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Witness: Edward Began  
Sponsoring Party: Union Electric Co.  
Type of Exhibit: Deposition  
Case No: ER-2007-0002  
Date Testimony Prepared: January 10, 2007

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Service Commission

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Date 3-16-07 Case No. ER-2007-0002  
Reporter XZ

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 ) No. ER-2007-0002  
Service Provided to Customers )  
in the Company's Missouri )  
Service Area. )

DEPOSITION OF EDWARD F. BEGAN, CPA  
TAKEN ON BEHALF OF UNION ELECTRIC COMPANY  
D/B/A AMERENUE

JANUARY 10, 2007

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## QUESTIONS BY:

MR. POWELL

MR. WILLIAMS

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## EXHIBITS

## EXHIBIT

## DESCRIPTION

## PAGE

(No exhibits marked.)

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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 )  
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Service Area. )

DEPOSITION OF EDWARD F. BEGAN, CPA,  
produced, sworn and examined on January 10, 2007,  
between the hours of eight o'clock in the forenoon and  
eleven o'clock in the forenoon of that day, at the  
offices of the Missouri Public Service Commission,  
Governor Office Building, 200 Madison St., Room 210,  
Jefferson City, Missouri 65102-0360, before William L.  
DeVries, a Certified Court Reporter (MO), Certified  
Shorthand Reporter (IL), Registered Diplomate  
Reporter, Certified Realtime Reporter, and a Notary  
Public within and for the State of Missouri, in a  
certain cause now pending before the Public Service  
Commission, 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;  
on behalf of Union Electric Company d/b/a AmerenUE.

For the Department of Economic Development,  
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Also present:

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1 IT IS HEREBY STIPULATED AND AGREED by and  
2 between all counsel that this deposition may be taken  
3 in shorthand by William L. DeVries, RDR/CRR, a  
4 Certified Court Reporter, Certified Shorthand  
5 Reporter, and Notary Public, and afterwards  
6 transcribed into typewriting; and the signature of the  
7 witness is expressly reserved.

8 \* \* \* \* \*

9 EDWARD F. BEGAN, CPA,  
10 of lawful age, produced, sworn and examined on behalf  
11 of the Union Electric Company d/b/a AmerenUE, deposes  
12 and says:

13 (Starting time of the deposition: 8:11 a.m.)

14 EXAMINATION  
15 QUESTIONS BY MR. POWELL:

16 Q. State your name, please.

17 A. Edward Began, B-E-G-A-N.

18 Q. Mr. Began, you're the same Edward Began  
19 who's filed written testimony in the AmerenUE rate  
20 case, ER 2007-002, on behalf of the Missouri Public  
21 Service Commission staff; is that correct?

22 A. Yes.

23 Q. Same case we're taking your deposition in  
24 here today. You understand that?

1 A. I understand.

2 Q. Okay. Do you also understand that you were  
3 under the same kind of oath when you filed the written  
4 testimony and you signed the affidavit that  
5 accompanied it in this case?

6 A. I understand.

7 Q. Okay. So all of your written testimony as  
8 well as the attachments by your sworn statement is  
9 truthful, correct?

10 A. Correct.

11 Q. And at this time do you have any  
12 corrections you need to make to that filed  
13 testimony -- filed testimony?

14 A. None.

15 Q. Okay. For this deposition you received a  
16 notice, and attached to that was a list marked as  
17 Exhibit A of things that you were asked to produce at  
18 this deposition. I'd like to go through that with  
19 you. Number one reads, "Copies of all testimony  
20 prefiled by or on behalf of you in this case." What  
21 have you provided in that regard?

22 A. We have previously provided to the company  
23 my direct testimony on the gas case and the electric  
24 case, and I have copies of those here with me today.

25 Q. Okay. And that's all you have in response

1 A. Yes.

2 Q. The fairly limited purpose of this  
3 deposition is primarily to explore your opinions and  
4 testimony so that the company can meet scheduling  
5 deadlines in this case. I'd like to say at the  
6 beginning I very much appreciate the consideration of  
7 yourself and others in scheduling this deposition, and  
8 I also appreciate the quick responses that you  
9 personally have provided for the various data  
10 requests, which we received yesterday. I do have a  
11 few questions about those to clarify some aspects of  
12 them.

13 I also should explain at the outset --  
14 outset that although your filed testimony covered  
15 several different issues, in this deposition my  
16 present intention is to ask primarily questions  
17 concerning the issue of cash working capital, although  
18 I will have a few questions about some other topics.  
19 Have you ever been deposed before?

20 A. In some civil matters a long time ago.

21 Q. Okay. You do understand that you're under  
22 oath for this proceeding today?

23 A. Yes.

24 Q. So that a false answer could be subject to  
25 penalties for perjury?

1 to number one?

2 A. Yes.

3 Q. Okay. Number two, you can just read it  
4 there, refers to copies of all work papers used in  
5 connection with preparation of your testimony. What  
6 is your response to that item?

7 A. Again, those have been previously provided  
8 to the company, and I do have a copy with me this  
9 morning.

10 Q. You supplied all those electronically; is  
11 that correct?

12 A. That's correct.

13 Q. And so the printed copies you have with you  
14 are simply electronically printed versions of the very  
15 same documents?

16 A. Due to the volume, I have the same  
17 electronic copies that have been previously provided.

18 Q. I see. All right. Do you have anything  
19 else in response to item two?

20 A. None.

21 Q. Okay. And I assume it is true then that  
22 you have -- you consider that you have produced  
23 electronically everything that would be responsive to  
24 number two on this list?

25 A. Yes.

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1 Q. Number three, if you would look at that,  
2 refers to copies of all correspondence, documents,  
3 prior Commission rulings, cases, data request  
4 responses, etc., that you relied upon in forming your  
5 opinions in this case. What are you producing in that  
6 regard?

7 A. Nothing new has been added. In the  
8 responses to one of the -- in response to one of the  
9 data requests from Mr. Adams, I did -- I did research  
10 and make reference to two prior Commission orders, and  
11 we will have copies of those available today.

12 Q. Which two orders are you talking about?

13 A. There were copies for order -- for case  
14 number -- orders from case ER 80-48 and ER 81-42.

15 Q. And you say you have or will have those  
16 with you today?

17 A. They're in-house. They will be physically  
18 copied today.

19 Q. Okay. Those are not among the materials  
20 provided electronically yesterday afternoon?

21 A. That's correct.

22 Q. Oh, they are?

23 A. No. Reference to them has been.

24 Q. Okay. What sort of time frame are we  
25 looking at to have those copied?

1 replacement.

2 Q. Looking at that for just a moment, it's  
3 true, isn't it, that in the five cases that were  
4 originally listed on the exhibit filed with your  
5 testimony that there -- they indicated that you had  
6 never previously provided testimony at a Missouri  
7 Public Service Commission case on the issue of cash  
8 working capital. Is that a true statement?

9 A. Yes.

10 Q. The one that you've now added does include  
11 that issue among those for which you provided  
12 testimony in the Atmos Energy case, number GR  
13 2006-0387, correct?

14 A. Correct.

15 Q. So this present case would be the second  
16 time you've provided testimony on that particular  
17 issue; is that right?

18 A. Yes.

19 Q. Do you have anything else to add in  
20 response to number five on the list?

21 A. No.

22 Q. Okay. Number six asks for a copy of your  
23 current curriculum vitae or resume. Do you have one?

24 A. It was included in the original filed  
25 testimony.

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1 A. Their actual copies will be very short.  
2 They'll be available today before you leave.

3 Q. All right. Anything else in response to  
4 number three on Exhibit A?

5 A. None.

6 Q. Okay. And number four asks for a listing  
7 of all depositions you've given in the last ten years.  
8 Have you given any within --

9 A. No.

10 Q. Okay. Number five asks for a list of all  
11 testimony that you have provided before any state  
12 utility regulatory commission for the court of the  
13 National Energy Board of Canada within the last ten  
14 years. Was that the list that was attached to your  
15 direct testimony?

16 A. Yes, with one addendum that was clerically  
17 in error. It did not include the bottom, the Atmos  
18 case on the listing that was included in the previous  
19 testimony.

20 Q. All right. And the record should reflect  
21 that you've just handed me a document which is labeled  
22 in the bottom right-hand corner schedule EFB 1-1. Are  
23 you telling me this is a substitution for the similar  
24 schedule that was attached to your direct testimony?

25 A. Yes. It can be used as a substitution and

1 Q. So the description in your testimony of  
2 your prior experience is all you have in response to  
3 number six?

4 A. Yes.

5 Q. Okay. Do you in fact possess any other  
6 qualifications of relevance to your testimony in this  
7 case other than what was listed in your direct  
8 testimony?

9 A. No. That's complete.

10 Q. Okay. What materials did you review to  
11 prepare for your deposition today?

12 A. My filed testimony, the work papers. I  
13 might work with this. That pretty much encompasses  
14 it.

15 Q. Did you review any of the testimony on this  
16 exhibit that you filed under cases prior to -- or as  
17 preparation for this deposition?

18 A. No.

19 Q. Okay. Referring back to that for a moment,  
20 in the Atmos Energy Corporation, the case number  
21 indicates that that case was filed this -- well, just  
22 this past year in 2006. What was the approximate date  
23 of your testimony in that case?

24 A. Summer.

25 Q. Of 2006?

4 (Pages 10 to 13)

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1 A. Yeah. Yes.  
 2 Q. Among the things that we received  
 3 electronically yesterday, I believe as part of the  
 4 materials you yourself provided, was a copy of some  
 5 testimony by a person named John -- I'll botch his  
 6 last name -- Boczkiewicz from the 1993 phone case.  
 7 Are you the one who supplied that?  
 8 A. I forwarded it, yes.  
 9 Q. Okay. And why did you produce that or what  
 10 is its significance to you?  
 11 A. The data request number two, MA-Staff-2,  
 12 requested a copy of the staff handbook protocol or  
 13 guide pertaining to the preparation of lead lag  
 14 studies. That is and continues to be a good guide.  
 15 It has historical cases and discussion and has also  
 16 been previously provided to the company in connection  
 17 with prior case EC 2002-1, and was provided again as  
 18 still being current and useful.  
 19 Q. In -- first of all, in your own opinion, is  
 20 that testimony current and useful for the issue of  
 21 cash working capital from the staff's perspective?  
 22 A. Yes.  
 23 Q. And is all of what you said about that  
 24 testimony also applicable to the testimony of Karl  
 25 Abert from the 1996 gas case which you supplied

1 A. I don't have firsthand knowledge of when  
 2 the document was assembled. That date would refer to  
 3 that particular filing, or filing of a component of  
 4 that document.  
 5 Q. Okay. From my quick review last night and  
 6 just now, again, this training manual, if we can call  
 7 it that, appears to have five discrete sections, the  
 8 first being the direct testimony of John Boczkiewicz  
 9 in the Southwestern Bell Telephone Company case number  
 10 TC 93-224. Surrebuttal testimony of the same witness  
 11 in Southwestern Bell Telephone Company, the same case,  
 12 and then another case number is also attached to that.  
 13 Direct testimony of Karl, with a K, Abert,  
 14 A-B-E-R-T, in a Union Electric Company case number GR  
 15 97-393, and then a thirty-page document entitled cash  
 16 working capital, and finally a set of accounting  
 17 schedules consisting of about four or five pages. Do  
 18 those things constitute the staff training manual and  
 19 resources used for witnesses who are developing  
 20 testimony for Missouri Public Service Commission cases  
 21 on the issue of cash working capital?  
 22 A. Yes.  
 23 Q. All right. And with respect to the  
 24 thirty-page document entitled cash working capital, is  
 25 that a memorandum prepared by PSC staff as far as you

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1 yesterday?  
 2 A. Yes.  
 3 Q. And that was supplied also in response to  
 4 data request MA number two; is that correct?  
 5 A. That's correct.  
 6 Q. And again, in your personal opinion it has  
 7 continuing relevance as a guide for this issue from  
 8 the staff's perspective; is that correct?  
 9 A. Yes. When viewed in conjunction with the  
 10 other discussion material in that guide.  
 11 Q. All right. And what other discussion  
 12 material is in that guide?  
 13 A. I do not have a copy of that with me, but  
 14 as I recall, it goes into some of the theory -- some  
 15 of the theory and practice in developing and preparing  
 16 the cash working capital study.  
 17 Q. The attorney appearing with you today has  
 18 handed you a document. May I see that? Is this  
 19 document what the staff considers to be sort of a  
 20 training manual for the issue of cash working capital?  
 21 A. It can be used in that context.  
 22 Q. All right. It indicates on the cover that  
 23 it was -- well, there's a date on the cover, Tuesday,  
 24 December 16th, 1997. Is that when this entire  
 25 document was prepared to your knowledge?

1 know?  
 2 A. To the best of my knowledge it is.  
 3 Q. Do you know when it was prepared?  
 4 A. No. I don't have firsthand knowledge of  
 5 its preparation date.  
 6 Q. In any event, it would have been prior to  
 7 1997 when it was bound as part of that collection,  
 8 correct?  
 9 A. It may have been revised, edited, enhanced  
 10 at that time or subsequent to that time.  
 11 Q. Okay. Do you have any personal knowledge  
 12 about that?  
 13 A. No.  
 14 Q. Okay.  
 15 A. It was here before I was.  
 16 Q. And when did you come here?  
 17 A. December 2000.  
 18 Q. Specifically regarding that thirty-page  
 19 document, does it represent current staff policy on  
 20 the issue of cash working capital?  
 21 A. To the best of my knowledge, yes.  
 22 Q. Okay. I neglected to go over the rules  
 23 pertaining to depositions at the beginning. We seem  
 24 to be doing very well in that regard, but as I'm  
 25 asking you for clarification opinions or explanation

5 (Pages 14 to 17)

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1 or whatever, I need to be sure you understand that if  
2 I ask you any questions that you don't understand, I  
3 need your assurance that you will ask me to clarify or  
4 repeat. Can we have that agreement?

5 A. Yes.

6 Q. And is it fair for me to assume that if you  
7 do answer a question, you consider that you understood  
8 it?

9 A. That's fine.

10 Q. Okay. Another thing, of course, is that we  
11 need to speak just one at a time so the court reporter  
12 can get everything down accurately. It's perfectly  
13 fine if you don't know the answer to something to say  
14 so. All responses need to be verbal and clear so that  
15 we have a clear transcript. So instead of uh-huh or  
16 uh-uh, you need to say yes or no. You understand  
17 that?

18 A. Yes.

19 Q. Okay. Now, are we clear that you have not  
20 reviewed any other materials besides those we've  
21 already mentioned in preparation of your opinions and  
22 your testimony for this case?

23 A. No. That would be an incorrect statement.

24 Q. Okay. What else have you reviewed?

25 A. There have been discussion with my

1 the work, my supervisors did review and make  
2 suggestions in several areas.

3 Q. And I'm asking you now what they were to  
4 the best of your memory.

5 A. The best of my knowledge, we had vacation,  
6 nuclear fuel, other employee benefits, and the Osage  
7 issues, line sixteen.

8 Q. Okay. So to be sure I understand what you  
9 just told me -- first of all, have you finished your  
10 answer to my question? That is --

11 A. I believe so, yes.

12 Q. All right. So those are the topics that  
13 Mr. Rackers and Mr. Meyer discussed with you and made  
14 suggestions about; is that correct?

15 A. That's correct.

16 Q. Okay. Now, do I understand correctly that  
17 what you're saying is that when -- at an early stage  
18 of your work you did not include adjustments for  
19 vacation, nuclear fuel, other employee benefits, and  
20 the Osage issues?

21 A. That's not correct.

22 Q. All right. Straighten me out then, please.

23 A. The earliest stages of the work did not  
24 include a line item for the Osage plant issues, and  
25 upon discussion with Mr. Rackers that line item was

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1 supervisor --

2 Q. Who is that?

3 A. -- and other senior staff. Steve Rackers.

4 Q. Okay.

5 A. And Greg Meyer. Reviewed -- I also  
6 reviewed the prior Union Electric case, EC 2002-01.

7 Q. Anything else?

8 A. That's it.

9 Q. Are Mr. Rackers and Mr. Meyer the only  
10 staff with whom you conferred in developing your  
11 opinions and testimony?

12 A. Yes.

13 Q. Okay. What suggestions did the two of them  
14 make to the best of your recollection as you prepared  
15 your testimony?

16 A. Mr. Rackers inquired if it would be useful,  
17 valid to expand the cash working capital line items to  
18 add a line item for the nuclear lag, and he  
19 reviewed -- he reviewed my work in that area. Let me  
20 make a correction. The additional line that  
21 Mr. Rackers suggested was for the Osage plant issues.

22 Q. Rather than the nuclear?

23 A. Rather than the nuclear plant, yeah.

24 Q. Okay.

25 A. We had that before. And in the progress of

1 added.

2 Q. Okay. And that was his suggestion,  
3 correct?

4 A. That's correct.

5 Q. Okay.

6 A. And I agreed with it entirely, you know,  
7 after we discussed it.

8 Q. What about the others, the other three  
9 issues you mentioned?

10 A. The others were primarily supervisory  
11 review and suggestions to improve and enhance the  
12 product.

13 Q. So it's your testimony that the other  
14 three, that being vacation, nuclear fuel, and other  
15 employee benefits, were in fact included from the  
16 outset in your analysis of cash working capital?

17 A. Yes.

18 Q. Okay. But alterations were made in your  
19 analysis of those three issues based upon advice of  
20 Mr. Rackers and Mr. Meyer; is that correct?

21 A. Alterations that enhanced the product.

22 Q. And I guess I'm not clear what you mean by  
23 the product. You mean your testimony?

24 A. Yes.

25 Q. Do you recall specifically what those

6 (Pages 18 to 21)

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1 alterations were with respect to any of these issues?

2 A. On other employee benefits we had data from  
3 Mr. Weiss that provided a more comprehensive listing  
4 of the components of those -- of that item, and we did  
5 include the categorization, you know, forwarded to us  
6 by Mr. Weiss.

7 Q. Uh-huh.

8 A. He'd done detail work. On nuclear fuel the  
9 original lead lag study appeared to include many items  
10 of a maintenance or repair and replacement nature  
11 rather than being limited to actual fuel and  
12 fuel-related cost. So we -- I modified, corrected the  
13 lead lag study to focus solely on fuel items and  
14 exclude repair and maintenance type items.

15 And at Headwaters, the Osage plant, that --  
16 that was just -- was a new item this year, and we  
17 just, you know, had some additional questions of the  
18 company to try to clarify the amounts and payment  
19 dates.

20 Q. You didn't mention vacation, that  
21 adjustment. What do you recall about the changes made  
22 as a result of --

23 A. Okay. Sure. Sure.

24 Q. -- conferences with Mr. Rackers and  
25 Mr. Meyer?

1 A. In vacation we were able to discover, not  
2 in the legal sense of the word, but through DRs and  
3 conversations with Ameren employees, we were able to  
4 discover what we believed to be a -- a better -- a  
5 better set of dates for -- that defined when payments,  
6 when the vacations were earned and when the vacations  
7 were taken, and we utilized that better data in our DR  
8 study. Or -- not the DR study. The cash working  
9 capital study.

10 Q. Okay. I wanted to ask a specific question  
11 about what you were saying on the nuclear fuel issue.  
12 Is it your testimony that staff's analysis of cash  
13 working capital excluded all maintenance replacement  
14 and repair expenses?

15 A. They were excluded from the nuclear fuel  
16 line, line nine. By default, you know, those type  
17 expenses are included in line seventeen, the cash  
18 vouchers.

19 Q. Did you make an adjustment upwards in line  
20 seventeen to correspond with the downward adjustment  
21 in the nuclear fuel item?

22 A. That is the results of the product, yes.  
23 Line seventeen is increased by amounts that were  
24 eliminated or not included in lines above it.

25 Q. And those two adjustments match each other

1 is your testimony?

2 A. Yes.

3 Q. Okay. Give me your explanation as best you  
4 can for why staff has chosen for the first time to add  
5 something having to do with the Osage Headwaters issue  
6 to cash working capital analysis?

7 A. We saw a combination of reasons here.  
8 Number one, it appeared that there was a significant  
9 increase in the annual expenditures related to the new  
10 Headwaters agreement, and there was also an increase  
11 in the annual licensing cost. Along with those  
12 increases, the payment dates lag significantly behind  
13 the service dates.

14 MR. WILLIAMS: Did someone just join us?

15 MR. MICHEEL: Yes, Doug Micheel.

16 MR. WILLIAMS: Thank you, Doug.

17 Q. (By Mr. Powell) So -- I'm sorry, clarify  
18 what you were just saying about payments dates.

19 A. The payment dates -- the required payment  
20 dates lag significantly behind the service dates, such  
21 that to include that long lag in with the general cash  
22 vouchers would not be reasonable or fair. So we opted  
23 to include a separate line for the Headwaters and  
24 relicensing annual expenses because, number one, there  
25 were a reasonably large amount, and number two, they

1 had significantly longer lags than the usual in  
2 general expense.

3 Q. And it's true, isn't it -- well, let me  
4 ask, what would be the net effect of adding this line  
5 item for the reasons you've just explained on the  
6 company's cash working capital requirement?

7 A. Well, the calculation showed a negative  
8 cash working capital requirement, meaning that would  
9 increase the deduction on the rate face.

10 Q. And very specifically, adding this  
11 additional line item produced that effect, correct?

12 A. Yes.

13 Q. Okay. Even though as you've indicated, you  
14 conferred with Mr. Rackers and Mr. Meyer in connection  
15 with preparation of your testimony, you considered  
16 that you are personally responsible for all of that  
17 testimony, correct?

18 A. Yes.

19 Q. I couldn't help but notice in reading  
20 through your testimony that you repeatedly referred in  
21 it to, quoting here, the staff's lead lag study. Who  
22 on the staff actually performed the study?

23 A. I did virtually all of the work, which  
24 largely consisted of reviewing and modifying where I  
25 felt appropriate the detail lags prepared by



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1 Mr. Adams.  
2 Q. So is it your testimony you used  
3 Mr. Adams's study for the company as your starting  
4 point, and then made adjustments to his work?

5 A. Yes.

6 Q. Okay. Did you learn about lead lag studies  
7 in your formal education prior to employment here?

8 A. No.

9 Q. When did you first learn about them?

10 A. Upon employment with the Commission.

11 Q. And I'm sorry, you said that was the year  
12 2000?

13 A. December 2000.

14 Q. Other than the training manual that we've  
15 had a look at here, do you have other sources of  
16 information or education regarding cash working  
17 capital studies or lead lag studies?

18 A. There is other data available. Candidly,  
19 this document appears to be one of the better, if not  
20 the best. That and reviewing -- you know, looking at  
21 other cases over the years, other lead lag studies  
22 that, you know, have been performed. Hearing  
23 conversation in the office. All of that goes into  
24 your background.

25 Q. Is it your testimony then that you in fact

1 A. Yes.

2 Q. Okay. In making the -- well, in studying  
3 Mr. Adams's analysis and in developing adjustments to  
4 that analysis for purpose of your testimony, what  
5 actual documents and records of the company did you  
6 look at?

7 A. I did request some nuclear fuel invoices  
8 for the primary purpose of auditing the service and/or  
9 payment dates because some of those had rather long  
10 lags. They required -- apparently it was the  
11 contractual prepayment requirements that appeared to  
12 extend the lags. I wanted the -- I wanted to audit  
13 that to be sure that they were correct.

14 Q. Okay. And what did you determine in that  
15 regard?

16 A. They were correct. It was correct.

17 Q. Okay. Did you look at any other company  
18 documents and records in performing your analysis of  
19 this issue?

20 A. Some -- some of the other employee benefit  
21 expenses were also audited to get an audit  
22 confirmation of the dates and amounts that were not  
23 material amounts. It wasn't a large-scale audit, but  
24 some were reviewed again just to get some comfort  
25 level with the accuracy of the dates.

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1 have reviewed other lead lag studies performed in  
2 other cases aside from the one you did in the Atmos  
3 Energy Corporation case in the year 2006 and the ones  
4 referred to in the manual?

5 A. They were not referred to in detail, in  
6 nearly the detail that's required as when you do the  
7 case.

8 Q. Okay. What I'm trying to do at the moment  
9 is get a comprehensive picture of your education  
10 regarding performing cash working capital analysis.  
11 So have we completely covered that now?

12 A. Substantially so, yeah.

13 Q. Okay. So in fact you have not had formal  
14 training sessions with lectures or demonstrations or  
15 anything like that?

16 A. That's correct.

17 Q. Okay. And you've taken no college courses  
18 that address this issue, correct?

19 A. That's correct.

20 Q. Is it true that you personally performed a  
21 lead lag study for the Atmos Energy case?

22 A. Yes.

23 Q. So the one for this case would be your  
24 second lead lag cash working capital study; is that  
25 correct?

1 Q. Okay. And -- and the wording of your  
2 answer suggested to me that perhaps another staff  
3 member actually did that portion of the audit; is that  
4 a correct perception?

5 A. That's wrong.

6 Q. Okay.

7 A. I did that.

8 Q. All right. With respect to what you've  
9 just described regarding other employee benefit  
10 expenses, how many and what types of company records  
11 did you actually look at?

12 A. We did ask for some documents and received  
13 the documents on -- related to pension expense, some  
14 pension payments. There may have been a few others.

15 Q. Okay.

16 A. But pension was the one that sticks out in  
17 my mind.

18 Q. Can you give me an estimate of the number  
19 of such documents you looked at?

20 A. Probably less than a dozen.

21 Q. Okay. Are there other company -- I'm  
22 sorry. Go ahead.

23 A. Excluding the nuclear items.

24 Q. Right. Yeah, I was going to come back and  
25 ask you them.

8 (Pages 26 to 29)

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1 A. Okay.  
 2 Q. Well, let me go ahead and ask them. On the  
 3 nuclear fuel invoices in the audit there, first of  
 4 all, you personally audited those records?  
 5 A. Yes.  
 6 Q. Okay. Can you estimate -- estimate the  
 7 number of company documents you looked at with respect  
 8 to that issue?  
 9 A. Yeah. There's eight -- eight or ten vendor  
 10 invoices.  
 11 Q. Okay.  
 12 A. Which -- which was most of the fuel-related  
 13 invoices. That encompassed most of the fuel-related  
 14 invoices that were included in the study.  
 15 Q. Okay. For what time period?  
 16 A. Test year was July the 1st, '05 through  
 17 June 30, '06.  
 18 Q. Okay. Did you also look at the payment  
 19 side of that?  
 20 A. In many cases it was marked on the invoice  
 21 paid on a certain date or marked on the invoice  
 22 copied.  
 23 Q. So the actual documents you looked at were  
 24 just the invoices with any notation about when it was  
 25 paid?

1 A. That's correct.  
 2 Q. All right. So I'm trying to be sure I have  
 3 a complete answer to my question. Are there other  
 4 actual company documents or records you looked at in  
 5 performing your cash working capital analysis?  
 6 A. I don't believe so.  
 7 Q. Okay. Let me see if I understood something  
 8 correctly from reviewing the testimony. As I  
 9 understand it, one of the components of your cash  
 10 working capital study had to do with interest expense  
 11 lead time, correct?  
 12 A. Yes.  
 13 Q. Okay. And Mr. Adams at least included that  
 14 in his study, correct?  
 15 A. Yes. He would have been the source for  
 16 that.  
 17 Q. Okay. Mr. Weiss provided written testimony  
 18 that as to that issue, interest expense lead time, he  
 19 instructed the company's witness, Mr. Adams, to use a  
 20 particular approach because the company believes that  
 21 that approach on that issue, which is the approach  
 22 taken by staff in the recent cases, is accurate. Do  
 23 you in fact agree with the approach the company took  
 24 on that aspect of the study?  
 25 A. I am aware of no objections to that.

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1 A. Yes. Yes.  
 2 Q. That last description, would that also  
 3 apply to the other employee benefit expense portion of  
 4 your audit?  
 5 A. Yes.  
 6 Q. So you did not look at separate billing  
 7 records, only at the invoices, if you will, and  
 8 payment records with them?  
 9 A. That's correct.  
 10 Q. Okay. Were there any other documents and  
 11 records of the company that you personally looked at  
 12 in connection with developing your analysis of cash  
 13 working capital?  
 14 A. The Headwaters and relicensing. I saw the  
 15 actual Headwaters agreement, that included payment  
 16 amounts and stated due dates. And on the relicensing  
 17 we saw the -- what appears to be the latest draft of  
 18 that agreement. Again, looking for -- trying to  
 19 verify the amounts and what liabilities and  
 20 obligations the company had under that agreement.  
 21 Q. Okay. But the actual documents you looked  
 22 at in each instance was the agreement itself?  
 23 A. Yes.  
 24 Q. Okay. And no other documents; is that  
 25 correct?

1 Q. Did you make any adjustments in that  
 2 aspect?  
 3 A. I don't believe so.  
 4 Q. Have you reviewed Mr. Weiss's filed  
 5 testimony?  
 6 A. Yes.  
 7 Q. Okay. Do you have it handy -- I can show  
 8 you the pages I'll refer to. It's page -- well,  
 9 really just thirteen and then schedule E6 attached to  
 10 that. Direct your attention to the highlighted  
 11 portions of the testimony and then to lines one  
 12 through three of schedule E6. My question is: Do you  
 13 agree with that aspect of the cash working capital  
 14 analysis performed on behalf of the company?  
 15 A. I don't know. Candidly, I don't recall  
 16 this specific aspect of it.  
 17 Q. All right.  
 18 A. And I just have to -- I'll just have to go  
 19 back to my files, detail files.  
 20 Q. That's fine.  
 21 A. Yeah.  
 22 Q. If any correction needs to be made, I  
 23 assume you'll let us know --  
 24 A. Uh-huh.  
 25 Q. -- again.

9 (Pages 30 to 33)

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1 A. Yes.

2 Q. Okay. Let me ask some very broad general  
3 questions. Would you agree, Mr. Began, that the  
4 company witness, Mr. Adams, on the cash working  
5 capital issue performed a much larger study in terms  
6 of sample size on all of the components of the lead  
7 lag study as compared to the staff study?

8 A. I agree Mr. Adams's study seemed to --  
9 appeared to encompass much of the actual expenditures  
10 by the company.

11 Q. Would you agree that Mr. Adams has greater  
12 familiarity with AmerenUE's own accounting system and  
13 its records than you do?

14 A. I'd be speculating on that answer. I can't  
15 agree to that. I can't disagree. I can't agree.

16 Q. Okay. You just plain don't know?

17 A. I just don't know.

18 Q. Okay. Would you agree that Mr. Adams has  
19 much more experience than you do in analyzing the cash  
20 needs of utility companies?

21 A. Change analyzing to monitoring or -- or  
22 extracting data for cash working capital, cash working  
23 capital studies. Analyzing, I don't know. I would  
24 agree that he appears to have a significant background  
25 in preparation of cash working capital studies.

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1 Q. Okay. And specifically that he has more  
2 experience in that regard than do you?

3 A. Yes.

4 Q. Okay. This is your second time being  
5 involved in this particular issue if I understand your  
6 testimony correctly, whereas Mr. Adams has been doing  
7 analyses like this for fifteen years or more, correct?

8 A. An extended period of time I understand,  
9 yes.

10 Q. Okay. I want to explore a few of the  
11 issues of major difference between the staff's  
12 approach and Mr. Adams's analysis. First with respect  
13 to revenue lag --

14 MR. WILLIAMS: Did somebody just join us?

15 MR. POWELL: Hello? Is someone else on the  
16 line?

17 MR. WILLIAMS: Is anyone on the line?

18 MR. MICHEEL: I'm on the line, Nathan.

19 MR. WILLIAMS: Okay. You're still on,  
20 Doug?

21 MR. MICHEEL: Yes.

22 MR. WILLIAMS: We were just checking to see  
23 if anyone else had joined or if you dropped off.

24 MR. MICHEEL: No, sir.

25 MR. WILLIAMS: Thank you.

1 Q. (By Mr. Powell) Okay. We were exploring  
2 the major differences between the staff's approach and  
3 the company's approach on the lead lag study. First,  
4 am I correct that your study produced an overall  
5 revenue lag for the electric business of 37.43 days?

6 A. Yes.

7 Q. And the company's analysis by Mr. Adams,  
8 the comparable number was 40.11; is that correct?

9 A. Just a moment.

10 Q. Okay.

11 A. That's correct. This computer is on a  
12 delay.

13 Q. All right. I don't want to get bogged down  
14 here, but let me ask with respect to the gas business  
15 as well. Your analysis produced an overall revenue  
16 lag of 38.0 days; is that correct?

17 A. Yes.

18 Q. And the company's analysis by Mr. Adams,  
19 the comparable number was 40.15 days; is that correct?

20 A. Yes.

21 Q. The effect on revenue of those two  
22 differences or -- yeah, I guess that's the right way  
23 to word it, and -- is in the range of fourteen million  
24 difference in cash working capital for the electric  
25 business and one million for gas; would that be

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1 correct, roughly?

2 A. I'll accept that definition. I hadn't  
3 calculated that up to now.

4 Q. Okay. It sounds right to you?

5 A. It may be right.

6 (WHEREIN, a recess was taken.)

7 Q. (By Mr. Powell) Mr. Began, we just covered  
8 that there's -- you accepted the rough figures of a  
9 fourteen million dollar difference in revenue to the  
10 company for electric business and one million for gas  
11 in connection with the overall revenue lag difference  
12 in the two studies, and my next question is, in your  
13 opinion, what is the -- what are the most fundamental  
14 parts of the explanation for the different results in  
15 the two studies with respect to revenue lag?

16 A. All right. First, I'll not confirm or deny  
17 the amounts until I go recalculate those myself.  
18 But --

19 Q. Okay. Please let me know if you think  
20 they're wrong.

21 A. Okay. In general, the primary difference  
22 is that the PSC calculation disregarded payment lag  
23 and bank flow lag in both the electric and the gas  
24 case approximately, you know, two days, 2.2 days in  
25 each.

10 (Pages 34 to 37)

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1 Q. Okay. So to state it another way, your  
2 analysis included three components of revenue lag  
3 whereas the company has included five; is that  
4 correct?

5 A. Yes.

6 Q. All right. Let me ask about the payment  
7 lag and bank float lag. Is it your contention that a  
8 check from a customer arriving at the company means  
9 that the amount of that check is immediately available  
10 to the company as soon as it comes in the door?

11 A. No.

12 Q. In fact, in the real world it does take a  
13 while for the company to process the check and then  
14 deliver it to the bank, correct?

15 A. It can.

16 Q. Okay. And what was Mr. Adams's conclusion  
17 about how long it actually takes this company to take  
18 that step, that is the payment lag step?

19 A. He allowed 1.13 days.

20 Q. All right. And you would disallow that  
21 altogether, correct?

22 A. I did.

23 Q. All right. Is it practically or legally  
24 possible for the company to spend that cash  
25 represented by that check before it's taken to the

1 A. I think it can be for -- for high  
2 profitable customers of a bank.

3 Q. Okay. You said you think that. Do you  
4 know that?

5 A. I would speculate that it does occur.

6 Q. Okay. So that's speculation. Tell me if  
7 I've got this right. From studying your testimony and  
8 your responses to data requests on this issue -- or I  
9 guess it's really two issues, payment lag and bank  
10 float lag, your explanation can be boiled down to why  
11 this -- your explanation for why this adjustment of  
12 disallowing both of these delays is that the receipt  
13 of customer payments being treated as available when  
14 they come in the door, your explanation just boils  
15 down to that's the way the staff has always done it.  
16 Would you agree?

17 A. No.

18 Q. Okay. Explain why that's inaccurate, if  
19 you would.

20 A. The -- the overriding reasoning here is  
21 that the collection lag is defined by the Commission  
22 as terminating when the payment is received.

23 Q. And where is that definition found?

24 A. I've seen that in prior testimony that has  
25 not to my knowledge had any objections from the

1 bank?

2 MR. WILLIAMS: I'm going to object to the  
3 extent you're asking for a legal conclusion.

4 Q. (By Mr. Powell) All right. Eliminate the  
5 word legal then. Can you answer the question?

6 MR. WILLIAMS: Why don't you go ahead and  
7 restate the question.

8 Q. (By Mr. Powell) Sure. Is it possible for  
9 the company as a practical real world matter to spend  
10 that cash from that check before the check is taken to  
11 the bank?

12 A. It is not.

13 Q. Also, getting the check to the bank does  
14 not make the cash instantly available to the company,  
15 does it?

16 A. I don't know.

17 Q. The company can't actually spend that cash  
18 from that check unless and until the check is cleared  
19 by the bank into the company's account; is that  
20 correct?

21 A. That could be the case, subject to whatever  
22 agreements and how -- and the nature of the  
23 relationship between any company and its bank.

24 Q. You think that issue is a matter of  
25 agreement between customer and bank, not law?

1 Commission.

2 Q. So you're citing as authority positions  
3 taken by staff as opposed to Commission decisions; is  
4 that what you're saying?

5 A. Positions stated by staff in filed  
6 testimony that to the best of my knowledge has not had  
7 objections by the Commission.

8 Q. All right. And I'm specifically trying to  
9 ask are you able to cite any Commission ruling in a  
10 case where the -- get the wording right, where the  
11 payment lag and bank float lag was a contested issue,  
12 which -- that is, a Commission ruling which accepted,  
13 ruled in favor of the staff in that regard?

14 A. I do have reference to those two  
15 aforementioned Commission rulings that we will get  
16 copies of for you today --

17 Q. Okay.

18 A. -- where the Commission has disallowed bank  
19 float.

20 Q. Okay. I'm looking at your response  
21 received yesterday to data request MA-Staff-005. Do  
22 you have that handy?

23 A. Uh-huh. Go ahead.

24 Q. That specifically refers to the bank  
25 float --

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1 A. Yes.  
 2 Q. -- issue?  
 3 A. Yes.  
 4 Q. The way I read that data request  
 5 response -- and first of all, you personally prepared  
 6 that, correct?  
 7 A. Yes.  
 8 Q. Okay. And it's dated yesterday?  
 9 A. Correct.  
 10 Q. Am I correct in this understanding of what  
 11 you told us yesterday, that in some earlier cases the  
 12 staff actually took the position that bank float  
 13 should be included in cash working capital analysis,  
 14 but the Commission ruled against the staff in that  
 15 regard?  
 16 A. That's an incomplete statement.  
 17 Q. Okay. Flesh it out, if you will.  
 18 A. My understanding is that the bank -- I'm  
 19 sorry. The company KCP&L attempted to include its  
 20 compensating balances as a -- as an item for cash  
 21 working capital consideration. The staff at that  
 22 point said, all right, if you're going to get  
 23 allowance for the compensating balances, then we  
 24 should also include bank float as that would be an  
 25 offsetting item, and the Commission to the best of my

1 A. No. I am not aware of any other  
 2 discussions or rulings on that issue.  
 3 Q. So back to my original question then, would  
 4 you now agree that staff's position in this case for  
 5 not allowing bank float boils down to since 1980 the  
 6 staff has been doing it this way?  
 7 A. I think that's a true statement.  
 8 Q. Okay. Let me ask a sort of hypothetical  
 9 question here. Would you agree that if a large -- say  
 10 a million dollar check from a customer bounced or was  
 11 delayed in being presented or honored for any reason,  
 12 then the company in fact would need cash from other  
 13 sources to cover its day-to-day need?  
 14 A. That certainly is possible.  
 15 Q. Okay. I want to ask a few questions about  
 16 the vacation accruals portion of your analysis.  
 17 Referring to the staff training manual for cash  
 18 working capital and specifically that thirty-page  
 19 memorandum, you are familiar with it, I take it?  
 20 A. Yeah, go ahead.  
 21 Q. Okay. First, would you agree that there is  
 22 no reference anywhere in that thirty-page staff guide  
 23 to cash working capital that mentions vacation  
 24 accruals at all?  
 25 A. I believe that's correct.

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1 knowledge denied both.  
 2 Q. Okay. You conclude your data request  
 3 response with a quote from a Commission order in case  
 4 ER 80-48 which reads, "Furthermore, the Commission  
 5 cannot accept the staff's utilization of float at this  
 6 time," correct?  
 7 A. That's correct.  
 8 Q. At this time refers to 1980, correct?  
 9 A. I assume so.  
 10 Q. And that would be 27 years ago now, right?  
 11 A. Yes.  
 12 Q. Okay. Are you able to cite any Commission  
 13 decisions in -- where this issue was contested  
 14 subsequent to 1980 where the Commission rendered a  
 15 decision one way or the other on this topic?  
 16 A. At this time I cannot.  
 17 Q. All right. Are you aware of any case  
 18 subsequent to that one where the staff has taken any  
 19 other position than so-called bank float should not be  
 20 included in a cash working capital analysis?  
 21 MR. WILLIAMS: I object to that question as  
 22 being vague because I don't know what decision you're  
 23 referring to when you say that one.  
 24 Q. (By Mr. Powell) I'm sorry. The one I just  
 25 quoted from, ER 80-48.

1 Q. Would you agree that there's no mention of  
 2 a cash working capital adjustment for vacation  
 3 accruals in the testimony of Mr. Boczkiewicz, either  
 4 the -- either version of his testimony included in  
 5 that manual, or in the testimony of Mr. Abert, which  
 6 is in the manual?  
 7 A. I believe that's correct.  
 8 Q. Would you agree that this issue of whether  
 9 to include an adjustment for vacation accrual has  
 10 never been resolved by the Public Service Commission  
 11 in the way you advocate when it was presented as a  
 12 contested issue?  
 13 A. I don't know.  
 14 Q. You're not aware of such a case?  
 15 A. I'm not -- I'm simply not aware of that  
 16 issue -- that becoming an issue.  
 17 Q. Would you agree that an employee on the  
 18 payroll has his or her pay calculated by the company  
 19 the same way whether the employee is on vacation or  
 20 not?  
 21 A. I believe that's -- I believe that's  
 22 probably true.  
 23 Q. Okay. So the payroll figures as used by  
 24 the company include vacation pay; is that correct?  
 25 A. It would be part of an employee's total

12 (Pages 42 to 45)

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1 gross pay for an applicable period.

2 Q. Okay. And very specifically, is it your  
3 understanding that in the company's analysis of the  
4 cash working capital aspect of this case, that payroll  
5 figures used in that analysis include vacation pay?

6 A. The base pay, I believe that's right.

7 Q. Okay.

8 A. Yeah.

9 Q. And the cash going out the door from the  
10 company is the same whether the employee is on  
11 vacation or not, correct?

12 A. Yes.

13 Q. Now, on this issue, that is vacation  
14 accrual, you made an adjustment for the cash needs of  
15 the company by some sixteen million dollars; is that  
16 correct?

17 A. Yes.

18 Q. I wanted to refer next to some more of  
19 these data requests that we got yesterday,  
20 specifically number seven, number nine, number ten,  
21 and number eleven. Do you have those?

22 A. Yes, go ahead.

23 Q. Okay. First of all, all four of those  
24 address the vacation adjustment to cash working  
25 capital; is that correct? That's seven, nine, ten,

1 normalized expenses, the annualized normalized  
2 expenses that are listed on schedule eight. Another  
3 adjustment included in that -- or part of those  
4 adjustments would have been the elimination of  
5 capitalized items to net down to a normalized  
6 annualized vacation net pay of the 16.1 million that's  
7 listed on schedule eight.

8 So the attempt was definitely made to first  
9 annualize vacation pay starting with the test year,  
10 actual vacation paid, adjusting that by a known and  
11 measurable changes, and also removing the capitalized  
12 portion.

13 Q. Okay. And what do you mean by the  
14 capitalized portion?

15 A. The amount of pay that was capitalized by  
16 the company as part of installation projects or other  
17 major capital projects that are -- had going on at the  
18 time. Typically line -- line installation.

19 (Mr. Mills leaves the deposition.)

20 Q. (By Mr. Powell) And I'm sorry, but I'm --  
21 maybe I'm just not following your explanation, but I'm  
22 not getting why vacation fits in that category. I'm  
23 not understanding.

24 A. Yeah. Yeah, I understand your problem, and  
25 I'm not coming up with a good explanation for it. You

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1 and eleven?

2 A. Yes.

3 Q. Okay. And again, you personally provided  
4 all of these dated yesterday, correct?

5 A. Yes.

6 Q. Could you just explain how you did this  
7 adjusting, that is all of the steps in your analysis  
8 producing a sixteen million dollar adjustment?

9 A. All right. I think it's summarized on the  
10 response to number ten. The -- the initial starting  
11 point was the vacation actually paid that was obtained  
12 from staff data request by the individual who did all  
13 the detail work on the payroll.

14 Q. Which data request are you referring to  
15 now?

16 A. Let's see. She was involved with --  
17 principal data requests are 361, 385, and 386.

18 Q. Okay. And they're listed in number ten  
19 here, I see that.

20 A. Yes. Yes, they are.

21 Q. Okay. All right. I'm sorry. I  
22 interrupted. Go ahead.

23 A. That's all right. The actual vacation paid  
24 then had adjustments that were applicable, you know,  
25 between the test year and this working -- and these

1 know, it may have been just that vacation pay, you  
2 know, took the same pro rata portion that base payroll  
3 had. If base pay was -- let's just say vacation pay  
4 was 6.45 percent of total base pay during the test  
5 year. Then the capitalized portion was removed from  
6 base pay. Let's just say ten percent of the base pay  
7 was capitalized. We'd then also take ten percent. We  
8 would remove that ten percent of the vacation pay  
9 and -- to get down to an O&M amount here.

10 Q. Well, I'm sorry, but I didn't understand  
11 any of what you just said. Help me with the  
12 fundamental concept, if you would. When an employee  
13 is paid, that's cash out the door, correct?

14 A. Yes.

15 Q. And we've already established that employee  
16 pay, cash out the door, is the same whether somebody  
17 is on vacation or on the job, correct?

18 A. That's correct.

19 Q. Why is any adjustment at all in the cash  
20 needs of the company appropriate for vacation?

21 A. This schedule, column B, is the O&M, the  
22 operations and maintenance expenses that -- that are  
23 recoverable by the company as cost of service.

24 Amounts that are included in capital, that are  
25 capitalized are not directly recoverable, not

13 (Pages 46 to 49)

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1 immediately recoverable through the cost of service.

2 Q. Okay. I understand that concept.

3 A. Okay. So --

4 Q. But the question is every employee getting  
5 paid is cash out the door, correct?

6 A. Yes, it is.

7 Q. And this is a study of the cash needs of  
8 the company, correct?

9 A. It's a study of the cash working capital  
10 effect of its O&M expense.

11 Q. All right. Any --

12 A. Now, to whatever extent any of these -- any  
13 expenses are capitalized, they are not included in the  
14 numbers.

15 Q. Is any of the cash out the door for  
16 employee pay, is it diverted for what you're calling  
17 capitalization?

18 A. It went into the -- the capitalization went  
19 into the calculation of base pay. Let's just say base  
20 pay found in ten percent of the total -- total paid,  
21 it may have been two hundred million, and say ten  
22 percent of that was capitalized, that same ten percent  
23 would have been -- not the same dollars, the same  
24 percentage would have been eliminated from the  
25 vacation pay so that we're only stating an O&M portion

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1 here.

2 Q. Let me see if I can say this another way to  
3 understand the logic you're using. Is the logic  
4 you're applying that in your opinion, in the staff's  
5 opinion, the actual cash out the door to employees  
6 contains some embedded figure that it's fair to treat  
7 as a capital item?

8 A. Yes.

9 Q. Okay. Again, though, cash working capital  
10 analysis is designed to be a study of the daily cash  
11 needs of the company, both the inflows and the  
12 outflows, correct?

13 A. Yes, excluding capital type items, capital  
14 expenditures.

15 Q. Let me ask a few clarifying things with  
16 respect to your analysis of Mr. Adams's study then.  
17 Can you point to any specific portion of Mr. Adams's  
18 analysis regarding payroll that was incorrect in your  
19 view because of this vacation issue?

20 A. I don't recall that being the case.

21 Q. Okay. In your opinion, did he include  
22 something that you think he should not have included  
23 or did he fail to include something that you think he  
24 should have included with respect to this vacation  
25 issue?

1 A. I think the approach we took was a better  
2 approach, a more fair approach to determining the lag  
3 on that payroll perhaps because we were able to  
4 discover data that Mr. Adams wasn't aware of.

5 Q. And specifically what kind of data?

6 A. The timing of when vacations were earned  
7 and timing of the payment of vacations.

8 Q. Okay. And I don't mean to be thick here,  
9 but if somebody is employed, qualifies for vacation,  
10 the cash needs of the company are the same whether  
11 they're physically at the job or at home or somewhere  
12 else on vacation, correct?

13 A. But the cash needs will vary depending if  
14 the man takes his vacation in January, the first month  
15 that he's earned vacation when he's eligible for  
16 vacation, or in December. The timing of that payment  
17 is significantly different, and that affects the  
18 expense lag.

19 Q. The actual cash out the door to a current  
20 employee is whenever he's entitled to a paycheck, he  
21 gets that same paycheck throughout the year whether  
22 he's physically on the job or not; isn't that correct?

23 A. Yes, it is.

24 Q. All right. Do you feel like you've now  
25 fully explained the reason you thought an adjustment

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1 was necessary to the cash working capital analysis of  
2 Mr. Adams with respect to vacation accrual?

3 A. Could you repeat that question?

4 Q. Do you feel like you've fully explained  
5 your reasons for believing an adjustment to the cash  
6 working capital needs of the company as analyzed by  
7 Mr. Adams was necessary because of the vacation  
8 accrual issue? Do I have a full explanation is what  
9 I'm asking?

10 A. First, it's not a vacation accrual. It's  
11 actual vacation dollars, and probably to put just a  
12 little twist on here, the primary reason that that's  
13 treated as a separate item is because the expense lag  
14 is so much longer than a normal working payroll.

15 Q. Okay.

16 A. Okay.

17 Q. Are there any other portions of your  
18 justification for this particular adjustment besides  
19 those we've already covered here?

20 A. I don't believe so.

21 Q. Okay. Would you agree -- and I'm referring  
22 to page twenty of that thirty-page memo now. Would  
23 you agree that the staff has consistently opposed the  
24 inclusion of noncash items in lead lag studies because  
25 in the staff's view, including them defeats the

14 (Pages 50 to 53)

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1 purpose of a cash working capital allowance for the  
2 company?

3 A. That's incorrect.

4 Q. In what respect?

5 A. We have consistently included uncollectible  
6 expense as a component of the cash working capital  
7 study.

8 Q. I thought you actually disregarded it.

9 A. The dollar amounts are included so that the  
10 total O&M expense is correct and needs to be included  
11 in the total operations and maintenance expense. So  
12 we do include uncollectible expense in dollars. It's  
13 just that it has a zero effect upon the cash working  
14 capital requirement of the company.

15 Q. Other than your explanation just now about  
16 uncollectible expense, would you agree with my  
17 statement? I'll repeat it if you like.

18 A. I would agree with it.

19 Q. Okay. Did you make any adjustment in -- by  
20 way of backing out vacation pay from the payroll data  
21 in the cash working capital analysis of Mr. Adams?

22 A. That adjustment was made in that vacation  
23 pay is excluded from the base pay.

24 Q. Can you show me where that adjustment was  
25 made or just describe it to me?

1 A. Yes. Yes, same thing here.

2 Q. And which one was it?

3 A. The electric accounting schedule.

4 Q. There's a number in the upper right.

5 A. Schedule eight.

6 Q. Okay. Can you refer to a particular item  
7 reflecting that adjustment?

8 A. It's in line one and two, vacation payroll  
9 and line two is excluded from the base pay on line --  
10 line two excludes the amounts on line three.

11 Q. Let me ask some sort of general principle  
12 questions and then I'll move on. Would you agree that  
13 the reason the staff has for many years settled on a  
14 lead lag study as the best approach to get a number  
15 for cash working capital requirements of the company  
16 as opposed to the other approaches -- approaches that  
17 have been used historically was so that it could more  
18 accurately determine the actual day-to-day cash needs  
19 of the company rather than simply relying on inexact  
20 formulas?

21 A. Yes.

22 Q. So is it true that staff favors as much  
23 accuracy as can be achieved in the real world in these  
24 cash studies?

25 A. Yes.

1 A. Yes. Hang on one second here. I'm going  
2 to refer you to that response to Michael Adams, DR  
3 number ten --

4 Q. Uh-huh.

5 A. -- that Mrs. Lisa Hanneken, who did the  
6 bulk of the work in the payroll area, did provide the  
7 company with that schedule, and we can -- and then our  
8 copy can certainly be obtained for you.

9 Q. So you're now saying that in fact that  
10 adjustment is reflected in the staff's responses,  
11 either 361, 385, or 386?

12 A. And an additional worksheet, work paper  
13 that Mrs. Hanneken provided the company.

14 Q. As -- as listed in staff response number  
15 ten? Your attorney is handing you something. What is  
16 that?

17 MR. WILLIAMS: Staff accounting schedules  
18 that were prefiled in the case.

19 MR. POWELL: Okay.

20 MR. WILLIAMS: In particular, the electric  
21 case.

22 MR. POWELL: Okay.

23 Q. (By Mr. Powell) Is that the same staff  
24 accounting schedule you were looking at earlier,  
25 Mr. Began?

1 Q. Okay. Let me ask a few questions about  
2 sales and use taxes and gross receipts taxes in and  
3 your treatment of those in this study. Is it the  
4 staff's position that the company incurs these  
5 obligations to pay these taxes when the bills are sent  
6 rather than when payment is received?

7 A. My understanding is that sales taxes are  
8 not a liability of a company until the money is  
9 collected.

10 Q. And use taxes it would be the same,  
11 correct?

12 A. Yes.

13 Q. What about gross receipts tax?

14 A. Gross receipts is different. When the  
15 company generates the bill, you know, they then are  
16 obligated for the ultimate payment of those amounts.

17 Q. So even though it's called a gross receipts  
18 tax, what the company actually receives has nothing to  
19 do with tax liability?

20 A. That's not fully correct.

21 Q. All right. Tell me how it's incorrect.

22 A. If a bill should not be paid, customer  
23 skipped, whatever, eventually, you know, that  
24 receivable is going to be credited, you know, either  
25 through a charge-off or an accounting credit. That



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1 credit will also credit the gross -- any taxes that  
2 are associated with that bill. At that point, you  
3 know, the company's obligation has been zeroed out by  
4 that credit.

5 Q. And you're referring now to a credit  
6 with --

7 A. To the customer.

8 Q. -- the taxing authority?

9 A. Yes. If a bill is -- a bill is canceled,  
10 credited, all the components of that bill, you know,  
11 would be credited.

12 Q. But in your view the tax has already been  
13 paid?

14 A. Well, that tax may have been paid, but the  
15 generation of that credit, it's going to reduce a  
16 subsequent period, reduce the obligation in that  
17 subsequent period when a credit is made -- is issued.

18 Q. And so you're saying that there is a credit  
19 that counts against the company's tax liability for  
20 gross receipts taxes in the future?

21 A. I believe it would be, yes.

22 Q. Are you sure of that or is that  
23 speculation?

24 A. No. I did not, you know, walk through an  
25 example of that, but it seems to be -- to fit with the

1 Q. It's true also that whatever the ultimate  
2 decision of the Commission might be about payment lag  
3 or bank float processing time would still apply to  
4 sales and use tax collections to the extent the  
5 Commission finds those to be appropriate; would you  
6 agree with that?

7 A. Could you restate that question?

8 Q. It was sort of confusing. Any lag  
9 experienced in collection, that is getting the check  
10 to the bank and having the bank actually honor the  
11 check, leaving aside the question of whether it's  
12 appropriate to include that in a cash working capital  
13 analysis or not, whatever lag in fact occurs would  
14 apply to the collection of sales and use taxes and  
15 gross receipts taxes as well as all other collections  
16 of the company, correct?

17 A. I believe that's true.

18 Q. Okay. Now, you used a 21.27 with respect  
19 to the electric business revenue lag for gross  
20 receipts tax instead of the 37.43 overall lag you  
21 used. Why is there a difference there?

22 A. To repeat my prefiled testimony --

23 Q. Well, do you have anything to add to what  
24 you prefiled on that?

25 A. No. No.

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1 general scheme of accounting.

2 Q. Okay. As to you personally and this  
3 company and this rate case, though, what you just said  
4 about that would be speculation; is that fair?

5 A. Yes.

6 Q. Okay. So do I correctly understand your  
7 testimony to be that as to sales and use taxes, the  
8 company does not owe taxing authorities the tax  
9 component of a bill if a customer fails to pay the  
10 bill?

11 A. Yes.

12 Q. That is correct?

13 A. That's -- that's my understanding.

14 Q. Okay. Now, you used a zero lag on sales  
15 and use tax instead of the 37.43 days which you  
16 calculated for overall revenue lag, correct?

17 A. That's correct.

18 Q. Would you please fully explain the  
19 difference there? Do you have any -- anything to add  
20 beyond what you've said in your prefiled testimony?

21 A. No.

22 Q. Okay. It is true, isn't it, that sales or  
23 use tax cannot be billed until service to the customer  
24 is determined and billed?

25 A. That's correct.

1 Q. Okay. Could you just concisely, if you  
2 would, state the reason you believe there's a  
3 difference between sales and use tax and gross  
4 receipts tax in this regard?

5 A. Yeah. I believe that the gross receipts  
6 tax are an obligation for the company to pay when  
7 they're billed, whereas sales and use taxes do not  
8 become an obligation for the company to pay until  
9 they're collected.

10 Q. Okay. Nearly done here. Do you have your  
11 direct testimony handy?

12 A. Yes.

13 Q. Would you look at page twelve, please?

14 A. The electric or the gas?

15 Q. Electric, I think. Yes, case number 02.

16 A. Okay. What line?

17 Q. Right at the bottom, last three lines.

18 A. Uh-huh.

19 Q. Okay. Specifically this sentence, "Staff  
20 reduced the expense lag to 402.43 to limit the net  
21 cash working capital lag to 365 days so that the  
22 resulting cash working capital requirement did not  
23 exceed the actual expenses." Would you just explain  
24 that sentence, please?

25 A. That had to do with the Osage issues in

16 (Pages 58 to 61)

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1 that there's some extremely -- much longer than  
2 typical lags before those are required to be paid. I  
3 believe, you know, if the service period is 2006, the  
4 invoice from -- from the Corps of Engineers, I'm not  
5 sure who generates it, hits the company's desk the  
6 following September, October, November.

7 You know, roughly nine -- nine, ten months  
8 later. And with that long lag associated, you know,  
9 the total long lag, you know, was more than 365 days,  
10 and it just struck us as inappropriate that the CWC  
11 lag would be greater than the actual cash required to  
12 pay, than the actual invoice amount. It's an attempt  
13 at fairness and reasonableness.

14 Q. Referring to page eighteen, if you would.

15 A. Uh-huh.

16 Q. Up at the top beginning on line three, if  
17 you'll read that paragraph which bears number two.

18 A. All right.

19 Q. I'll read it aloud for the record. "FERC  
20 assessed the company for the cost of this study and  
21 for revised annual assessments for the period 1980  
22 through 2004. Staff proposes amortizing this total  
23 over a 25-year period because that is the same term  
24 that the revised assessments applied to."

25 I had a couple of questions about that.

1 Q. Okay. Under property taxes right below  
2 that.

3 A. Uh-huh.

4 Q. Your answer beginning at line twelve, "Test  
5 year property taxes were normalized to exclude a  
6 nonrecurring tax credit and taxes on nonutility  
7 property and property being held for future use."  
8 Would you just explain that answer, please?

9 A. During the test year the company received a  
10 credit, I believe it was some Illinois property. My  
11 recollection, 300 to 400,000 dollars, something in  
12 that area, that in the test year would have reduced  
13 their tax expense, and we just added that back in so  
14 that they didn't have to -- so that they would have  
15 taxes excluding any -- any impact of that credit in  
16 their annualized expenses for the next year.

17 And Mr. Weiss -- Mr. Weiss on his testimony  
18 pointed out the taxes that were adjustments to the  
19 actual payments, reductions to get to an annualized  
20 utility tax expense, and that included some taxes on  
21 nonutility property and property that's idle, that's  
22 being held for future use.

23 MR. POWELL: Okay. Could we take just a  
24 very short break? I may be finished.

25 (WHEREIN, a recess was taken.)

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1 One is, are you proposing that the unamortized balance  
2 be included in the rate base?

3 A. Yes.

4 Q. You are?

5 A. Yes.

6 Q. Okay. Then skipping down to the next  
7 number two under relicensing, the renewed license will  
8 be valid for forty years, that paragraph?

9 A. Yes.

10 Q. Are you proposing the same with respect to  
11 that; that is, the unamortized balance be included in  
12 rate base?

13 A. Yes.

14 Q. Okay. Referring to page nineteen, rate  
15 case expense. Do you see that?

16 A. Yes.

17 Q. Beginning at line six you make reference to  
18 rate case expenses. The numbers you used were only  
19 numbers -- actual numbers to the date of your  
20 analysis; is that correct?

21 A. That's correct.

22 Q. It is true, isn't it, that there will be  
23 more expenses and that they should be included?

24 A. I believe there will be more expenses and  
25 most -- many will probably be properly included.

1 MR. POWELL: In fact, that is all the  
2 questions I have for Mr. Began. Thank you very much,  
3 sir.

4 (WHEREIN, a recess was taken.)

5 MR. MICHEEL: I have no questions.

6 EXAMINATION

7 QUESTIONS BY MR. WILLIAMS:

8 Q. Mr. Began, do you recall being asked the  
9 question about a sixteen million dollar impact to the  
10 company's cash needs?

11 A. Yes.

12 Q. And do you recall what your response was to  
13 that, what the question was and what your response  
14 was?

15 A. The question circulated around a statement  
16 that did vacation pay reduce the company's cash  
17 requirement by sixteen million, and I think I may have  
18 answered in the affirmative and I said yes, and that  
19 is an incorrect statement. The actual cash  
20 requirement change reduction for the electric company  
21 was 11.6 million, the far right-hand column, column G,  
22 and for the gas company it was \$548,000.

23 Q. When you're referring to column G, what are  
24 you referring to?

25 A. That's the cash --

17 (Pages 62 to 65)

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1 Q. Is there a document you're looking at?  
 2 A. Looking at schedule eight for each of the  
 3 accounting schedules, the electric and gas  
 4 respectively. The column G is the cash working  
 5 capital requirement. Again, 11.6 million reduction  
 6 for electric, 548,000 reduction for gas.  
 7 Q. And do you recall that you were asked about  
 8 why staff had put vacation in as a separate line item?  
 9 A. Yes.  
 10 Q. And do you have any additions you would  
 11 like to make to your response that you provided to  
 12 that question?  
 13 A. I think just a clarification in that I  
 14 commented on several occasions that we had the  
 15 vacation payroll line because of the long lags, and a  
 16 more complete answer is that because vacation pay  
 17 was -- is earned in a period prior to its actual  
 18 payment. It's earned in a different period than the  
 19 period it's paid in.  
 20 MR. WILLIAMS: I don't have any further  
 21 questions.  
 22 MR. POWELL: Hang on just a second.  
 23 MR. WILLIAMS: Sure.  
 24 MR. POWELL: No further questions.  
 25 COURT REPORTER: Signature?

1 MR. POWELL: Waive presentment, but we  
 2 would like signature, and we'd like an agreement that  
 3 if it's not signed prior to Mr. Began testifying at  
 4 the hearing, that we can treat it as if it were  
 5 signed. Is that agreeable?  
 6 MR. WILLIAMS: When is this hearing  
 7 starting?  
 8 MR. POWELL: March.  
 9 MR. WILLIAMS: March 12th.  
 10 MR. POWELL: He's going to have the  
 11 transcript tomorrow.  
 12 MR. WILLIAMS: Okay. That should be  
 13 acceptable.  
 14 COURT REPORTER: Transcript orders?  
 15 MR. POWELL: Definitely the e-mail part,  
 16 condensed.  
 17 MR. WILLIAMS: E-mail, regular delivery.  
 18 (WHEREIN, the deposition was concluded at  
 19 10:03 a.m.)  
 20  
 21  
 22  
 23  
 24  
 25

1 CERTIFICATE OF REPORTER  
 2 STATE OF MISSOURI )  
 ) ss.  
 3 CITY OF ST. LOUIS )  
 4 I, William L. DeVries, a Certified Court  
 5 Reporter (MO), Certified Shorthand Reporter (IL),  
 6 Registered Diplomate Reporter, Certified Realtime  
 7 Reporter, and a Notary Public within and for the State  
 8 of Missouri, do hereby certify that the witness whose  
 9 testimony appears in the foregoing deposition was duly  
 10 sworn by me; that the testimony of said witness was  
 11 taken by me to the best of my ability and thereafter  
 12 reduced to typewriting under my direction; that I am  
 13 neither counsel for, related to, nor employed by any  
 14 of the parties to the action in which this deposition  
 15 was taken, and further that I am not a relative or  
 16 employee of any attorney or counsel employed by the  
 17 parties thereto, nor financially or otherwise  
 18 interested in the outcome of the action.  
 19  
 20  
 21 Notary Public within and for  
 22 The State of Missouri  
 23  
 24  
 25 My Commission expires May 30, 2010.

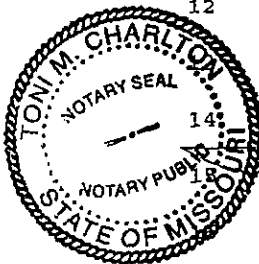
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 5  
 6 January 11, 2007  
 7 Mr. Nathan Williams  
 8 Public Service Commission  
 9 State of Missouri  
 10 Governor Office Building  
 11 200 Madison Street, P.O. Box 360  
 12 Jefferson City, Missouri 65102-0360  
 13 (573) 751-8702  
 14 nathan.williams@psc.mo.gov  
 15  
 16 In the Matter of Union Electric Company d/b/a AmerenUE  
 17 for Authority to File Tariffs Increasing Rates for  
 18 Electric Service Provided to Customers in the  
 19 Company's Missouri Service Area.  
 20 Dear Mr. Williams:  
 21 Please find enclosed your copy of the deposition of  
 22 EDWARD F. BEGAN, CPA taken on January 10, 2007, in the  
 23 above-referenced case. Also enclosed is the original  
 24 signature page and errata sheets.  
 25  
 26 Please have the witness read your copy of the  
 27 transcript, indicate any changes and/or corrections  
 28 desired on the errata sheets, and sign the signature  
 29 page before a notary public.  
 30 Please return the errata sheets and notarized  
 31 signature page to Mr. Thomas M. Byrne for filing prior  
 32 to trial date.  
 33 Thank you for your attention to this matter.  
 34 Sincerely,  
 35  
 36 William L. DeVries, CCR(MO)/CSR(IL)/RDR/CRR  
 37 Enclosures  
 38 cc: Mr. Thomas M. Byrne

1 STATE OF *MISSOURI* )  
 )  
 2 COUNTY OF *COLE* )

3  
 4 I, EDWARD F. BEGAN, CPA, do hereby certify:  
 5 That I have read the foregoing deposition;  
 6 That I have made such changes in form and/or  
 7 substance to the within deposition as might be  
 8 necessary to render the same true and correct;  
 9 That having made such changes thereon, I hereby  
 10 subscribe my name to the deposition.  
 11 I declare under penalty of perjury that the  
 12 foregoing is true and correct.

*Edward F. Began*  
 EDWARD F. BEGAN, CPA

10  
 11 Executed this *18th* day of *January*  
 12 2007, at *Jefferson City, Missouri*.



14  
 15 Notary Public: *Toni M. Charlton*  
 16 My Commission Expires:

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

17  
 18 Signature page to: Mr. Nathan Williams  
 19 WLD/EDWARD F. BEGAN, CPA, JANUARY 10, 2007

20 In the Matter of Union Electric Company d/b/a AmerenUE  
 21 for Authority to File Tariffs Increasing Rates for  
 22 Electric Service Provided to Customers in the  
 23 Company's Missouri Service Area.

24  
 25

## 1 WITNESS ERRATA SHEET

2 Witness Name: EDWARD F. BEGAN, CPA

3 Case Name: In the Matter of Union Electric Company  
4 d/b/a AmerenUE for Authority to File Tariffs  
5 Increasing Rates for Electric Service Provided to  
6 Customers in the Company's Missouri Service Area.

7 Date Taken: JANUARY 10, 2007

8 Page #21 Line #24

9 Should Read: yes and analysis leading to my testimony10 Reason for Change: To clarify

11 Page #37 Line #22

12 Should Read: disregarded payment processing lag13 Reason for Change: Transcript error

14

15 Page #37 Line #23

16 Should Read: and bank float lag17 Reason for Change: transcript error

18

19 Page #46 Line #17

20 Should Read: No21 Reason for Change: Corrected on Page 59 Lines 7 and22 subsequent lines

23 Page #25 Line #9

24 Should Read: deduction from the rate base25 Reason for Change: Transcript error.

26

27 Witness Signature: Edward F. Began

## 1 WITNESS ERRATA SHEET

2 Witness Name: EDWARD F. BEGAN, CPA

3 Case Name: In the Matter of Union Electric Company  
4 d/b/a AmerenUE for Authority to File Tariffs  
5 Increasing Rates for Electric Service Provided to  
6 Customers in the Company's Missouri Service Area.

7 Date Taken: JANUARY 10, 2007

8 Page #53 Line #14

9 Should Read: Add to that sentence: and is earned in a different  
10 period than the test year.11 Reason for Change: To clarify

12 Page #62 Line #11

13 Should Read: replace "lag" with "requirement"14 Reason for Change: To clarify

15

16 Page #63 Line #25

17 Should Read: Delete existing line 25 and replace with:18 "there will be additional expenses and these expenses  
19 will be considered."20 Reason for Change: To clarify.

21 Page # Line #

22 Should Read:

23 Reason for Change:

24

25 Page # Line #

26 Should Read:

27 Reason for Change:

28

29 Witness Signature: Edward F. Began