25 Q. Well, let me ask it both ways.

1 ultimately ended up or if they ended up anywhere at
 2 all?
 3 A. It says -- I believe it says intended for
 4 power plant near Peculiar, Missouri.
 5 Q. Sounds like South Harper, doesn't it?
 6 A. It could be.
 7 Q. You haven't reviewed that in connection with
 8 your testimony, though; is that correct, or you have?
 9 A. If it's in that stack, I at least looked at
 10 it.
 11 Q. I'm just about done. Let me just go back to
 12 this stack again.
 13 Any documents in -- do any documents in this
 14 stack -- did any of those documents have any impact
 15 or form the basis for the opinions that you've
 16 expressed in your testimony?
 17 A. No.
 18 Q. And do they have an impact or form the basis
 19 for any opinions that you have whether expressed in
 20 your testimony or not about the appropriateness of
 21 the rate based adjustment you're suggesting on
 22 Pinckneyville and Kinmundy or the level of that rate
 23 based adjustment?
 24 A. No.
 25 Q. These documents are really irrelevant. They

1 With respect to generating facilities, other
 2 than Taum Sauk?
 3 A. And Pinckneyville and Kinmundy, no.
 4 Q. All right. Thank you, Mr. Rackers. I don't
 5 have anything else.
 6 MR. LOWERY: We need to get that letter back
 7 into Exhibit 1 here, right? And that was all, I
 8 believe. This is the proper Exhibit 1.
 9 Do you have any?
 10 MR. DOTTHEIM: Yeah. I have just a few if
 11 you give me a minute.
 12 Can we just take a five-minute break?
 13 MR. LOWERY: Sure.
 14 (Thereupon, the deposition stood in
 15 temporary recess.)
 16 EXAMINATION BY MR. DOTTHEIM:
 17 Q. Mr. Rackers, Mr. Lowery asked you a number
 18 of questions about resource planning. Is the
 19 accounting department at the Commission involved in
 20 the Staff's resource planning activities involving
 21 electric utility companies?
 22 A. I believe there are auditors on that team
 23 that does that, yes.
 24 Q. I believe Mr. Lowery also asked you about
 25 matters relating to construction audits and the

1 Commission accounting department and the Commission's
2 engineering department. Is the Commission's
3 accounting department involved in construction audits
4 involving electric utilities?
5 A. Yes.
6 Q. Mr. Lowery, I think, asked you a question or
7 questions regarding one of the documents from
8 Deposition Exhibit 1 where I think he asked you about
9 a document that had some handwriting on it which
10 reads call Leon and Taylor or Cary on in service for
11 Aquila. And again, could you identify who Cary is?
12 A. Cary Featherstone.
13 Q. And is Mr. Featherstone an accountant?
14 A. Yes.
15 Q. And do you know whether Mr. Featherstone has
16 been involved in construction audits on behalf of the
17 accounting department?
18 A. I don't know that.
19 Q. Okay. Mr. Rackers, you were involved with
20 the Staff's audit of the Empire District Electric
21 Company in Case No. ER-2004-0570; were you not?
22 A. Yes.
23 Q. Was there a construction audit in that case?
24 A. Yes, there was.
25 Q. Was the accounting department involved in

1 MR. DOTTHEIM: We'll waive presentment.
2 We'll read and sign.
3 MR. LOWERY: I'll take the e-tran and my
4 original and a mini.
5 MR. DOTTHEIM: I'll just need an e-tran
6 only. No hard copy.
7 (Deposition Exhibit 1 marked for
8 identification.)
9
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1 that construction audit?
2 A. Yes.
3 Q. Can you identify which members of the
4 accounting department were involved in that
5 construction audit?
6 A. Ms. Roberta Grissum and myself.
7 Q. And did any members of the accounting
8 department file testimony --
9 A. Yes.
10 Q. -- in that case respecting the construction
11 audit?
12 A. Yes. Ms. Grissum filed testimony.
13 Q. Mr. Rackers, do you know if an electric
14 generating unit has been declared commercially
15 operable, whether it can deliver electric energy into
16 the grid?
17 A. Say that again, would you, please?
18 Q. Do you know whether if an electric
19 generating unit has been declared commercially
20 operable, whether it can deliver electric energy into
21 the grid?
22 A. I don't know.
23 Q. Okay. I have no further questions. Thank
24 you.
25 THE LOWERY: Thanks.

1 CERTIFICATION
2
3 I, Susan M. Fiala, Certified Court
4 Reporter, Registered Professional Reporter, within
5 and for the State of Missouri, DO HEREBY CERTIFY that
6 pursuant to notice/agreement between the parties, the
7 aforementioned witness came before me at the time and
8 place hereinbefore mentioned, and having been duly
9 sworn to tell the whole truth of his knowledge
10 touching upon the matter in controversy aforesaid;
11 that the witness was examined on the 12th day of
12 January, 2007, and examination was taken in shorthand
13 and later reduced to printing; that signature by the
14 witness is not waived and said deposition is herewith
15 forwarded to the taking attorney for filing with the
16 Court.
17 IN WITNESS WHEREOF, I have hereunto subscribed
18 my name this 16th day of January, 2007.
19
20
21
22
23
24
25
26

Susan M. Fiala, CCR, RPR

1 STATE OF _____)

2 COUNTY OF _____)

4 I, STEVE RACKERS, do hereby state that
the foregoing statements are true and correct, to the
best of my knowledge and belief.

12 Subscribed and sworn to before me this
day of _____, 2007.

19 NOTARY PUBLIC

21 My Commission Expires:

25 (SMF)
Steve Rackers

1 January 12, 2007

3 Public Service Commission
4 State of Missouri
5 Steven Dottheim, Esq.
6 Governor Office Building, Suite 800
7 200 Madison Street
8 P.O. Box 360
9 Jefferson City, Missouri 65102-0360

10 RE: Cause No. ER-2007-0002

11 Dear Mr. Dottheim:

12 Enclosed please find your copy of the transcript of
the deposition testimony of Steve Rackers, taken on
January 12, 2007, in the above-captioned matter. I
understand you will obtain signature from Mr.
Rackers.

13 After Mr. Rackers has reviewed the transcript and
made any necessary corrections on the deposition
correction sheet incorporated at the end of the
transcript, please have him sign the original
signature page in the presence of a notary public and
return the signature page, along with the correction
sheets, to yourself. Upon receipt please forward the
original signature page and any correction sheets to:
James B. Lowery, Esq., Smith Lewis, LLP, City Centre
Building, 111 South Ninth Street, Suite 200,
Columbia, Missouri 65205-0918.

18 If you have any questions regarding this matter,
please do not hesitate to contact me at (314)
644-2191.

20 Sincerely,

21 Susan M. Fiala, CCR, RPR

22 Enclosures

24 cc: All counsel of record

1 DEPOSITION CORRECTION SHEET

2 In Re: In the Matter of Union Electric Company d/b/a
AmerenUE for Authority to File Tariffs
3 Increasing Rates for Electric Service Provided
to Customers in the Company's Missouri Service
4 Area.
Cause No. ER-2007-0002

5 Reported By: SMF

6 Upon reading the deposition and before subscribing
7 thereto, the deponent indicated the following changes
should be made:

8 Page Line Should Read:
9 Reason assigned for Change:

10 Page Line Should Read:
11 Reason assigned for Change:

12 Page Line Should Read:
13 Reason assigned for Change:

14 Page Line Should Read:
15 Reason assigned for Change:

16 Page Line Should Read:
17 Reason assigned for Change:

18 Page Line Should Read:
19 Reason assigned for Change:

20 Page Line Should Read:
21 Reason assigned for Change:

23 SIGNATURE OF DEPONENT

1 DEPOSITION CORRECTION SHEET

2 In Re: In the Matter of Union Electric Company d/b/a
3 AmerenUE for Authority to File Tariffs
4 Increasing Rates for Electric Service Provided
5 to Customers in the Company's Missouri Service
6 Area.
7 Cause No. ER-2007-0002

8 Reported By: SMF

9 Upon reading the deposition and before subscribing
10 thereto, the deponent indicated the following changes
11 should be made:

12 Page 12 Lines 15 through 18 Should Read:
13 Well, we were aware that the transfer had occurred and that the
14 Missouri Commission had been involved with this transfer with
15 UE filing in front of FERC.

16 Reason assigned for Change: Misspoke.

17 Page 36 Line 10 Should Read:
18 I'll accept that with the understanding that compulsion refers to
19 either the buyer being able to compel the seller, or the seller
20 being able to compel the buyer to enter into the transaction.

21 Reason assigned for Change: Clarity of response.

22 Page 38 Line 25 Should Read:
23 market for some reason. I don't think that somehow

24 Reason assigned for Change: Clarity of response.

25

26 SIGNATURE OF DEPONENT

1 Page 44 Line 3 through 5 Should Read:
I would agree that NRG may be willing to sell those units for less
than what another vendor, in a different situation, might be willing
to sell the units for. I don't know NRG's motivation.

2 Reason assigned for Change: Clarity of response.

3 Page 62 Line 14 Should Read:
proposition, all other things being equal.

4 Reason assigned for Change: Clarity of response.

5 Page 63 Line 1 and 2 Should Read:
I examined the capacity of the units.

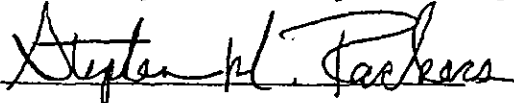
6 Reason assigned for Change: Clarity of response.

7 Page 63 Line 21 Should Read:
I reviewed which vendor built the unit.

8 Reason assigned for Change: Clarity of response.

9 Page 85 Line 6 and 7 Should Read:
What was available in the market and what a utility could build a
unit for I could see that that would affect the decision whether to
buy or build.

10 Reason assigned for Change: Clarity of response.

11 

12 SIGNATURE OF DEPONENT

1 STATE OF Missouri)
 2 COUNTY OF Cole)
 3

4 I, STEVE RACKERS, do hereby state that
 5 the foregoing statements are true and correct, to the
 6 best of my knowledge and belief.

7
 8 Steve M. Rackers
 9

10
 11
 12 26th day of January, 2007. Subscribed and sworn to before me this
 13

14
 15
 16
 17 Toni M. Charlton
 18 NOTARY PUBLIC
 19

20
 21 My Commission Expires:
 22

TONI M. CHARLTON
 Notary Public - State of Missouri
 My Commission Expires December 28, 2008
 Cole County
 Commission #04474301



(SMF)
 Steve Rackers