

1 Q. And at this time there are seven board
2 members?

3 A. I believe that's correct.

4 Q. Has it been seven always during your
5 tenure?

6 A. No. It's changed continuously when -- when
7 Illinois Power and Dynegy still had their ownership, I
8 believe there were two additional board members at that
9 point from what there is today.

10 Q. So there were a higher number in the past?

11 A. That's correct.

12 Q. Has it ever been lower than seven?

13 A. Not during my tenure with the board.

14 Q. Has it ever been higher than nine?

15 A. I don't believe so.

16 Q. Okay. Who is Robert Powers?

17 A. He is the president, official president of
18 EEInc. He also is a vice president in Ameren Corporation.

19 Q. Okay. Does he have more of a title than
20 vice president?

21 A. He is vice president of generation
22 services --

23 Q. Okay. Are you familiar --

24 A. -- in Ameren Service Company.

25 Q. Do you know what generation technical

1 services is at Ameren Corporation?

2 A. That's him.

3 Q. Okay. So --

4 A. I forgot the technical part.

5 Q. So generation technical services --

6 A. There you go.

7 Q. -- is the segment of Ameren Corporation for
8 which Mr. Powers --

9 A. Right, within Ameren Services Company.

10 Q. Has he ever served on the EEInc board?

11 A. Not to my knowledge.

12 Q. If he had during your tenure, would you
13 know?

14 A. Yes.

15 Q. Is he someone that you deal with regularly?

16 A. No.

17 Q. Have you ever talked to him about your role
18 on the EEInc board?

19 A. Nothing specific.

20 Q. How about in general?

21 A. No.

22 Q. So you've never talked to him about your
23 role on the board?

24 A. Not as a role, no. I have provided him
25 operations advice from a board member perspective.

1 Q. Does he attend the board meetings?

2 A. Yes, he -- as you may know, the meeting
3 minutes, he runs -- he runs the board meetings. You know,
4 the plant presentations to the board are typically by
5 Mr. Powers.

6 Q. So he stays during the whole meeting?

7 A. Yes, he does, except on things like
8 compensation, bonuses, those sort of discussions he is
9 dismissed.

10 Q. In terms of corporate organization, does he
11 have any authority over you?

12 A. No.

13 Q. So does he have any knowledge of your
14 interests on the EEInc board?

15 A. Knowledge of my interests on the board?
16 Mr. Powers has been in the Ameren Corporation for almost
17 30 years in various roles, so I would say yes, that he
18 certainly has knowledge from all those years in our
19 company.

20 Q. Well, let me just step back a step. What
21 interests do you represent on the EEInc board?

22 A. On the EEInc board, my role is fiscal the
23 responsibilities associated with making the Joppa plant a
24 successful operation, including making sure that things
25 like plant and personnel safety are at the utmost high

1 standards, that preservation of the asset is maintained so
2 that it will be a continuing asset into the future, and
3 basically looking out after the stockholder interests in
4 the plant.

5 Q. And who are the stockholders in the plant?

6 A. Stockholders are Ameren, KU, and those are
7 the two main ones. They're split obviously with Ameren
8 Energy Resources Generating Company, 40 percent, AmerenUE
9 with 40 percent, and KU with 20 percent.

10 Q. And when you say that your interest on the
11 board is to ensure the success of the Joppa plant, is that
12 a fairway to characterize what you just said?

13 A. Success and, yeah, define success as
14 financial success, people and asset success, I'd say all
15 three of those.

16 Q. Let's -- the people success, that's what
17 you mentioned about safety and things like that; is that
18 correct?

19 A. That's correct.

20 Q. What do you mean by asset success?

21 A. One of the -- one of the very large things,
22 challenges on the board is how to take a 40-year or
23 50-year-old asset and keep it at very high reliability and
24 looking at capital investments that are needed by the
25 stockholders to keep the asset in tiptop condition so we

1 continue to get the power production out of the facility.

2 So that's one aspect.

3 The other aspect is being able to handle
4 hundreds of millions worth of capital expenditures to meet
5 environmental regulations coming up and how to -- how to
6 look at doing that in the least cost manner for the
7 stockholders and keep the units viable. I'd say those are
8 really the focuses.

9 Q. I think when you answered that question
10 first you mentioned profitability success, people success
11 and asset success. How do you define profitability
12 success?

13 A. At the end of the day, Joppa, you know, my
14 role as a director is to make sure that the asset is
15 profitable for the stockholders of the asset, and so
16 maximizing profitability while optimizing the other pieces
17 I mentioned, the safety piece, maintaining the asset is
18 the other important leg of that role.

19 Q. And how would you measure profitability for
20 AmerenUE to the shareholders?

21 A. Well, again, profitability from an AmerenUE
22 perspective, since this is a below the line investment for
23 AmerenUE is to again make as much profit for that facility
24 to feedback to AmerenUE as a stockholder as I can.

25 Q. And do AmerenUE ratepayers figure into that

1 picture at all?

2 A. No, not at all.

3 Q. Now, in this case you've submitted some
4 Data Requests, which I'll call DRs; is that correct?

5 A. That's correct.

6 Q. Have you answered any Data Requests?

7 A. Yes, many.

8 Q. And what is the process by which you come
9 to be the person responsible for answering Data Requests?
10 Are the Data Requests always directed to you by name?

11 A. Basically, everything in testimony and Data
12 Requests associated with Callaway were set up to funnel
13 through me. I obviously have people that work on them,
14 but all of those flow through myself.

15 Q. And how do they get funneled to you?

16 A. They all come into our legal department in
17 St. Louis, and they are assigned out by Tom and his staff
18 to the responsible parties to get answers for the Data
19 Requests.

20 Q. In this case, have you answered any Data
21 Request having to do with EEInc?

22 A. No, I have not.

23 Q. Have you been -- have you seen any Data
24 Requests from any of the parties that relate to EEInc?

25 A. No, I did not.

1 Q. Do you know if the other AmerenUE
2 representative on the EEInc board has received any Data
3 Requests?

4 A. No, I do not.

5 Q. Now, I think you stated in response to a
6 question from Mr. Dottheim that until Thomas Voss was made
7 president of Ameren UE a few weeks ago, that position was
8 vacant. Is that what you stated in response to a previous
9 answer?

10 A. I don't think so. That position didn't
11 exist.

12 Q. Didn't exist. Okay.

13 A. We had a different organizational
14 structure.

15 Q. Who was at the top of the organization
16 structure for AmerenUE up until --

17 A. Mr. Rainwater was the top.

18 Q. And what was his position at AmerenUE?

19 A. I don't know his official position. I
20 don't know if he's classified as president or -- I don't
21 know.

22 Q. You don't know if he had a title or a box
23 on the organizational chart of AmerenUE?

24 A. In that corporation, I don't know.

25 Q. And did you report to the head of the

1 generation business line?

2 A. No.

3 Q. Who did you report to until you reported to
4 Mr. Voss?

5 A. To Mr. Rainwater.

6 Q. So to your knowledge, did you report to
7 anyone that had a management position at AmerenUE?

8 A. Mr. Rainwater is the presumption I'd have
9 to make because that was my boss.

10 Q. So it's your understanding that he did have
11 a position at AmerenUE in addition to his position with
12 Ameren Corporation?

13 A. My position is I don't know for sure with
14 as much corporations as we have who's in what box. I
15 can't tell you off the top of my head.

16 Q. Did you report to anyone other than
17 Mr. Rainwater?

18 A. No, I did not.

19 Q. Now, in terms of the testimony that you
20 filed in this case, and just so I'm clear, you list a
21 significant number of positions that you held over the
22 years at pages 1 and 2. Were those all at Union Electric
23 Company or Union Electric Company, d/b/a AmerenUE?

24 A. I had a very short period of time in Ameren
25 Service Company when I had both generation engineering

1 reporting to me and AmerenUE power operations. That was a
2 very short period of time.

3 Q. In terms of the position you list on pages
4 1 and 2, where would that fall?

5 A. That would fall during the period that I
6 was in power operations in that 1999 to 2004 time frame.
7 It was very early in that time frame in the '99-2000 time
8 period for six to seven months. Other than that, my
9 entire working career's been in Union Electric Company.

10 Q. And while you were -- while you had that
11 position at Ameren Services, did you also have a position
12 at AmerenUE at the same time?

13 A. Yes.

14 Q. And did you prepare this testimony
15 yourself?

16 A. Yes, I did.

17 Q. And in terms of the switch from -- and I'm
18 looking specifically at lines 8 through 11 on page 2.
19 When you moved from being in charge of the fossil and
20 hydroelectric generating suite for AmerenUE and you
21 returned to the Callaway plant, was that a promotion, a
22 lateral move or a demotion?

23 A. My initial move was lateral. For a few
24 months while the at the time senior VP, vice president,
25 chief nuclear officer was waiting to retire, so there was

1 about a two to three-month period after I returned, so I
2 moved to the site as a vice president lateral. And then
3 at the end of the year he retired on January 1st and I was
4 promoted.

5 Q. So that's the September 2004 when you
6 moved, and then a few months later in December 2004 you
7 were promoted?

8 A. That's correct.

9 Q. Who was the senior vice president and chief
10 nuclear office when you returned to Callaway?

11 A. Mr. Gary Rainwater -- or Rainwater.
12 Mr. Gary Randolph.

13 Q. He's the one that retired at the end of
14 2004?

15 A. That's correct.

16 Q. Now, in terms of your participation in the
17 EEInc board, you testified that it's about two hours four
18 times a year that you're actually in the meetings; is that
19 correct?

20 A. That's correct.

21 Q. How much time outside of the meetings do
22 you spend in preparation for the meetings?

23 A. Hour and a half to two hours.

24 Q. For each meeting?

25 A. For each meeting.

1 Q. So barely a full workday a year?

2 A. Right.

3 Q. Okay. And then the meetings themselves
4 take about a workday a year; is that correct?

5 A. That's true.

6 Q. Are there ever particular meetings where
7 there are issues that cause you to spend a great deal more
8 time or great deal less time than that?

9 A. No.

10 Q. I think you referred to your involvement
11 with EEInc as a special assignment; is that correct?

12 A. Above and beyond my normal day-to-day roles
13 and responsibilities, yes.

14 Q. Okay. Who gave you that assignment?

15 A. Mr. Chuck Mueller back seven, eight years
16 ago.

17 Q. Has anyone since that time ever confirmed
18 that you were to continue with that assignment?

19 A. No.

20 Q. Have you ever told anyone that you wanted
21 to continue with that assignment?

22 A. No.

23 Q. Have you ever told anyone that you didn't
24 want to continue with that assignment?

25 A. No.

1 Q. Is that something that you feel is an
2 important part of your work for AmerenUE?

3 A. I feel it's important with my plant
4 operating background to provide their staff with my
5 knowledge on operations and input, especially as we have
6 taken them through environmental compliance and those
7 areas.

8 Q. But my question was, do you consider that
9 to be important for AmerenUE?

10 A. Absolutely. Getting back to making sure
11 that that below the line investment, that that asset is
12 maintained at a very high level to maximize its
13 profitability, that's pretty important to our overall
14 corporate responsibilities.

15 Q. And just so I'm sure that we're talking
16 about the same thing, can you describe for me what you
17 mean by a below the line investment?

18 A. Below line investment is that Joppa plant
19 has never been in rate base. It's always been funded out
20 of Ameren funds below the line as we call it. Above the
21 line would be things that are in Missouri rate base or
22 Illinois rate base going back in time.

23 But I define below the line as an
24 investment that our company made numerous times not only
25 back to the initial investment, but in the early '90s when

1 several hundred million dollars was plowed into the plant
2 and AmerenUE made below the line investments during that
3 time period, and now the several hundred million dollars
4 worth of environmental investments that are coming up that
5 will also be made as below the line investments in that
6 plant to keep it moving forward as a viable asset.

7 Q. What is the time frame over which that
8 several hundred million dollars investment is going to
9 take place?

10 A. Basically it starts this year and goes
11 through 2015, in order to meet all the three P, three
12 pollutant regulations plus the more stringent mercury
13 removal requirements in the state of Illinois that have
14 been imposed by the governor.

15 Q. Have you ever discussed with anyone about
16 what you should do as an EEInc board member?

17 A. No, I have not.

18 Q. Have you ever discussed with anyone how you
19 should vote as an EEInc board member?

20 A. No, I have not.

21 Q. Do you ever participate in votes on the
22 EEInc board?

23 A. Yes, I do.

24 Q. Are the votes that you participate in done
25 by proxy or done in person at the board meetings?

1 A. In person at the board meetings.

2 Q. Have you ever participated in any kind of a
3 proxy vote?

4 A. No, I have not.

5 Q. Other than proxy votes for electing or
6 reelecting board members, do you know of any other votes
7 that the EEInc board does by proxy?

8 A. I'm not aware of any.

9 Q. As a board member, would you expect to be
10 aware of them?

11 A. Yes.

12 Q. I think you mentioned Viva in one of your
13 answers when you were describing early on to
14 Mr. Dottheim as part of your duties as a board member; is
15 that correct?

16 A. That's correct.

17 Q. What exactly is VIVA?

18 A. VIVA is part of a trust for the employees
19 as part of our benefits program, along with pension plans.

20 Q. Is VIVA an acronym or a word?

21 A. Yeah, I'm sure it is. I can't tell you
22 what it stands for.

23 Q. And in terms of your participation on the
24 board over the years, what actions have you taken with
25 regard to the VIVA trust or pensions?

1 A. Basically, the actions that we -- that I
2 have taken is relative to reviewing returns on the pension
3 funds, making recommendations on and voting on changing
4 fund managers when performance was not meeting target
5 goals. Basically, overseeing the flow of money into and
6 out of the funds, and then what the rate of returns were
7 relative to benchmarks.

8 Q. And is that -- is that the sort of thing
9 that most of the board meetings focus on?

10 A. That is one of the -- one of the topics
11 that you will see in most of the board packages, yes.

12 Q. So that's a topic that comes up from
13 meeting after meeting?

14 A. Yes.

15 Q. Have you ever been in a meeting where you
16 thought it would have been helpful to have notes from past
17 meetings that you had no longer kept?

18 A. No.

19 Q. I think you answered this in the negative,
20 but I'm going to ask it anyway. Did you talk to anyone at
21 EEInc or on the EEInc board about this deposition?

22 A. No.

23 Q. And in terms of Exhibit A to the
24 deposition, that's the list of items that Mr. Dottheim
25 went over with you at the very beginning, did you make any

1 attempt to get the documents sought in No. 6 to
2 Exhibit A before the deposition this morning or this
3 afternoon?

4 A. Well, actually I brought -- per the
5 request, I brought everything in my possession to this
6 meeting.

7 Q. Did you ask anyone at AmerenUE for
8 documents that go further back in time than the one year
9 that you did bring?

10 A. No, I did not.

11 Q. Did you ask anybody at EEInc for those
12 documents?

13 A. No, I did not.

14 Q. Now, I think you said that in advance of
15 every board meeting you get what you refer to as a board
16 package; is that correct?

17 A. That's correct.

18 Q. Have you ever discussed with anyone the
19 contents of the board package in advance of the board
20 meetings?

21 A. Yes, I have.

22 Q. And with whom did you discuss those?

23 A. Typically Mr. Jim Helm. Questions on the
24 financial statements typically would be the type
25 questions. All those have always been with Mr. Helm.

1 Q. Have you ever talked with anyone else?

2 A. No. Primarily Mr. Helm.

3 Q. Other than the board members, who attends
4 the EEInc board meetings?

5 A. Basically the board members, the president
6 of EEInc, the site vice president of EEInc, and then the
7 secretary/treasurer of EEInc.

8 Q. Have you ever reviewed the articles of
9 incorporation of EEInc?

10 A. No, I have not.

11 Q. Has anyone either before you were first
12 elected to or during your tenure on the EEInc board
13 advised you about your duties as a board member?

14 A. No.

15 Q. I'm sorry?

16 A. No.

17 Q. Did anyone before you first got elected to
18 the board describe to you the amount of time and the
19 general commitments that you have to make to be a board
20 member?

21 A. No.

22 Q. At the time you were first tapped by Chuck
23 Mueller to be a board member, did you have the opportunity
24 to say yes or no to that special assignment?

25 A. I think so, yes.

1 Q. And since you're on the board, I take it
2 you said yes?

3 A. Yes, I did.

4 Q. And you said yes without knowing what sort
5 of time commitment would be involved?

6 A. Yes, I did.

7 Q. Are all the board members present at every
8 board meeting?

9 A. No.

10 Q. Is there a particular number that has to be
11 there before the board can conduct business?

12 A. There is a quorum. I'm not sure what the
13 number is.

14 Q. Are there -- are most of the board members
15 typically there?

16 A. Yes.

17 Q. Over the course of your tenure, how many
18 board minutes -- how many board meetings have you missed?

19 A. I would estimate four.

20 Q. Have you ever reviewed the bylaws of EEInc?

21 A. No, I have not.

22 Q. Have the bylaws ever been changed during
23 your tenure on the board?

24 A. I believe they have, subsections.

25 Q. Did you vote on the changes to the bylaws?

1 A. I'm sure I did.

2 Q. Are there ever animated discussions at
3 board meetings over any of the topics that come up for
4 discussion?

5 A. Animated? Not real animated.

6 Q. Do the board members ever argue with each
7 other?

8 A. Very little.

9 Q. Describe for me what you mean by very
10 little.

11 A. Very little.

12 Q. No fisticuffs, in other words?

13 A. No, no fistfights.

14 Q. Raised voices?

15 A. I don't think I've ever seen anybody pound
16 on the table. I have seen people disagree, professional
17 disagreement. Put it that way.

18 Q. What have those disagreements been about?

19 A. Primarily, you know, operation of the
20 plant, where to set incentive targets for incentive
21 programs, things like what environmental hardware we ought
22 to pursue and how to finance it, some utilities that are
23 members advocating wet scrubbers and others advocating dry
24 scrubbers.

25 Q. I can see how that could get exciting.

1 A. Those sort of issues.

2 Q. Have there ever been animated discussion
3 about the entitlement of shareholders to output from the
4 plant?

5 A. None that -- none that I recall.

6 Q. You've never been involved in any
7 discussions about the --

8 A. No.

9 Q. -- entitlement of shareholders of the
10 plant?

11 A. No.

12 Q. Okay. Can you ever recall any votes on
13 issues that have been nonunanimous?

14 A. I'm sure there has been.

15 Q. Do you recall any?

16 A. As I recall, the last power supply
17 agreement was not voted on unanimously.

18 Q. How did the votes shake up on that?

19 A. As I recall, KU voted no with their shares.

20 Q. And all the other shareholders voted yes?

21 A. That is correct. That would be the most
22 recent example.

23 Q. Are you aware of whether Kentucky Utilities
24 ever asked to continue receiving power output from the
25 Joppa plant at cost-based rates?

1 A. I'm not aware of that.

2 Q. Do you recall ever voting on such a
3 request?

4 A. No.

5 Q. In terms of -- and we talked a little about
6 the senior team. I'm talking about a different team now.
7 The team that was to be formed -- Mr. Dottheim asked you
8 some questions about this -- to look at the power supply
9 agreement. Do you recall his questions about that team?

10 A. Yes, I do.

11 Q. To your knowledge, was that team ever
12 formed? I believe your answer to Mr. Dottheim was I'm
13 sure it was, but do you know for a fact that it was?

14 A. My statement really stands the same. I'm
15 sure it was formed.

16 Q. And on what do you base that surety?

17 A. Well, there was -- the team as I recall was
18 formed to draft a power supply agreement, and eventually
19 there was a power supply agreement that was brought
20 forward and voted on. So there must have been a team that
21 put the power supply agreement together.

22 Q. And who brought that forward?

23 A. Well, to us, it would have been again
24 Mr. Powers who brings from a Joppa plant perspective, he
25 would bring things to the board meeting.

1 Q. So things in terms of power supply, you
2 would consider that a plant operations kind of item?

3 A. I would consider it more of a marketing
4 sales thing more than operation of a plant.

5 Q. And is Mr. Powers involved in marketing and
6 sales as well as in operations?

7 A. Right. He has the entire Joppa operation
8 reports to the president.

9 Q. And when did you become aware that there
10 was a new power supply agreement?

11 A. Again, I believe it was mid -- mid 2005
12 time frame.

13 Q. Okay. And when was that voted on?

14 A. I don't know the specific meeting, but it
15 was towards -- I believe towards the end of -- end of '05.
16 I don't remember the meeting.

17 Q. Was it discussed in more than one meeting?

18 A. I believe so.

19 Q. Two meetings or more?

20 A. I believe it was discussed -- and again, we
21 went through some of the meeting minutes earlier.

22 According to those, there was brief mention apparently at
23 the end of '04, and then there was a meeting in '05 that
24 we went through with Steve that referred to forming the
25 team, and then at some point after the team put a proposal

1 together, there was another eventually a board meeting
2 that voted on that power supply agreement. So that would
3 be about -- look like about three meetings.

4 Q. Other than the meeting minutes that you
5 went through with Mr. Dottheim, do you have any
6 independent recollection of those discussions?

7 A. No.

8 Q. Now, the team I was just asking you about,
9 do you know whether anyone from AmerenUE was involved with
10 that team?

11 A. Specifically, no, but I'm sure there was,
12 but I do not know the individual.

13 Q. Okay. Why are you sure that someone from
14 AmerenUE was involved?

15 A. Because it was based on those meeting
16 minutes, they said right in the meeting that a member from
17 each company would be put on a team to draft the power
18 supply agreement.

19 Q. Are you aware of other teams that have been
20 formed during your tenure on the board?

21 A. I believe one other area that there has
22 been a team assigned, and that had to do with the
23 disposition of emission credits, and there basically were
24 teams from all the utilities formed to decide what to do
25 with SO2 and NOX emission tons that were sitting in the

1 bank and how those would be dispositioned.

2 Q. And how were the team members for that team
3 selected?

4 A. Again, each -- each utility involved
5 appointed their expert, I think, to be on that team.

6 Q. Okay. And who would have -- would anyone
7 have a say in who the member was?

8 A. In the case of emissions, the group in
9 Ameren Services or Ameren Fuels that handles emissions for
10 all Ameren companies, I do know in that particular case
11 that individual most knowledgeable was the one on the team
12 representing the AmerenUE interests.

13 Q. And who was that?

14 A. Gentleman named Jim Moore.

15 Q. Now, before you were on the Ameren senior
16 team, did you ever make presentations to the senior team?

17 A. Yes.

18 Q. Do you recall what some of those were, or
19 do you recall -- let me ask you this way: Do you recall
20 all of those presentations?

21 A. No, I don't recall all of the
22 presentations.

23 Q. Were there a great number of them?

24 A. Over -- over the '99 to 2004 time period
25 that I was a vice president, maybe a half dozen times,

1 primarily associated with the operation of the fossil
2 fleet and trying to improve availability of the units and
3 some of the capital investments that were being made to
4 the fossil fleet. In addition, some of the hydro upgrades
5 that were done in replacing water turbines at Osage and in
6 Keokuk. I recall presentations to that team on those
7 major capital investments.

8 Q. And at that time were you involved in the
9 generation business line?

10 A. At that time, basically I was in charge of
11 the AmerenUE generation, and it was organized separate. I
12 had a counterpart that was over the non-regulated
13 generation side of the house, and there was a wall
14 basically between us. So I had everything except the
15 nuclear piece for AmerenUE at that time.

16 Q. Would the Joppa plant have been considered
17 part of that?

18 A. No.

19 Q. Okay. So let me see if I understand this.
20 Other than the non-regulated and the nuclear, were you in
21 charge of the generation business line?

22 A. For AmerenUE.

23 Q. For AmerenUE.

24 A. I make that distinction because later all
25 of generation excluding nuclear was under the same

1 business line.

2 Q. And when did that --

3 (AN OFF-THE-RECORD DISCUSSION WAS HELD TO
4 RECONNECT THE PHONE CONFERENCE.)

5 BY MR. MILLS:

6 Q. During the time that you were in charge of
7 AmerenUE's non-nuclear generation, was AmerenUE involved
8 in legislative activities with regard to deregulation, at
9 the Missouri level, not the national level?

10 A. Not to my knowledge.

11 Q. There wasn't any of that going on from '99
12 to 2004?

13 A. With AmerenUE?

14 Q. Yes.

15 A. No, I'm not aware of anything.

16 Q. Were you involved in any of the -- looking
17 at planning for future generation additions during that
18 period of 1999 to 2004?

19 A. Purely on the periphery. Again, Ameren has
20 a corporate planning department that does all that work.
21 My role would have simply been to provide input on
22 technologies.

23 Q. Okay.

24 A. Costs associated with technologies.

25 MR. MILLS: Okay. That's all the questions

1 I'm going to ask. I wish we had more time, but I don't.

2 MR. MICHEEL: Rick, did you want to go so
3 you can get done here?

4 MR. CHAMBERLAIN: Yeah. If you don't mind,
5 I'll go ahead. I've just got a few questions. Most of
6 mine have been asked.

7 CROSS-EXAMINATION BY MR. CHAMBERLAIN:

8 Q. Mr. Naslund, can you hear me okay?

9 A. Yes, I can.

10 Q. This is Rick Chamberlain. I'm an attorney
11 representing the Commercial Group, an intervenor in the
12 case.

13 A. Hi, Rick.

14 Q. I know it's been a long afternoon. I'll
15 try to make this painless for you.

16 Let me ask first of all, since I'm not as
17 intimately familiar with the Ameren corporate structure as
18 others are, let me make sure that I'm clear. Am I correct
19 that both AmerenUE and the company you refer to as AEG are
20 both wholly owned subsidiaries of Ameren Corporation?

21 A. I believe that is a correct statement, yes.

22 Q. Okay. And those two companies that I
23 mentioned, AmerenUE and AEG, those are two of the three
24 shareholders of EEInc; is that correct?

25 A. That is correct.

1 Q. Okay. Now, you indicated, I believe, that
2 you have been an employee of AmerenUE throughout the time
3 frame that you were also serving as an EEInc director; is
4 that correct?

5 A. That's correct.

6 Q. Okay. And so during the entire time that
7 you were a director of EEInc, you were also an employee of
8 AmerenUE?

9 A. That is correct.

10 Q. Okay. Now, your employment at AmerenUE, is
11 that subject to termination?

12 A. I hope not, no.

13 Q. But conceivably, it's possible that your
14 employment with AmerenUE could be terminated?

15 A. Yes, any day.

16 Q. Okay. And you're not exempt in any way
17 from termination as an employee with AmerenUE; is that
18 correct?

19 A. That is correct.

20 Q. Okay. Following up on a question that was
21 asked just a moment ago, you testified, I think, about an
22 EEInc board meeting at which KU voted no on something. Do
23 you recall that testimony?

24 A. Yes, I do.

25 Q. Could you tell me what that issue was,

1 please?

2 A. Again, I think what I said was that they
3 voted no on the most recent power supply agreement on
4 market-based power provided to the stockholders.

5 Q. Okay. And is that the PSA that expired on
6 December 31st of 2005?

7 A. No. I believe that's the new PSA that
8 Joppa, EEInc is operating under today.

9 Q. Okay. Now, who did you report to as
10 your -- in your role as a director of EEInc?

11 A. The chairman of the board was Mr. Allen
12 Kelly.

13 Q. The Chairman of the board of EEInc?

14 A. Of the EEInc board of directors.

15 Q. And that's who you reported to?

16 A. From a board perspective, yes.

17 Q. Okay. Whose instructions did you follow in
18 your tenure as an EEInc director?

19 A. Basically, I -- I followed my own
20 instruction.

21 Q. Okay. And so you just voted however you
22 thought was appropriate?

23 A. I voted what I felt was best, in the best
24 interests of the Joppa plant as a director for that plant.

25 Q. Okay. And you may have answered this

1 question. I apologize if it's redundant. To your
2 knowledge, did AmerenUE ever make an attempt to extend the
3 power sales agreement on a cost of service basis?

4 A. I am not aware that they tried to extend
5 that power supply agreement.

6 MR. CHAMBERLAIN: Okay. Give me just a
7 minute here and I may be through. Checking my notes here.
8 Okay. Mr. Naslund, I believe that is all the questions I
9 have. Thank you.

10 THE WITNESS: Thanks.

11 MR. BYRNE: Is there anybody else who has
12 questions besides Doug Micheel? Okay. Great. Go ahead,
13 Doug.

14 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

15 CROSS-EXAMINATION BY MR. MICHEEL:

16 Q. Mr. Naslund, I just want to make sure that
17 when we refer to AmerenUE, that's Union Electric, because
18 AmerenUE -- Union Electric does business d/b/a as
19 AmerenUE, right?

20 A. That's correct.

21 Q. And Ameren Corporation owns 100 percent of
22 the stock in AmerenUE?

23 A. That's correct.

24 Q. And AmerenUE owns 40 percent of the stock
25 in EEInc?

1 A. That is correct.

2 Q. And you are on the EEInc board, and your
3 representation on that board is on behalf of Union
4 Electric or AmerenUE?

5 A. That's correct.

6 Q. And so it's your duty as a board member on
7 behalf of UE to represent Union Electric's 40 percent
8 interest in EEInc?

9 A. That's correct.

10 Q. How do you communicate with the upper
11 management of AmerenUE what EEInc is doing?

12 A. Well, EEInc being a lower tier Ameren
13 company, all of their performance rolls up in all of our
14 financials. So there are all kinds of financial reports
15 that roll up that provide that information.

16 Q. That wasn't my question. You're UE's
17 representative on the EEInc board?

18 A. Uh-huh.

19 Q. How do you represent to AmerenUE's upper
20 management what you're doing on behalf of AmerenUE on the
21 EEInc board?

22 A. I guess the first thing I'd respond is I'm
23 part of AmerenUE upper management. I am AmerenUE upper
24 management. So other than the president of Ameren
25 Corporation, there is nobody else to report out to.

1 Q. So you don't have a direct report to the
2 Ameren -- you don't report to Mr. Voss?

3 A. I do now, as of three weeks ago.

4 Q. As of three weeks ago. Before that, who
5 did you report to?

6 A. To Mr. Rainwater.

7 Q. And did you report to Mr. Rainwater at any
8 time what actions you were taking on behalf of AmerenUE
9 with respect to EEInc?

10 A. Any -- any issue like emissions, power
11 supply agreements, would be discussed in a staff meeting
12 held on Mondays.

13 Q. And who would you discuss -- who were in --
14 who was in that staff meeting?

15 A. The what I'm going to refer to as the
16 senior team of Ameren, which was the Warner Baxter, Tom
17 Voss, Steve Sullivan, Donna Martin, Dan Cole, Gary
18 Rainwater and myself.

19 Q. And do you give regular reports to those on
20 the senior team on what's transpiring at the EEInc board
21 meetings?

22 A. Since there's only four board meetings a
23 year, as I go back over the previous six or seven years
24 I've been on the board, there probably have only been two
25 or three what one would call significant events to be able

1 to report out. So it wouldn't be a frequent -- there
2 weren't significant events to report out.

3 Q. What were those two or three significant
4 events that you reported out?

5 A. Well, I mentioned one being major capital
6 investments and the need to -- and how those would be
7 financed, to raise the capital to make environmental
8 investments. That's one that comes to mind. Emission
9 sales, you know, the plan for selling emissions and how,
10 you know, how those would be distributed back to our
11 company, that was discussed. And discussions on power
12 supply agreement and the fact that the contract's coming
13 to an end and how that would be handled.

14 Q. And did you discuss indeed the power supply
15 agreement termination with the senior team?

16 A. That was discussed in senior team meetings,
17 yes.

18 Q. Did you do a written presentation or was
19 that an oral presentation?

20 A. All senior team meetings are oral
21 discussions.

22 Q. Were you the owner of that issue since you
23 were the EEInc director on behalf of AmerenUE?

24 A. I would say because of me being the primary
25 senior member from AmerenUE that was on that team, you

1 would have to say yeah, I was an AmerenUE rep for that
2 issue.

3 Q. And was that issue discussed with the
4 senior team at a senior team meeting?

5 A. The end of that contract, going to
6 market-based prices, yes.

7 Q. And tell me about those discussions. Tell
8 me about -- let me start with this. Did you initially
9 start the discussions and give a presentation?

10 A. No.

11 Q. Tell me how the discussions transpired.

12 A. Basically, just discussions that the
13 contracts are coming to an end, the need to go to
14 market-based prices to maximize the value of that below
15 the line investment for Ameren. I mean, general
16 discussions. No --

17 Q. You just -- you sat around with the senior
18 team, Mr. Voss and Mr. Baxter and Mr. Rainwater, and said,
19 the PSA is ending, we need to go to market-based rates,
20 and everyone said, that's right, or was it more detailed
21 than that? Did you do an analysis about whether or not we
22 could do a cost-based contract? I mean, did you do any
23 sort of analysis?

24 A. I'm not aware of any, any analysis by the
25 senior team on that topic.

1 Q. Did you do any analysis?

2 A. No.

3 Q. Did anyone at AmerenUE do any analysis?

4 A. I don't know if they did or not.

5 Q. How did you make the determination that it
6 would be better to go to market-based rates vis-a-vis cost
7 plus rates?

8 A. Well, again, for me that's pretty simple.
9 Basically Illinois has established a market. The market
10 for this below the line investment, the market price for
11 that power in an open market is significantly improved
12 revenues over what the previous cost-based contracts were
13 with the plant, and as a result, very simply calculate the
14 profitability of the Joppa plant at market-based rates,
15 doesn't take a lot of studying to ferret that out.

16 Q. So you just knew when the PSA expired, that
17 market-based rates, EEInc was just going to make a lot
18 more money than it would on the cost plus, and there was
19 no need to study that?

20 A. Oh, I have to say yes to that. Receiving
21 \$11 a megawatt hour when the market's at 50 in Illinois,
22 almost four times what the cost-based contracts were,
23 that's a pretty simple in the head calculation to make to
24 determine that. The Joppa plant in my role as a director
25 and that below the line investment for Ameren was going to

1 make a heck of a lot more money than they would continuing
2 with cost-based contracts. That was something that was
3 from an era when there were no markets to go to
4 market-based rates.

5 Q. You talked that the KU representative voted
6 no on that issue?

7 A. Yes.

8 Q. And you're telling me that was a no-brainer
9 for anyone involved?

10 A. Uh-huh.

11 Q. Why did KU vote no?

12 A. I have no idea.

13 Q. Did you ask them, or did they just sit down
14 and say, we vote no?

15 A. I have no idea why they voted the way they
16 did. They did not share that with us. What their drivers
17 are, I can't tell you.

18 Q. Now, what do you think your duties are as
19 the director of EEInc? You touched on it a little bit.
20 And how did you come to your understanding of what your
21 duties are as a director?

22 A. Once again, my belief's the director of
23 EEInc is 100 percent to look out after the best interests
24 of that organization, and I touched on the areas of
25 safety, protection of the assets, and maximizing the value

1 of that plant. At the end of the day, maximizing the
2 value of the plant all has to do with the plant making
3 money. So my role as the director was to oversee and have
4 input to help achieve those things from being done.

5 Q. Now, you've talked about that the bylaws
6 were changed but that you didn't pay attention to any of
7 those changes.

8 MR. BYRNE: I'm going to object. I don't
9 think that's what he said.

10 BY MR. MICHEEL:

11 Q. Okay. Were the bylaws -- were the bylaws
12 changed for EEInc?

13 A. Yes.

14 Q. Did you review those changes?

15 A. Yes, I did.

16 Q. Okay. What were they?

17 A. I don't recall.

18 Q. Okay. Tell me about the review you did of
19 those bylaws.

20 A. They would have come out in a board
21 package, and I would have spent my review time ahead of
22 the meeting going through them, looking at what the
23 changes were. The major bylaw changes I recall had to do
24 with the establishment of the plant as an exempt wholesale
25 generator, and there was language, changes that had to be

1 made associated with that. But beyond that, I can't give
2 you more details.

3 Q. And I think you testified that you studied
4 the board package just an hour and a half to two hours and
5 that's all?

6 A. Uh-huh. That's correct.

7 Q. Okay. And you don't know sitting there
8 today what those bylaw changes were?

9 A. Well, again, one that I recollect is when
10 Joppa became an exempt wholesale generator, EWG, there
11 were changes in the bylaws that had to be made associated
12 with that.

13 Q. Was that a big change for that plant?

14 A. Absolutely.

15 Q. And you spent about an hour and a half
16 looking at those changes?

17 A. Yeah. That's about what it required.

18 Q. Along with all of the other issues that the
19 plant was facing?

20 A. That's correct.

21 Q. Now, what is AmerenUE's document retention
22 policy?

23 A. For what documents?

24 Q. Let's start with the broad, all documents.
25 What's the policy, if you know?

1 A. Well, let's start with the area I'm
2 responsible for, which is nuclear. Every document type
3 associated with the plant all has a signed duration that's
4 kept and then a destruction date, and there's separation
5 between safety records, nuclear safety records and
6 commercial records, and there's a very, very detailed plan
7 on every piece of paper associated with where I work and
8 how it's handled.

9 Q. Do you think the corporation has a document
10 retention policy with respect to corporations in which it
11 owns a 40 percent interest?

12 A. Relative to what?

13 Q. Well, I mean, it owns -- for example,
14 EEInc, UE owns 40 percent of those shares?

15 A. Uh-huh.

16 Q. There are documents generated from that.
17 There are annual reports, board minutes, things like that.
18 Would those documents be covered by a document retention
19 policy at AmerenUE?

20 A. I would expect those documents are covered
21 by a document retention program for the owner of those
22 documents, which is EEI.

23 Q. And because AmerenUE owns 40 percent, you
24 don't view AmerenUE as an owner?

25 A. I did not say that.

1 Q. Is AmerenUE an owner?

2 A. AmerenUE is an owner of 40 percent of the
3 shares of Joppa plant, that is correct.

4 Q. So they have access to all those documents?

5 A. Those documents are stored at Joppa plant
6 and are accessible as legal records, that is correct.

7 Q. And you could have called the Joppa plant
8 and gotten all of the documents that were responsive to
9 this Request 6, could you not?

10 A. My interpretation of that Request 6 was to
11 provide to this meeting what I had in my possession, which
12 is what I did.

13 Q. But you could have called the Joppa plant,
14 was my question, and they would have provided you with all
15 those documents?

16 A. I assume that would be correct.

17 Q. And so if I ask you a Data Request, you
18 could provide all of those documents?

19 A. I would certainly believe so.

20 Q. Now, you're aware that EEInc has certain
21 subsidiaries; is that correct?

22 A. That's correct.

23 Q. Okay. And one of those is the Joppa &
24 Eastern Railroad Company?

25 A. That's correct.

1 Q. And was that entity active in 2005?

2 A. Yes, it was.

3 Q. Was it active in 2006?

4 A. I believe so.

5 Q. And what's the business purpose of that
6 entity?

7 A. The business purpose of that entity was to
8 establish a second pathway into the plant to create
9 competition with Union Pacific on rail rates into the
10 plant.

11 Q. So that's a railroad?

12 A. It's a railroad.

13 Q. And what are the principal assets of that
14 entity?

15 A. I think three miles of railroad track.

16 Q. Does it own any railcars?

17 A. That I don't know.

18 Q. Should you know as a director?

19 A. Probably.

20 Q. Do you have a copy of the annual report
21 2005 with you? I'm looking at page 12 there. Does that
22 indicate that the railroad owns 724 railcars and leases
23 135 railcars?

24 A. Yes, looks like that's what it says.

25 Q. And would those be the principal assets

1 along with the 3.9 miles of track?

2 A. I would assume that that's where they're
3 accounted for, yes.

4 Q. Let me ask you this: The Joppa & Eastern
5 Railroad, is that 100 percent owned by EEInc?

6 A. Yes.

7 Q. And to what extent does this, the Joppa &
8 Eastern Railroad support the operational needs of the
9 Joppa steam plant?

10 A. Again, it provides an alternate pathway for
11 rail delivery into the plant, to create competition with
12 the railroads.

13 Q. Well, can the Joppa & Eastern Railroad
14 support anybody else other than the Joppa steam plant?

15 A. No.

16 Q. So it's essentially captive to the Joppa
17 steam plant?

18 A. Yes. Yes, it is.

19 Q. Can the Joppa steam plant operate
20 efficiently without the Joppa & Eastern Railroad assets?

21 A. Define -- I'm not sure I understand your
22 question relative to what you're saying efficient. Are
23 you talking steam plant efficiency or are you talking --

24 Q. Can you operate the steam plant operation
25 efficiently?

1 A. The steam plant can operate. Not cost
2 efficient, though.

3 Q. And that's because it would be just captive
4 to the Union Pacific Railroad?

5 A. That's correct.

6 Q. Does the Joppa & Eastern Railroad have any
7 third-party sales outside of EEInc?

8 A. I don't believe so.

9 Q. Does the Joppa & Eastern Railroad have any
10 affiliate transactions with any other UE companies?

11 A. Ameren Fuel Services provides all the coal
12 procurement for Joppa plant, and so there may be
13 transactions between Ameren Fuel Services and that
14 railroad.

15 Q. I don't want to trick you. Let me -- and
16 this is highly confidential. Let me give you a copy of
17 the cost allocation manual. I just have some questions
18 here because there were some transactions between the
19 Joppa & Eastern Railroad Company and AmerenUE, and I want
20 to ask you if you're aware of those and what they were
21 for.

22 A. Okay.

23 MR. BYRNE: Can you give him a minute to
24 look it over?

25 MR. MICHEEL: Sure.

1 THE WITNESS: I do not -- I do not know
2 what these transactions are. They do -- at least if this
3 is the sheet you're referring to (indicating)?

4 BY MR. MICHEEL:

5 Q. Yes, sir.

6 A. They do net out zero. They're just
7 different FERC accounts. So you've got a plus amount and
8 then the exact same minus amount in a different FERC
9 account. So they add up to zero. I'm not sure what they
10 are.

11 Q. I was just curious. Earlier to a question
12 you told me that the Joppa & Eastern Railroad was captive
13 to EEInc, and that seems to indicate that the Joppa &
14 Eastern Railroad had a transaction with Union Electric.

15 A. Uh-huh.

16 Q. And so I'm just trying to understand what
17 that is and what that was.

18 A. Yeah. I have no idea what that would be.

19 Q. With respect to the Joppa & Eastern
20 Railroad Company, were there any significant changes in
21 the business operations in the past three years?

22 A. Not to my knowledge, no.

23 Q. Does the Joppa & Eastern Railroad have any
24 employees?

25 A. I believe there's one.

1 Q. And what does that --

2 A. One person assigned within the plant
3 structure.

4 Q. And what does that employee do?

5 A. Basically is assigned responsibility to
6 oversee that operation and make sure the track maintenance
7 and stuff is done for that 3.9 miles of track.

8 Q. Has that been a profitable operation?

9 A. The benefit to the plant comes in
10 significant reductions in rail transportation costs on the
11 coal going into the facility.

12 Q. When you say significant, give me a
13 magnitude.

14 A. That plant burns -- burns about four and a
15 half to five million tons of coal per year, and when that
16 rail was put in, it helped reduce their rail rates down
17 probably in the order of 2 to \$3 per ton. So you're
18 talking probably a 10 to 15 million per year benefit on
19 reduction of rail rates.

20 Q. Let me go on to the next wholly owned sub.
21 I believe it's a wholly owned sub. It's the Joppa
22 Generating Station, LLC. And could you tell me what that
23 sub is and what it does?

24 A. I believe that is the plant itself.

25 Q. Was it active in 2005?

1 A. Yes.

2 Q. Was it active in 2006?

3 A. Yes.

4 Q. What's the purpose of that entity?

5 A. That is actually the generating asset that
6 generates all the megawatts, burns the coal, makes the
7 power.

8 Q. So --

9 A. Sells the product.

10 Q. So if I understand right, the principal
11 asset is the whole plant, not just the steam generated but
12 the whole plant?

13 A. The whole plant. That's what's in that set
14 of assets.

15 Q. Does that entity have -- let me understand
16 how then that entity works. Does that entity, the Joppa
17 Generating Station, LLC, does that sell all of its output
18 to EEInc, or how does that work?

19 A. There's a marketing arm that the other
20 company there Massac.

21 Q. We're going to get to all of them.

22 A. That basically is the marketing arm that
23 basically lines up contracts and sells the power. The two
24 entities together roll up to create the profits for EEInc
25 along with the other entities coming up.

1 Q. Well, let me ask you this, then: Does the
2 Joppa Generating Station have any sales outside of EEInc
3 or are all of its sales to EEInc?

4 A. I believe they're all through EEInc. I
5 don't know of any separate bilateral contracts or anything
6 beyond that.

7 Q. Does the Joppa Generating Station have any
8 employees?

9 A. Pretty much all the employees are in that
10 entity, so the 300 and some odd employees that are at that
11 station are in the generating company.

12 Q. Let me hand you an LLC file detail report
13 that I got from the Illinois Secretary of State about the
14 Joppa Generating Station, LLC, and let me give it to your
15 attorney first. And it indicates there -- this is to find
16 out whether it's in good standing or not, and it indicates
17 on the status line that that LLC has been involuntarily
18 dissolved, it's no longer in good standing. As a director
19 of EEInc, were you aware of that?

20 A. No.

21 Q. Do you think that's a good thing?

22 A. Yes. I mean, is it a good thing to know?
23 Yes.

24 Q. No. Is it a good thing that it was
25 involuntarily dissolved?

1 A. I don't know because I don't really know
2 any details associated with this piece of paper.

3 Q. Okay. That's dated 1/19/07 on the bottom.
4 And are you aware that in general Secretary of States keep
5 that kind of information?

6 A. No.

7 Q. So as a director, you're unaware of whether
8 or not the Joppa Generating Station, LLC is no longer a
9 valid limited liability corporation?

10 A. No, I'm not. I'm not aware of that.

11 Q. You don't have any reason to question what
12 the Illinois Secretary of State says, do you?

13 A. No.

14 Q. Why is it a good thing to know that it was
15 involuntarily dissolved?

16 A. Well, since I have a director
17 responsibility to look out after the benefit of the plant,
18 I do need to know whether or not the corporations that
19 they have are all in good standing, especially with the
20 state in which they operate.

21 Q. Okay. Fair enough. We talked about
22 Massac, M-a-s-s-a-c, Enterprises. Could you tell me first
23 of all, was that active in 2005?

24 A. I believe so.

25 Q. Was it active in 2006?

1 A. I believe so.

2 Q. What's the business purpose of that entity?

3 A. That is the sales and marketing arm of the
4 plant.

5 Q. When I look at the EEInc annual report in
6 2005, it says Massac Enterprises, LLC is a captive
7 retailer located in an enterprise zone in Illinois
8 allowing EEI to achieve certain tax savings contributing
9 directly to lower busbar costs. It's at page 12. What
10 does it mean that it's a captive retailer?

11 A. I don't know.

12 Q. What does it mean that it's contributing
13 directly to lower busbar costs?

14 A. I don't know what those words mean.

15 Q. Should you know?

16 A. Probably.

17 Q. What are the principal assets of that
18 company?

19 A. I do not know.

20 Q. As a director, should you know?

21 A. Probably.

22 Q. To what extent did Massac Enterprises
23 support the operational needs of the Joppa steam plant?

24 A. I do not know.

25 Q. As a director, should you know?

1 A. Probably.

2 Q. Do you think you have a duty to know what
3 all of EEInc's wholly owned subs do?

4 A. Yes.

5 Q. Can the Joppa plant operate efficiently
6 without Massac Enterprises?

7 A. I do not know.

8 Q. Does Massac Enterprises have any
9 third-party sales outside of EEInc?

10 A. I do not know.

11 Q. Has there been any significant business
12 changes in the operations for the past three years of
13 Massac Enterprises?

14 A. I'm not aware of any.

15 Q. You're not aware of what Massac Enterprises
16 does, are you?

17 A. No.

18 Q. Do they have any employees?

19 A. I believe they do.

20 Q. How many?

21 A. I don't know an exact number.

22 Q. Okay. Met South, Inc., is that another
23 wholly owned sub of EEInc?

24 A. Yes, it is.

25 Q. And was that entity active in 2005?

1 A. Yes.

2 Q. Was it active in 2006?

3 A. Yes, it was.

4 Q. What's the business purpose?

5 A. Sell ash from the plant.

6 Q. And what are the principal assets of that
7 entity?

8 A. Basically some ash silos and blowers that
9 blow ash from the plant out to the silos. It's a
10 one-person operation.

11 Q. So there's one person. What's the
12 principal assets of that corporation?

13 MR. BYRNE: He's answered the question.

14 MR. MICHEEL: Okay.

15 THE WITNESS: Ash silos and blowers to
16 handle the ash.

17 BY MR. MICHEEL:

18 Q. Can the Joppa plant operate efficiently
19 without the assets of Met South, Inc.?

20 A. No.

21 Q. And why not?

22 A. Because that process is integral to
23 operating the plant and moving the ash byproduct out of
24 the plant as it's generated.

25 Q. Why is Met South, Inc. a separate sub?

1 Why doesn't the Joppa Generating Station do that or EEInc
2 do that?

3 A. My understanding, that it was set up in the
4 structure it was basically to, in essence, keep it out
5 from underneath the unions at the plant and to hold down
6 staffing, and it was a more efficient way for the plant to
7 run that operation.

8 Q. Have there been any significant business
9 operation changes in the past three years with respect to
10 Met South, Inc.?

11 A. No.

12 Q. And you said it has a few employees. How
13 many is a --

14 A. One.

15 Q. One employee. And what does that employee
16 do?

17 A. That employee manages the movement of the
18 materials in and out of the station, out of the silos, and
19 then also the contracts for the people that the product's
20 being sold to, the ash recyclers.

21 Q. Is that a profitable operation, selling
22 that ash to the ash recyclers?

23 A. Yeah, it is.

24 Q. And so Met South, Inc. is turning a profit?

25 A. It's turning a profit. Turning a liability

1 into a profit.

2 Q. How about Midwest Electric Power, Inc., is
3 that a wholly owned sub of EEInc?

4 A. Yes, it is.

5 Q. Was it active in 2005?

6 A. Yes, it was.

7 Q. Was it active in 2006?

8 A. Yes, it was.

9 Q. What's the business purpose?

10 A. It is an additional generating facility
11 made up of six gas turbines, five gas turbines.

12 Q. Would those be peaking units, is that how
13 we would describe them?

14 A. They are peaking units.

15 Q. And the five gas turbines, those are the
16 principal assets of Midwest?

17 A. That's correct.

18 Q. To what extent do those -- does Midwest
19 Electric Power support the operational needs of the Joppa
20 steam plant?

21 A. The plant itself, there's no direct
22 relationship to the power plant.

23 Q. And the plant can operate efficiently
24 without those generators?

25 A. That's correct.

1 Q. Does the entity have any third-party sales
2 outside of EEInc?

3 A. On the gas turbines, I believe they do.

4 Q. And what are those sales?

5 A. Those sales are bilateral contracts to --
6 you know, specifically for the gas turbines.

7 Q. And who are you contracting with? Is that
8 an EWG? Is that --

9 A. I do not have the details of those
10 particular contracts.

11 Q. So you don't know who that sub sells to?

12 A. No.

13 Q. As a director, should you?

14 A. No.

15 Q. Why not?

16 A. Because that -- you know, I don't need to
17 know who they have contracts with. I don't believe I need
18 to know that.

19 Q. Any significant change in business
20 operations in the past three years?

21 A. None that I'm aware of.

22 Q. Do they have any employees?

23 A. Yes.

24 Q. How many?

25 A. It's approximately six.

1 Q. Has that been a profitable operation?

2 A. No.

3 Q. Why not?

4 A. Gas prices are too high. The market
5 availability and run time on machines has been very low
6 versus the operating and maintenance expense of the units.
7 So it's not been a very profitable business.

8 Q. Do you think EEInc's going to stay in that
9 business?

10 A. I guess that's a decision for another day.

11 Q. Is that a decision that the board of
12 directors of EEInc would make?

13 A. That is a plant recommendation that would
14 come to the board of directors.

15 Q. And you testified earlier today that that's
16 your expertise, plant operating; is that correct?

17 A. Uh-huh.

18 Q. What's your view?

19 A. What's my view? My view in a supply long
20 market with high gas prices, gas turbines are not a good
21 thing to own.

22 Q. Is there any thought that they're going to
23 divest those gas turbines?

24 A. There have been no discussions on that at
25 this point.

1 Q. I want to ask you some questions about the
2 FERC Form 1 that's been marked as Exhibit 1 -- or
3 Exhibit 7, I'm sorry, for the year end I believe it's
4 2005. And I'm looking at -- first of all, you're not --
5 are you familiar with the FERC Form 1s at all?

6 A. No, I've never seen these documents.

7 Q. You've never seen those documents?

8 A. No, I have not.

9 Q. You don't know whether they're required to
10 be filed with the Federal Energy Regulatory Commission?

11 MR. BYRNE: I'll object. It calls for a
12 legal conclusion.

13 BY MR. MICHEEL:

14 Q. Okay.

15 A. No, I don't. I've never seen the
16 documents.

17 Q. Fair enough. Let's turn to page 224 and
18 225 of the '05 document.

19 MR. BYRNE: Mr. Micheel, I objected to
20 questions about these documents when Mr. Dottheim was
21 asking about them, so I will impose the same objection.
22 He says he's never seen them before. So I'll object to
23 you asking him any questions about them. And if it's okay
24 with you, instead of repeating that, can it just be a
25 continuing objection as you ask questions?

1 MR. MICHEEL: It can be, but I may be able
2 to refresh this witness and see if he knows because he
3 should know some of these numbers, I would think, as a
4 board member, but we'll find out.

5 MR. BYRNE: I wouldn't think he would, but
6 we'll find out.

7 BY MR. MICHEEL:

8 Q. Okay. On the FERC Form 1, when I look at
9 page 224, line 5 there, total Midwest Electric, Inc.
10 investment, do you see that, sir?

11 A. Uh-huh.

12 Q. Amount of investment, and that was about
13 \$36 million?

14 A. Okay.

15 Q. And was that the amount invested in the
16 combustion turbine generators or some other asset, if you
17 know?

18 A. Those are combustion turbines, as far as I
19 know.

20 Q. Because that's the only business Midwest is
21 in?

22 A. Right.

23 Q. So even though you've not seen this
24 document, you're not confused about that investment, are
25 you?

1 A. No.

2 Q. And that same FERC Form 1, if we go over to
3 page 225, shows recorded earnings from Midwest Electric
4 Power in 2004 of \$237,024. Excuse me. Let me -- I think
5 I need to go to Exhibit 6 to get that for '04, same pages.
6 Let me do '05. Does that document indicate in '05 that
7 Midwest Electric Power had earnings there of \$244,026?
8 And if you look on page 225 under equity and subsidy
9 earnings of year, you see the number 244,026.

10 MR. BYRNE: Are these columns running all
11 the way across the previous page?

12 MR. MICHEEL: They are. Yes, sir.

13 THE WITNESS: That's what it indicates.

14 BY MR. MICHEEL:

15 Q. And you have no reason to doubt that that
16 was the profit for that year?

17 A. Yes.

18 Q. And if I told you if you looked at the '04,
19 just to speed things along, if in the profit line it was
20 237,024, you wouldn't question that, would you?

21 A. No.

22 Q. And it's your understanding that to produce
23 these earnings, Midwest Electric, Inc. generated power
24 through the gas turbines?

25 A. That's correct.

1 Q. On the same FERC Form 1, we've got the Met
2 South, Inc. there on line 8. Do you see that?

3 A. Yes.

4 Q. It looks like the amount invested was
5 \$5,100. Do you see that?

6 A. Yes.

7 Q. Were you aware of that investment?

8 A. Not the dollar amount, no.

9 Q. Well, do you know what that investment
10 would be for?

11 A. Again, I believe the only assets were silos
12 that were put up several years ago, so they're probably
13 depreciated down to a very de minimis amount.

14 MR. BYRNE: Is that \$5,001?

15 MR. MICHEEL: It is. I'm sorry. \$5,001.

16 Thank you, Tom.

17 BY MR. MICHEEL:

18 Q. And would you agree with me that the
19 earnings that year for Met South were 562,044?

20 A. Yes.

21 Q. And if I looked at '04, would you take my
22 word for it that the earnings from Met South, according to
23 this, were 366,271?

24 A. Yes.

25 Q. And that's generally consistent with your

1 belief that they're earning money?

2 A. Yes.

3 Q. It also lists there the Joppa & Eastern
4 Railroad with an investment of \$100,000. Do you know what
5 that's for?

6 A. Again, I would assume that's the
7 depreciated value of the remaining asset since that was
8 put in several years back, that that's the remaining value
9 of the 3.9 miles of rail.

10 Q. And the real benefit of the Joppa & Eastern
11 Railroad is to compete competition with Union Electric --
12 or Union Pacific?

13 A. That's correct.

14 Q. I want to ask you just some questions about
15 EEInc's historical operation. When were the initial steam
16 units installed, if you know?

17 A. Approximately 1950.

18 Q. And have the steam units performed
19 generally as intended?

20 A. The plant has had a good history. It has
21 had periods where, you know, their plant availability
22 declined, periods when investments were made to, you know,
23 rejuvenate the equipment and bring it back to higher
24 reliability.

25 Q. It's had -- I'm sorry.

1 A. And since those major investments were made
2 in the early '90s, Joppa plant is one of the highest
3 reliable plants in the U.S.

4 Q. And it's had reasonable capacity factors?

5 A. Yes, it has.

6 Q. And it's had no unusual maintenance issues?

7 A. I wouldn't say that. They have had turbine
8 failures that have required the owners to replace turbine
9 rotors due to end of life issues. They have had generator
10 step-up transformers that have failed due to end of life
11 issues that have been replaced. So those sort of capital
12 replacements, you know, at end of life have been made
13 along the way.

14 Q. And I think we talked earlier that in your
15 engineering experience, generators last about 30 years?

16 A. Right.

17 Q. And so 1950, it's beyond 30 years. So
18 that's nothing unusual in terms of the plant's been
19 operating since 1955, '56?

20 A. Right. Normal wear out, end of life for
21 components.

22 Q. And the availability's been fairly good?

23 A. Yes.

24 Q. Explain to me how the capacity has changed
25 over the years, at least with your familiarity. Major

1 upgrades I think you talked about in the '90s, what were
2 those major upgrades?

3 A. Upgrades in the '90s were primarily boiler
4 rebuilds. Some major sections of the steam boilers were
5 redone.

6 Q. And when you rebuild those boilers up to
7 today's specifications, do those boilers become more
8 efficient?

9 A. Become more efficient. Normally you end up
10 with a little higher steam pressure, which is what
11 improves the efficiency, and I believe through that
12 process in the early '90s, you know, that plant went from
13 an output of about 1,000 megawatts up to about
14 1,100 megawatts.

15 Q. And when you say steam pressure, the more
16 steam pressure you have, the faster it can turn the
17 turbine rotors; the faster the turbine rotors turn, the
18 more electricity produced?

19 A. The more efficient the machine is.
20 Turbines always turn the same speed, but a higher steam
21 pressure basically drives higher efficiency on the
22 turbine, which results in more megawatts out of the
23 machine.

24 Q. I'm not an engineer, so I'm just trying to
25 understand what that means. Any major de-rates?

1 A. Nothing significant that I'm aware of in
2 the last ten years.

3 Q. How long have you been familiar with the
4 Joppa plant?

5 A. 30 years.

6 Q. 30 years?

7 A. 30 years.

8 Q. What environmental facilities have been
9 added?

10 A. They have -- of course, earlier in life, in
11 the -- as a result of the 1990 clean air, there were new
12 precipitators built, larger precips. More recently, low
13 NOX burners on the boilers have been installed, and -- and
14 then the major new additions, scrubbers and SCRs, are all
15 starting up here shortly and will go over in the next --
16 in the '07 through about 2014 time frame.

17 Q. And not to replot the ground, but you
18 talked about there were going to be, I think you described
19 them as hundreds of millions of dollars invested in
20 compliance. Is that CAR compliance?

21 A. Yes. The new -- the new clean air
22 standards for the three pollutants, the lower numbers.
23 Plus Illinois has a special deal on mercury where Illinois
24 plants have to achieve a much lower mercury number than
25 the whole rest of the United States.

1 Q. And does EEInc already have a compliance
2 plan for complying with both the CAIR requirements and
3 that Illinois mercury requirement that you just talked
4 about?

5 A. There is a technology plan and the capital
6 cash flow associated with implementing that plan that has
7 been laid out, basically over the next ten years.

8 Q. And we talked a little bit about the subs,
9 and I just want to get it clear in my mind, you know,
10 because there's a whole lot of interlocking subs there.
11 Who owns the combustion turbine capacity at the Joppa
12 plant?

13 A. There are three machines out of the five
14 that the assets are owned by Ameren Corp. There are two
15 machines that were installed and financed by the member
16 utilities, which everybody had a share, and with all the
17 changes that have gone, I'm not even sure what ownership
18 percent who owns at this point.

19 Q. Why don't you just tell me the three
20 machines, when you say three machines, describe those,
21 describe their capacity, what they do, what they are?

22 A. Okay. They were three gas turbines.
23 They're about 20 years old. They were moved from
24 Arkansas. They are GE 7 -- 7B machines, and I think they
25 are about 40 megawatts apiece. And then there are two GE

1 6 -- 6B machines, which are about 50 megawatts apiece,
2 that had shared ownership by the stockholders of Joppa.

3 Q. And when were those added?

4 A. The 7Bs were installed in the 2000 time
5 frame, and the 6Bs were about a year later.

6 Q. And why were they added?

7 A. They were added at the time when everybody
8 in the United States was slamming in simple cycle
9 combustion turbines because of the load projections and
10 where markets were going and the California shortages and
11 just the whole dynamics that were going on in the U.S. It
12 is a -- believed to be a good sound investment based on
13 what was going on in the market at the time.

14 Q. And when you say -- and gas prices to run
15 those turbines were lower than they are today?

16 A. Yeah. About two-fifty a million BTUs.

17 Q. To what extent were those combustion
18 turbine capacities used for the Department of Energy loads
19 at the Paducah plant?

20 A. I'm not aware that those have been used at
21 all for Paducah loads.

22 Q. Okay. Let me ask you this: To what extent
23 were those combustion turbine capacity ever part of a
24 cost-based purchase power agreement with the sponsoring
25 companies?

1 A. As far as I know, they have never been part
2 of any of the power supply agreement that was previously
3 in place. They were completely separate assets from that
4 agreement.

5 Q. You said you've been familiar with the
6 Joppa plant for 30 years?

7 A. Yes.

8 Q. Could you discuss for me how AEC and later
9 ERDA and the Department of Energy has been served by Joppa
10 over the years?

11 A. I don't think I can give you a detailed
12 account of --

13 Q. Give me a general account. Give me what
14 you know.

15 A. Basically, from 1950 on, Joppa was built to
16 supply the Paducah enrichment facility, and basically it
17 supplied that -- that facility for many, many years.
18 Sometime in the, say the mid '90s, you know, they started
19 going with other suppliers like TBA, and over a period of
20 time basically the amount of power that they were taking
21 from Joppa went from a very high percentage, 60 to 70
22 percent of the output of the plant 7 by 24, to the last
23 company years where it was down to basically zero output,
24 in which case then the sponsor companies had access to
25 that power.

1 But for a majority of that time frame, the
2 an Paducah facility took the majority of the power out of
3 that plant.

4 Q. Since you've been a director of EEI, how
5 much power has the Paducah facility, the DOE taken from
6 the Joppa plant?

7 A. Well, again, it's changed drastically from
8 when I first started, it was in the 60 to 70 percent,
9 probably closer to 70 percent, to the last three years
10 now, zero.

11 Q. So --

12 A. Or close to zero.

13 Q. Just so I know, when you refer to the last
14 three years, are you referring to '06, '05 and '04 it's
15 been zero?

16 A. That's correct.

17 Q. And prior to '04, it was 60 to 70 percent?

18 A. Very high, yes.

19 Q. Do you know what the annual capital budget
20 for the Joppa steam plant is for 2007?

21 A. I don't know the number off the top of my
22 head. We normally -- we normally run about a \$5 million
23 capital budget on the plant, but because our environmental
24 projects are starting, that number changes this year, and
25 I can't tell you what that number is.

1 Q. And the budgets and running the plant and
2 all that, that's one of the reasons why you're a director
3 of the plant, right?

4 A. To have overview on that.

5 Q. But you don't know what the capital budget
6 is for '07?

7 A. I don't know what the exact number is, no.

8 Q. Is it ballpark 5 million?

9 A. It goes up this year because of the
10 beginning of very capital-intensive environmental
11 projects.

12 Q. Have you seen a copy of that capital
13 budget?

14 A. Yes, I have.

15 Q. Do you have a copy of that capital budget?

16 A. I think I provided it to you in one of
17 these board packages.

18 Q. Okay. That's fine. If it's in one of
19 those board packages, you can look and tell me if it's in
20 there.

21 A. The '07 budget was in one of the board
22 packages for '06 that was provided.

23 Q. And would that also include the budget, the
24 O&M expense budget for the Joppa plant?

25 A. Yes.

1 Q. And how do you expect those to compare with
2 '05 and '06?

3 A. O&M was very flat, flat with '06, very
4 little change. Again, capital budgets starts ramping up
5 in '07 with the environmental projects.

6 Q. I want to ask you some questions about the
7 power supply agreement. I don't know if you know anything
8 about it. I assume you personally weren't involved when
9 that power supply agreement was negotiated between UE and
10 EEInc?

11 A. No, I was not.

12 Q. Do you have any idea why the Atomic Energy
13 Commission wanted utilities involved in the construction
14 or operation of the Joppa plant?

15 A. No.

16 Q. Do you know if the AEC did similar deals to
17 Joppa with any other utilities elsewhere?

18 A. No, I do not.

19 Q. Do you have any idea why the 1987 purchased
20 power agreement that expired in 2005 was an 18-year term?

21 A. No.

22 Q. Never asked?

23 A. No.

24 Q. Have you even ever reviewed that power
25 supply agreement?

1 A. No, I have not.

2 Q. And prior to -- let me ask you a little
3 just about that power supply agreement. In the years '03,
4 '04, '05, '06, the power supply agreement was how the
5 Joppa plant made it's money; is that your understanding?

6 A. Yes.

7 Q. As a director, do you think it would be
8 important to know anything about that agreement, the main
9 profit center for the plant?

10 A. Basically, in the board reports, the
11 results of that power supply agreement were covered, i.e.
12 what the revenue streams were. So to go into the report
13 and know the details of the report, I didn't see a need
14 for that.

15 Q. How were those results?

16 A. How were those results? Very, very low
17 revenues, barely able to cover cost, and certainly never
18 any money to make new capital additions without the owners
19 financing that. So the plant was not self sufficient to
20 go forward.

21 Q. With respect to the plant's deal with
22 Ameren, were they making a 15 percent return on their
23 investment?

24 A. For the piece of investment in a steady
25 state environment, yes.

1 Q. And is a 15 percent return a pretty good
2 return?

3 A. For an unregulated asset, probably not.

4 Q. How is it for a regulated asset?

5 A. I'll take it today if Ryan will sign on the
6 line.

7 Q. I'll have Ryan sign on the line, but he's
8 not the one making the decisions.

9 Well, why the difference between a return
10 on a regulated or an unregulated asset?

11 A. It all comes back to risk, who's bearing
12 the risk. Joppa is an unregulated below-the-line asset.
13 All the risk is back on the stockholders. And basically
14 in any private investment in that situation where the risk
15 is at, stockholders demand the higher return. That's the
16 way -- that's the way capitalism works.

17 Q. And we talked under the power -- purchased
18 power agreement, they were getting a 15 percent return
19 from UE guaranteed. That's not a good return in the
20 unregulated environment?

21 A. No.

22 Q. Do you know what the average return is on
23 the S&P 500 today?

24 A. No.

25 Q. Do you think it's greater than 15 percent?

1 A. I'm not sure what the return is, so I can't
2 answer your question. I don't want to speculate on that.

3 Q. What's a good return in the non-regulated
4 environment today? What's an appropriate return?

5 A. 22 percent.

6 Q. And how did you come to that conclusion?

7 A. Just discussions that I've heard.

8 Q. With who?

9 A. With Ameren folks.

10 Q. And is that the return that the Joppa plant
11 is earning currently?

12 A. I can't answer your question. I don't
13 know.

14 Q. Is the Joppa plant as an EWG earning a
15 return better than 15 percent?

16 A. I can't answer your question.

17 Q. As a director, should you know?

18 A. When I get new financials for '06, then I
19 can answer your question. I've not been provided those,
20 so I can't answer your question.

21 Q. You don't look at the quarterly financials?

22 A. I do not have '06 results to answer your
23 question, which is their first year as an EWG.

24 Q. When will you get those '06 results?

25 A. For the February board meeting.

1 Q. And when's the February board meeting
2 scheduled?

3 A. I don't have the date in front of me.
4 Sometime in February.

5 Q. Have you gotten the board packet for the
6 February board meeting?

7 A. No.

8 Q. How far in advance to you get that packet?

9 A. One week.

10 Q. So if I take you through the purchased
11 power agreement and ask you about certain components of
12 that purchased power agreement, you've never read those
13 and you won't be able to comment?

14 A. No.

15 Q. Let me ask you this: Is there anyone at
16 AmerenUE who's familiar with the purchased power
17 agreement?

18 A. I am sure that the Ameren Energy folks who
19 basically handle all those transactions as a service
20 organization for AmerenUE are very knowledgeable of that.

21 Q. Is there anyone at AmerenUE that is
22 familiar, not a sub, AmerenUE?

23 A. I can't give you a name of anyone.

24 Q. But AmerenUE is the party to that
25 agreement, was the party to that agreement, right?

1 A. And has a service company that provides
2 that support, yes, which is Ameren Energy.

3 Q. And when did Ameren Energy, when was that
4 formed?

5 A. Ameren Energy was formed in about 1998.

6 Q. And this purchased power agreement was
7 entered into in? Do you have any idea?

8 A. The current one?

9 Q. The one that just expired.

10 A. The one that expired was '87.

11 Q. And that was before there was Ameren Energy
12 Services?

13 A. Yeah. Ameren Energy Services was about
14 1998.

15 Q. Let me ask you some more questions about
16 some of the documents that you brought today. The annual
17 report in 2005, I'm looking at page 13 there and the
18 paragraph, under the power supply agreement and Mod 16,
19 the sponsoring companies and the DOE are required to make
20 monthly payments for power which will enable the company
21 to recover all of the Joppa Station's cost of service,
22 which includes operating expenses, taxes and interest,
23 plus generate a prescribed rate of return on equity of
24 15 percent net of federal income tax. Power supply
25 agreement in mod also provide the company the opportunity

1 to earn a profit from other services provided to the
2 sponsoring companies and DOE. Do you see that?

3 A. I see it.

4 Q. Has that occurred?

5 A. Has what occurred?

6 Q. Well, did they earn the prescribed rate of
7 return on capital equity of 15 percent net of federal
8 income tax?

9 A. In compliance with the contract?

10 Q. Uh-huh.

11 A. Sure.

12 Q. So that was performed?

13 A. Uh-huh.

14 Q. And what other services -- the opportunity
15 to earn profit on other services provided to the
16 sponsoring companies and DOE, what are those?

17 A. I'm not sure what those are.

18 Q. How much profit from that contract was
19 earned in the last several years, if you know?

20 A. The payout was about 2.2 million per
21 quarter.

22 Q. So multiply that by four and I have what
23 the overall payout was?

24 A. What's your question?

25 Q. Well, I asked --

1 MR. MICHEEL: Why don't you just read it
2 back, Kellene, the last question.

3 THE REPORTER: "Question: So multiply that
4 by four and I have what the overall payout was?"

5 THE WITNESS: Again, I believe it's
6 2.2 million per quarter, so in a four-quarter year, the
7 dividends paid out to the owners would have been what,
8 about 8.8, something like that.

9 BY MR. MICHEEL:

10 Q. So when a corporation is paying dividends,
11 does that mean it's a profitable corporation?

12 A. Yes.

13 Q. And has -- did EEInc have net profits when
14 it had this PPA?

15 A. Yes.

16 Q. Further on down on page 13 there it says,
17 the obligations of each of the sponsoring companies and
18 DOE are absolute and unconditional and shall not be
19 discharged or affected by failure, impossibility or
20 impracticality of the company to generate or deliver
21 electricity. Do you see that?

22 A. Yes, I do.

23 Q. Does that mean that EEInc will get paid to
24 recover all of its expenses plus a 15 percent return on
25 equity even if it performs poorly in terms of unit

1 availability, heat rate or other casualty losses that
2 prevent the units from running?

3 A. I have no opinion on what that paragraph
4 means.

5 Q. You don't understand it?

6 A. I have no legal opinion. I'm not a lawyer.

7 Q. I'm not asking for a legal opinion. I'm
8 asking you, what does it mean to you?

9 A. I have no opinion on it.

10 Q. What does the term absolute and
11 unconditional mean to you?

12 A. I have no definition for you.

13 Q. You just don't want to answer those
14 questions?

15 MR. BYRNE: I'm going to object. He's said
16 he's not qualified to give a legal opinion on this legal
17 language that you keep reading to him.

18 BY MR. MICHEEL:

19 Q. Well, this is the annual report, is it not?

20 A. This is an annual report, yes.

21 Q. And is that a legal document, or is this a
22 report to the shareholders of EEInc?

23 A. It's a report to the shareholders.

24 Q. I want to ask you, is it true that EEInc
25 has replaced its two expiring credit agreements with new

1 credit agreements with Ameren Corp?

2 A. Yes.

3 Q. And it allows borrowings up to \$15 million,
4 and that was later revised to \$75 million?

5 A. Yes.

6 Q. So does that mean that Ameren Corp is doing
7 all the financing for EEInc?

8 A. Yes.

9 Q. So EEInc has repaid all of its long-term
10 debt outstanding, is that your understanding?

11 A. All of its long-term debt outstanding? No.
12 It still has outstanding long-term debt.

13 Q. But that's now to Ameren Corp?

14 A. Those revolving credit lines are for new,
15 new debt to finance environmental projects coming up.

16 Q. Is it correct that AmerenUE made the
17 initial investment in EEInc through the purchase of
18 40 percent of the capital stock?

19 A. That is my understanding, yes.

20 Q. Is it your understanding that UE sought and
21 received PSC approval to buy its initial shares in 1950
22 and then received authority to purchase additional shares?

23 A. I do not know.

24 Q. Have you reviewed Mr. Moehn's testimony?

25 A. Actually, I have read his. I don't

1 remember what it said.

2 Q. If I told you it said that at page 11 of
3 his testimony, you wouldn't dispute that?

4 A. No, I wouldn't dispute that.

5 Q. Do you know if UE has ever asked -- ever
6 asked to make or needed to make any additional capital
7 infusions in EEInc?

8 A. Has AmerenUE -- read your question again.

9 Q. Has UE ever asked to make or needed to make
10 any additional equity capital infusions in EEInc?

11 A. As far as I know, AmerenUE has had to make
12 additional capital infusions into EEInc.

13 Q. And when was the last capital infusion?

14 A. In the mid '90 time period during major
15 plant upgrades.

16 Q. Any others that you're aware of since your
17 time on the board?

18 A. The purchase of the CTGs in the '99, 2000,
19 2001 time frame, and then the new budget for the
20 environmental projects coming up are the ones that I'd be
21 aware of.

22 Q. In the 30 years you've been aware of the
23 Joppa plant, has it been consistently profitable?

24 A. My time on the board, it's been profitable.
25 My association earlier was not with their finances. It

1 was more with the operation of the plant. So before my
2 board involvement, I can't answer that.

3 Q. As far as you know, since your board
4 involvement, has EEInc been able to finance its capital
5 improvement needs from internal cash flows from
6 operations?

7 A. Yes.

8 Q. Do you know if UE has received regular
9 dividends from EEInc?

10 A. Since I've been on the board, yes, they
11 have.

12 Q. And you think they did before that or you
13 just don't know?

14 A. I don't know.

15 Q. Are you aware of any year when EEInc
16 encountered an operating loss?

17 A. I'm not personally aware of any, no.

18 Q. Let me ask you a question about Exhibit 7.
19 I'm on page - I'm almost finished here. Thank you for
20 your time -- page 123.1, and it's the sentence -- or the
21 paragraph, and I'll ask you to read it to yourself,
22 accounting for discontinuation of application of FASB
23 Statement 71.

24 MR. BYRNE: What page are you on, Doug?

25 MR. MICHEEL: 123.1, paragraph accounting

1 for discontinuation of application of FAS Statement
2 No. 71.

3 BY MR. MICHEEL:

4 Q. Just let me know when you're ready, sir.

5 A. Okay.

6 Q. And there are three numbers there. There's
7 a 5.2 million, a 3 million and a roughly 890,000 number
8 that add up to that 9.1 number, 9.1 million number?

9 A. Okay.

10 Q. I just want to ask you some questions about
11 that. Do you have any reason to doubt that the Department
12 of Energy and the sponsoring companies will build this
13 amount to cash out all of EEInc's recorded regulatory
14 assets?

15 A. No.

16 Q. Do you happen to know the UE share of the
17 total amount of that 9.1 million? Would it be 40 percent?

18 A. Be 40 percent.

19 Q. Was that billing part of the final true-up
20 cost responsibility under the purchased power agreement
21 that terminated in '05?

22 A. I don't know that.

23 Q. Okay. Talk to you about nukes now. At
24 page 3 of your testimony, you compare the Callaway plant
25 to other nuclear plants. You note that it had the sixth

1 highest lifetime generation. Are the five units with more
2 generation either larger, older or both, if you know?

3 A. Both.

4 Q. So they're larger?

5 A. Larger and older, in service a lot longer.

6 Q. I'm just trying to understand. Does that
7 mean that, regarding output, the Callaway plant is
8 performing pretty well compared to its peers?

9 A. Yes, it is.

10 Q. Has Callaway had a high, consistently high
11 capacity factor?

12 A. Yes, we have.

13 Q. And is that compared to comparable size and
14 vintage plants?

15 A. Yes.

16 Q. Now, your Schedule CDN-1 lists a whole lot
17 of investments that -- about \$450 million in expenditures?

18 A. Yes.

19 Q. And most of those you attribute to work
20 replacing the alloy 600 materials with the new alloy 690
21 materials; is that a fair characterization?

22 A. Well, the steam generators, which is a very
23 large dollar item, that specifically is the alloy 600. So
24 200, approximately 200 million of that overall number is
25 in that one item. That's all related to alloy 600.

1 Q. When you talk in your testimony of the
2 remaining life of the plant, does that mean only 20 years
3 or does that mean that, with this new alloy 690 materials,
4 that it can last longer than 20 years, maybe at least 40
5 years?

6 A. The new steam generators, which are made
7 out of the alloy 690 material, were specified for a
8 40-year life, and it's currently our belief that they will
9 last that long.

10 Q. Could you have gotten those new steam
11 generators with the alloy 600?

12 A. We could, but the cost would have been the
13 same and they would have -- the new ones would have failed
14 soon.

15 Q. What's soon? How long did the alloy 600
16 last in this initial plant?

17 A. 22 years.

18 Q. 22 years. So --

19 A. But that was with a lot of -- a lot of
20 maintenance expense, starting probably 10 to 12 years ago.
21 So about -- probably about eight years, seven to eight
22 years into service, the tubes in the steam generator
23 started to fail, and that was a risk to public safety.

24 Q. Absent replacing the steam generators,
25 which your company did, would it have been able to seek a

1 relicensing of Callaway?

2 A. Any -- any utility that owns a nuclear
3 plant can file for a license extension, and whether --
4 whether you get it or not is going to be dependent on
5 whether you can show that the components are going to
6 operate safely during the term of whatever that license
7 period is. So I'm not sure that --

8 Q. Well, do you have an opinion on if you'd
9 left those steam generators in and filed for relicensing,
10 whether or not you could have met that safety standard?

11 A. I don't believe the NRC would ever -- would
12 have licensed, given Callaway a license extension with
13 degraded steam generators. In fact, they probably would
14 have been shut down long before the 40-year license was
15 up.

16 Q. You note in your testimony at page 9 that
17 the NRC has established a process for relicensing?

18 A. Yes.

19 Q. Are you familiar with that process?

20 A. Not in great detail. I mean, big picture,
21 I understand the process.

22 Q. I take it you have people working for you
23 that are familiar?

24 A. Yes.

25 Q. And who would that be?

1 A. Tim Herman again, my vice president of
2 engineering, has the lead over that area, and then he has
3 a whole licensing department that know all the details of
4 Part 52 of Appendix B and what all the requirements are.

5 Q. And has Ameren taken any steps toward
6 relicensing at all, a study group, anything?

7 A. Not yet.

8 Q. And why not?

9 A. Again, we're 18 years away from license
10 expiring, and that's a long time, and basically we didn't
11 think it was time to start into that process.

12 Q. What are the advantages of waiting?

13 A. Well, that's a very expensive process, so
14 normally when we talk about making large investments, the
15 later you can defer those investments, the better.
16 Spending 20 or 30 million, for example, just to submit the
17 license to NRC now for something you're not going to need
18 until 2024, 18 years from now, you know, the present value
19 of that capital investment now versus that same amount of
20 money spent out in 2015, 2016, 2017, is -- costs a lot
21 more to do it now. So as we always look out after our
22 customers' interests, we never try to spend money any
23 sooner than we have to.

24 Q. Do you think KCPL made a bad decision to
25 seek its relicensing at Wolf Creek?

1 A. I know no details about why KCPL is
2 extending Wolf Creek's license. I've had nothing to do
3 with that.

4 Q. Have you been successful in doing all the
5 things that Ameren needs to do to preserve the relicensing
6 option?

7 A. I believe so.

8 Q. So you're well positioned to seek
9 relicensing should your company make that corporate
10 decision?

11 A. We have tried at every opportunity when a
12 component has to be replaced because its at end of life,
13 we've always tried to make sure that we specified
14 materials that would maximize the ultimate life of
15 Callaway. So at every turn we've tried to make very
16 prudent decisions in that aspect.

17 Q. Can you cite any specific known safety or
18 operational problems at Callaway that are not present at
19 Wolf Creek that are relevant to relicensing?

20 MR. BYRNE: I'm going to object. It calls
21 for him to speculate about what's going on at Wolf Creek.
22 He's already said he can't do that.

23 THE WITNESS: Yeah. Well, I do not have
24 firsthand knowledge of what Wolf Creek's specific issues
25 are and what they're doing in their licensing process. So

1 I can't speculate on, you know, a comparison because I
2 really don't know what their issues are.

3 BY MR. MICHEEL:

4 Q. Let's limit it to the Callaway plant.

5 A. Okay.

6 Q. Are you aware of any specific known safety
7 or operational problems at Callaway right now that would
8 prevent relicensing?

9 A. Yes.

10 Q. What are those?

11 A. Reactor vessel head basically is going to
12 have to be replaced. It will not -- it will not be
13 relicensable. The main reactor coolant loops welds are
14 alloy 600 material, and those will all have to be
15 mitigated. All the bottom reactor vessel penetrations,
16 which there are about 54 individual penetrations through
17 the bottom of the reactive vessel, are all alloy 600.
18 Those all have to be mitigated because of cracking issues
19 and will not last.

20 All of Callaway's buried pipe systems
21 basically are coming to end of life premature and are
22 going to have to be dealt with. So service water piping,
23 which is 13-foot diameter pipe, runs between the
24 condensers and cooling tower, those are going to have to
25 be taken care of all.

1 All the service water piping, which is
2 42-inch pipe that goes from the cooling tower into the
3 plant, and all the essential service water piping which
4 goes from the essential service water pump house into
5 plant, those are 30-inch pipes, and then all the intake
6 and discharge lines to the river, which is about six and a
7 half miles, those structures all are going to have to be
8 replaced because of not -- first of all, they're specified
9 with a 40-year life, and we don't believe they're going to
10 make -- it's going to be touch and go whether they will
11 make them.

12 So those are just some examples of some of
13 the major components that we currently know are not
14 relicensable in the condition they're in.

15 Q. Do you have plans to replace any of those
16 components?

17 A. The reactor vessel head is being studied.
18 There's no firm plans, but we do know that they're going
19 to have to be replaced. So there are studies starting on
20 the head.

21 Q. And you know all these other items are
22 going to have to be replaced if you seek relicensing. How
23 long does that take?

24 A. The relicensing process?

25 Q. No. Replacing all of these items.

1 A. Replacing? Probably the items I rattled
2 off are things that would have to be done over a series of
3 four or five refuel outages. So you're talking 18 months
4 every cycle. So it's going to take a period of time to
5 mitigate those things.

6 Q. Let me just hand you this notice of board
7 of directors meeting here on May 17th, 2006, and ask you
8 to look at conference call notes, participants there. Do
9 you see the participants line?

10 A. Yes.

11 Q. And it just says Ameren. It lists your
12 name and three other individuals. You're not an Ameren
13 board member, are you?

14 A. No. I'm AmerenUE.

15 Q. And is that just a typo or are you-all just
16 lumped together?

17 A. We're just -- I mean, within Ameren, we
18 call ourself Ameren employees. I mean, is that
19 technically correct? Top two are AmerenUE, and the bottom
20 two at that time were -- actually, one of those
21 individuals, Tom Voss, was an Ameren Corporation, and I
22 believe the other one was an Ameren Service employee, if
23 you wanted to have it technically correct.

24 MR. MICHEEL: Thanks a lot for your time.
25 I really appreciate it. Sorry I took so long.

1 THE WITNESS: You're welcome. No problem.

2 MR. BYRNE: I don't really think I have
3 anything to clear up. Give me just one second. I do have
4 just a couple of questions real quick.

5 CROSS-EXAMINATION BY MR. BYRNE:

6 Q. First of all, I just want to make sure,
7 you've never seen any of these financial statements that
8 Mr. Dottheim showed you?

9 A. No, I have not. Never had the FERC
10 Form 1s.

11 Q. And to the extent they had specific dollar
12 amounts and percentages in the parts that Mr. Dottheim
13 showed you, do you have knowledge that those are exact
14 dollar amounts and exact percentages?

15 A. No, I do not.

16 Q. Have you ever seen the Secretary of State,
17 Illinois Secretary of State document that Mr. Micheel
18 showed you before?

19 A. No, I have not.

20 Q. Okay. Have you ever seen the testimony
21 that Mr. Dottheim showed you from the FERC proceeding that
22 was marked as Exhibit 8? Have you ever seen that before?

23 A. No, I have not.

24 Q. Mr. Micheel asked you a couple of questions
25 where he kept saying, as director should you know these

1 things. Let me ask you this: As a director, are you
2 involved in the day-to-day operations of the EEInc, EEInc
3 corporation or the Joppa plant?

4 A. No, I'm not.

5 Q. So are there a lot of day-to-day
6 operational things that you don't get involved in and
7 wouldn't have any reason to know?

8 A. There are many that I don't get involved
9 with and I don't know the details on.

10 MR. BYRNE: That's all I have. Thanks a
11 lot.

12 (PRESENTMENT WAIVED; SIGNATURE REQUESTED.)
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, KELLENE K. FEDDERSEN, RPR, CSR, CCR, and
Notary Public within and for the State of Missouri, do
hereby certify that the witness whose testimony appears in
the foregoing deposition was duly sworn by me; that the
testimony of said witness was taken by me to the best of
my ability and thereafter reduced to typewriting under my
direction; that I am neither counsel for, related to, nor
employed by any of the parties to the action to which this
deposition was taken, and further that I am not a relative
or employee of any attorney or counsel employed by the
parties thereto, nor financially or otherwise interested
in the outcome of the action.

KELLENE K. FEDDERSEN, RPR, CSR, CCR
Notary Public, State of Missouri
(Commissioned in Cole County)
My commission expires 3/28/09.

SIGNATURE PAGE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Charles D. Naslund, do hereby certify:

That I have read the foregoing deposition;

That I have made such changes in form and/or
substance to the deposition as might be necessary to
render the same true and correct;

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

I declare under penalty of perjury that the
foregoing is true and correct.

Executed the ____ day of _____, 2007, at

CHARLES D. NASLUND

Notary Public:

My commission expires: _____

KF/Charles D. Naslund
Re: Union Electric, d/b/a AmerenUE

ERRATA SHEET

Witness: Charles D. Naslund
In Re: Union Electric Company, d/b/a AmerenUE

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

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Page Line Should read:
Reason assigned for change:

Reporter: Kellene K. Feddersen, RPR, CSR, CCR

Midwest Litigation Services
3432 West Truman Boulevard, Suite 207
Jefferson City, MO 65109

Phone (573) 636-7551 * Fax (573) 636-9055

January 24, 2007

Thomas Byrne
Attorney at Law
Ameren Services Company
P.O. Box 66149
1901 Chouteau Avenue
St. Louis, MO 63101

In Re: Union Electric Company, d/b/a AmerenUE

Dear Mr. Byrne:

Please find enclosed your copy of the deposition of
Charles Naslund taken on January 23, 2007, in the
above-referenced case. Also enclosed is the original
signature page and errata sheet.

Please have the witness read your copy of the transcript,
indicate any changes and/or corrections desired on the
errata sheet and sign the signature page before a notary
public.

Please return the errata sheet and notarized signature
page to Mr. Dottheim for filing prior to trial date.

Thank you for your attention to this matter.

Sincerely,

Kellene K. Feddersen, RPR, CSR, CCR

Enclosure

cc: Steve Dottheim
Rick Chamberlain