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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

March 16, 2010  
Jefferson City, Missouri  
Volume 24

In the Matter of Union Electric )  
Company d/b/a AmerenUE's Tariffs) )  
To Increase Its Annual Revenues )File No. ER-2010-0036  
For Electric Service )

MORRIS L. WOODRUFF, Presiding,  
CHIEF REGULATORY LAW JUDGE.

ROBERT M. CLAYTON III, Chairman,  
JEFF DAVIS,  
ROBERT S. KENNEY  
COMMISSIONERS.

REPORTED BY:  
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1 PROCEEDINGS

2 JUDGE WOODRUFF: Welcome back for day  
3 two of the AmerenUE rate case hearing. When we left  
4 off yesterday afternoon, we had Mark Birk on the  
5 stand. Ready for questions from the bench.

6 THE WITNESS: Do I need to be resworn?

7 JUDGE WOODRUFF: No, you're still under  
8 oath.

9 THE WITNESS: Okay.

10 JUDGE WOODRUFF: It doesn't wear off.  
11 All right. Questions from the bench? Commissioner  
12 Davis.

13 QUESTIONS BY COMMISSIONER DAVIS:

14 Q. Good morning, Mr. Birk.

15 A. Good morning, Commissioner.

16 Q. Going back to Mr. Roam's  
17 cross-examination from yesterday, is it fair to say  
18 that your only criticisms of Mr. Meyer's methodology  
19 is that he did not account for the -- for the time  
20 value of money, you know, based on coming up with  
21 the -- the base expenses?

22 A. My -- that -- that is correct. My  
23 biggest concern is that he did not account for  
24 escalation in coming up with the base and -- and the  
25 maintenance -- the overhaul expenses, yes, sir.

1 Q. And although the exhibit has  
2 disappeared -- maybe it's still over there -- his  
3 estimate for 2010 was -- was very close to AmerenUE's  
4 estimate, was it not?

5 A. If I recall, sir, I believe his estimate  
6 for 2010 was about 110 million, which -- for  
7 maintenance, which I believe we're at about 117  
8 million.

9 Q. Budgeted?

10 A. Budgeted, correct.

11 Q. Okay. Now, the Staff has recommended  
12 one -- approximately 101 million, correct?

13 A. That is correct.

14 Q. Now, just looking at -- at the table in  
15 your testimony -- I think it's page 16.

16 A. Is that the table associated with the  
17 data request or...

18 Q. Let's see. Maybe it's -- it might be in  
19 your rebuttal testimony. I apologize. Page 16 of  
20 your rebuttal testimony. I'm not -- not sure if it  
21 corresponds with that --

22 A. I have it, sir.

23 Q. -- DR or not.

24 A. I have it sir.

25 Q. Okay. Is it -- is it fair to say that

1 in the last seven years, from 2009 through 2003,  
2 AmerenUE's fossil plant maintenance expenses have  
3 only exceeded \$101 million in one year, 2008?

4 A. Yes, that is correct.

5 Q. So -- now, Mr. Rackers or Mr. Rice, you  
6 know, take that position that you only spent more  
7 than \$101 million once in the last seven years on  
8 fossil plant maintenance, you know, so what do you  
9 say to them when they say why should I -- why should  
10 I give you more money than that?

11 A. What I would say is -- is as we had went  
12 through the period, especially of 2005 through 2007,  
13 we were going through a period where we were  
14 extending the outage cycles. And as such, where we  
15 had -- if you look at our normal level of maintenance  
16 of major overhauls from -- from about 2000 through  
17 about 2004, we have about four to five major  
18 overhauls per year.

19 When we got into the 2005 through 2007  
20 time frame, because we were in the process of  
21 stretching these outages out, we -- we only had about  
22 roughly one and a half or so outages per year. So  
23 because of that, our -- our level of maintenance  
24 expense actually went down 2005, '6 and '7 due to  
25 this spreading out of the outage cycles. And that's



1 why when you get to 2008 and you see an expense of  
2 119.7 million, really, that's due to the fact that  
3 we've kind of got to the stretched out point in these  
4 outage cycles now and -- and we're starting to work  
5 what we believe to be the schedule going forward,  
6 which would be roughly two to three major overhauls  
7 per year.

8 Q. Okay. So are you still on the extended  
9 outage cycle that -- that you guys came up with in  
10 2003?

11 A. What -- what we studied in 2003 and was  
12 really started to be implemented in '04, was -- was  
13 actually going from an 18- to a 24-month cycle to  
14 something that was close to a three- to four-year  
15 cycle. And we're actually now, Commissioner, on a  
16 cycle that -- we went through it a little  
17 yesterday -- we're on a cycle that has six years  
18 between overhauls at our Rush and Labadie plants,  
19 about four years between overhauls at Meramec and  
20 about three or so years between overhauls in Sioux.  
21 So we're actually further than what we had  
22 anticipated in '03 and '04 from an outage cycle  
23 standpoint.

24 Q. Okay. So on page 15 of your rebuttal  
25 testimony, lines 15 and 16, you stated that in one of

1 your -- I think it's your first bullet point, that  
2 you were going to "build our outage schedule around  
3 turbine generator inspection and maintenance  
4 requirements established by the original equipment  
5 manufacturers."

6                   So that doesn't mean that you're going  
7 back to a shorter cycle of 18 to 24 months or so;  
8 that just -- you're -- you're following the  
9 manufacturing guidelines and, you know, you're doing  
10 the three-, four- and six-year cycles; is that  
11 correct?

12           A.       Yes, sir, that is correct.

13           Q.       Okay. And could you just state for me  
14 again what the appropriate period between scheduled  
15 outages for Labadie, Meramec, Rush Island and Sioux  
16 are again? I know you've covered it in your  
17 testimony and -- but could you just go over that one  
18 more time for me?

19           A.       The appropriate level -- we believe the  
20 appropriate level for -- for Labadie and Rush Island,  
21 which are 600-megawatt class units, pretty much the  
22 same as a six-year overhaul cycle. What that means  
23 is each unit will be overhauled once every six years,  
24 a major overhaul. We believe that the --

25           Q.       I'm sorry. How many units are at each

1 of those plants?

2 A. There are four 600-megawatt units at  
3 Labadie and two 600-megawatt units at Rush Island.

4 Q. Okay.

5 A. Okay. At Meramec we have four units and  
6 we believe that the -- that the appropriate cycle for  
7 those units is -- is roughly four years between major  
8 overhauls. And at Sioux plant, we believe that the  
9 cycle is -- is closer to three years. And the reason  
10 that -- and we have two units at Sioux plant.

11 And the reason that Sioux is really the  
12 lowest is because we have cycle boilers at Sioux and  
13 it's just a different maintenance requirement.  
14 The -- the refractory and things inside the boiler  
15 wear more frequently, and we do not believe we can  
16 make it to six-year cycles on the Sioux units.

17 COMMISSIONER DAVIS: All right. Let  
18 me -- let me just ask Mr. Lowery -- Mr. Lowery, it's  
19 the -- the big round numbers for all maintenance are  
20 not highly confidential, it's just the numbers  
21 relative to each plant that are confidential; is that  
22 correct?

23 MR. LOWERY: That's correct. And the  
24 specific outage schedule by plant is also -- for  
25 security reasons, that's also highly confidential.

1 BY COMMISSIONER DAVIS:

2 Q. Okay. Mr. Birk, now, are you -- when  
3 you talk about years, like, say, on your graph on  
4 page 16 of your rebuttal testimony, those are  
5 calendar years, correct?

6 A. Yes, sir.

7 Q. Now, you've got \$122 million plugged in  
8 in -- in your graph for 2011, but you don't have a  
9 budget. You've just got -- you know, and I saw you  
10 and Mr. Roam walk through the numbers yesterday, so  
11 there's just some sort of -- I mean, these are the  
12 things that you know that you need to do?

13 A. Commissioner, I -- I -- what I meant was  
14 I think what Mr. Roam asked me was do we have a  
15 budget that was approved by the board, and my 2011  
16 budget is not approved by the board, but I do have a  
17 budget for 2011. It just hasn't been approved by the  
18 board. And the 122 million is based upon the outage  
19 schedule that was provided in -- in the data request  
20 that Mr. Roam was -- was asking me about yesterday,  
21 294.

22 Q. Uh-huh.

23 A. So we do have budgetary numbers, they  
24 just have not been approved by the board, and that's  
25 really where these numbers come from.

1           Q.       All right.  Yesterday you had some  
2       questioning about AmerenUE not performing any major  
3       power plant maintenance outages in 2009 due to severe  
4       liquidity/credit concerns.  How do you -- how do you  
5       make those decisions?

6           A.       Basically, sir, when we went to look at  
7       the -- at the end of '08 in consultation with senior  
8       management, Warner Baxter, and people with the ELT,  
9       there was a concern that we would not be able to get  
10      the adequate capital to be able to execute the  
11      outages in '09.  And when you look at predominantly  
12      what we were doing, especially on the Rush Island  
13      unit 2 outage which is -- there's quite a bit of  
14      capital work on that outage, the concern was that we  
15      would not be able to get the cash adequate to do that  
16      outage.

17                    So at that point we decided that the  
18      best course of action due to that uncertainty -- and  
19      really, the uncertainty was -- was toward -- toward  
20      the middle to the end of '08 -- with the uncertainty  
21      whether we could or couldn't, we -- we elected -- and  
22      really it was my decision at that point -- we elected  
23      to say, you know, if we don't know whether we're  
24      going to do an outage within six months of the start  
25      of the outage, it causes us significant schedule and

1 material concerns. So we just elected to push our  
2 whole outage schedule back one year.

3           So effectively, we delayed everything in  
4 our fleet one year and said we just will take '09,  
5 not do anything. Everything that was going to be  
6 done in '9 is going to be done in '10, everything  
7 that was going to be done in '10 is moved to '11 and  
8 so on. So we just pushed the whole thing back one  
9 year.

10           Q.       So there is some flexibility in  
11 scheduling coal plant outages, correct?

12           A.       Yes, sir, there is.

13           Q.       And you'd agree with me that there's --  
14 there's a limit to that flexibility that you can only  
15 go so far?

16           A.       Yes, sir. And it's really driven by the  
17 factors associated with the turbine. These turbine  
18 generators are fairly large pieces of equipment. The  
19 rotating mass on one is about 180 tons that -- that  
20 we spin at 3,600 RPMs, so we have to -- like I said  
21 before, we look at the OEM recommendations and  
22 there's a limit to how far you can move these things.  
23 And part of what our plan is predicated on and what  
24 was in the data request of 294 reflects kind of our  
25 outer limit of where we believe we can place these

1 outages and still meet our OEM requirements  
2 associated with these turbines.

3 Q. Okay. Looking at your chart on page 16,  
4 you know, you've got the 119.7 million actual for  
5 2008, with -- you've got 96.5 million actual for  
6 2009. If I just average those two numbers together,  
7 I get 108.1 million for fossil plant maintenance  
8 expense. Is that a more reasonable number than what  
9 the Staff or Mr. Meyer had suggested?

10 A. I think if -- if -- if you look at those  
11 two years where in 2008 that was based upon doing  
12 basically two -- two major overhauls, one at Labadie  
13 and one at Sioux plant, and 2009, none, I think it --  
14 the effect of averaging it together would -- would  
15 give us an amount that's really equivalent to doing  
16 about one major overhaul in a given year. And you  
17 know, I think this schedule we're looking at now  
18 really requires two to three as opposed to one in a  
19 given year.

20 So while it is -- while 108 is higher  
21 than -- than what Staff or Mr. Meyer are  
22 recommending, with all due respect, I still believe  
23 that it is too low for what -- what I really need to  
24 adequately maintain the fleet.

25 Q. So in essence, you know, what we're

1 looking at is the difference of one of the Sioux unit  
2 outages as long as nothing goes terribly wrong with  
3 one of those outages?

4 A. The difference between 108 --

5 Q. The difference between 119 and the 108  
6 or 105 is roughly --

7 A. Yes, sir, it's roughly one major  
8 overall.

9 Q. Mr. Birk, if we give you 117.5 or 119,  
10 so what -- what assurance can you give me that you're  
11 going to do each and every one of the maintenance  
12 items that you listed yesterday when Mr. Roam was  
13 cross-examining you?

14 A. Commissioner, I believe that when you  
15 look back at what we did in '05 '06, '07, whereby we  
16 had -- we talked about the Labadie and Rush Island  
17 units earlier, and when you look at Labadie and Rush  
18 Island, those plants combined generate about 69  
19 percent of the fossil energy, the coal -- of what a  
20 coal fleet generates. When you look at '05, '06,  
21 '07, and -- and I see that, quite frankly, I did one  
22 outage at Rush Island in '07, I did one outage at  
23 Labadie even in '08 and none in '09, basically I have  
24 to perform the outages -- we're doing Rush 2 this  
25 year -- I have to perform the outages on the Labadie



1 units in the future as shown in the budget. I'm past  
2 my time window.

3           If you look at where -- where Labadie is  
4 on -- especially on Labadie 2, Labadie 3 and even  
5 Labadie 4, I'm past six years per the data request in  
6 294. I cannot go much longer at all with those  
7 units. So those units have to be done.

8           What I -- what I would say is when I  
9 look at 2010, we're in the process right now of doing  
10 Rush Island 2. We did a mini outage on Meramec 2.  
11 We do have a mini outage on Labadie 2 scheduled for  
12 this spring, and we have the outage scheduled for  
13 Sioux 2 later this fall.

14           Now, I would say that as we get closer  
15 to completion of the scrubber, and I have Sioux 2 and  
16 Sioux 1 which falls at the beginning of '11, there --  
17 there may be synergies between those two units where  
18 we would opt to move Sioux 2 a month or two one way  
19 or Sioux 1 a month or two one way or another just  
20 to -- there may be some synergies -- we've never put  
21 a scrubber in service before, but there may be a time  
22 when we need both units out of service at the same  
23 time. And that may cause us to tweak that outage at  
24 the end of Sioux -- at the end of the year on  
25 Sioux 2 a little bit, but ultimately, I have to get

1 those scrubbers in service.

2                   So I will give you assurances that --  
3 you know, that -- that the level that we have in our  
4 budget and what we have shown here for our -- for our  
5 overhaul cycle, that -- that at this point, that's  
6 our plan. I believe I have to do that because of the  
7 turbine work and because of some other inspection  
8 work that we have to do on the boilers. I don't  
9 believe I can deviate much further from where we have  
10 because of how far we've pushed those units already.

11                   COMMISSIONER DAVIS: Okay. Thank you,  
12 Mr. Birk.

13                   THE WITNESS: You're welcome, sir.

14                   JUDGE WOODRUFF: Commissioner Kenney, do  
15 you have any questions?

16 QUESTIONS BY COMMISSIONER KENNEY:

17                   Q.       This may be just another way of --  
18 sorry -- this may be another way of asking the  
19 question that Commissioner Davis just asked, but do  
20 you -- can you quantify with some certainty  
21 percentage-wise, what's the percentage that those  
22 overhauls would be done, 90 percent, 95?

23                   A.       The -- the overhauls in two thousand --

24                   Q.       That you're budgeting for '10, '11 and  
25 '12.

1           A.       I would say that -- that there would be  
2 a 90 to 95 percent chance that those would be done in  
3 those years. Now, I would also caveat that, that,  
4 you know, we're going to look at the operation of the  
5 units, and we may move them a month or two, you know,  
6 or we may find that, for instance -- and this happens  
7 from time to time -- trading fields that this outage  
8 would be better, you know, if we -- if we started two  
9 months later or if we moved it up a month this way.

10                    So -- so we tend to tweak those as they  
11 get closer in. So when we get into, you know, '11,  
12 we'll look at the outages in '12 and it will tend  
13 to -- in position. But I would say there's a 90 to  
14 95 percent certainty that we would do these outages  
15 as they're laid out.

16           Q.       And did you say that you have a mini  
17 outage planned for Labadie 2 later this spring?

18           A.       Yes, sir.

19           Q.       And then what will that do in terms of  
20 what will need to be done on the next overhaul in  
21 September of '12?

22           A.       Associated with Labadie 2, the reason  
23 that we're taking the outage this spring and -- and  
24 from -- from the DR, the last major overhaul that  
25 Labadie 2 had occurred in September of '04. What

1 we're going to do in this mini outage is we're going  
2 to change the air heater baskets out in the unit.  
3 And the reason we do that is because over time, those  
4 baskets tend to plug up and it derates the unit. So  
5 we're going to change that.

6 Plus, we have some high pressure  
7 temperature piping that has to be inspected, so we're  
8 going to -- we're going to do some inspection on that  
9 piping with the idea that if we find some significant  
10 issues, we will do a maintenance repair and then be  
11 prepared to do a further repair when we get to the  
12 outage on that unit.

13 So we may have to order some piping, we  
14 may have to do other things. So this -- this outage  
15 here is really to give us a condition assessment so  
16 we know what to -- what to purchase and somewhat what  
17 to go after in the major overhaul.

18 Q. So the mini outage in the spring won't  
19 alter what will need to be done in 2012?

20 A. No, it will not. It's only scheduled  
21 for 15 to 17 days. It's like a two- to three-week  
22 outage.

23 COMMISSIONER KENNEY: Thank you,  
24 Mr. Birk. I don't have any other questions.

25 THE WITNESS: Thank you, sir.

1 QUESTIONS BY JUDGE WOODRUFF:

2 Q. I have a couple follow-up questions.

3 A. Yes, sir.

4 Q. When Commissioner Davis asked you a  
5 question about the time value of money in Mr. Meyer's  
6 testimony, you indicated that -- you replied with the  
7 term "escalation." Is escalation the same as time  
8 value of money or is there other aspects to that  
9 switch?

10 A. I guess -- and I'm an -- I'm an  
11 electrical engineer, so I probably don't always use  
12 the proper accounting terms, but when we look at --  
13 when we do our budgeting and when we do projects, we  
14 tend to refer to it as those dollars are escalated,  
15 which means they're -- you know, because normally  
16 what we're doing is we're escalating them into the  
17 future.

18 When we look to do a project, typically  
19 we have to engineer it and design it years in  
20 advance, and we want to know if you're going to  
21 design it in 2010 and install it in 2012, what are  
22 the 2012 dollars. So we use the term escalation.  
23 And it tends to be a factor of typically it runs in 3  
24 to 4 percent is what we use for our escalation value.

25 Q. Is that just inflation?

1           A.       It's inflation is really what it amounts  
2 to, and that's what we use.

3           Q.       Okay. And I just had a real basic  
4 question --

5           A.       Yes, sir.

6           Q.       -- just for the record so it's clear.  
7 What happens if you delay maintenance too long,  
8 what's the downside of that?

9           A.       The downside of delaying maintenance too  
10 long on the turbine side especially, is that the most  
11 catastrophic downside is that we could have a unit  
12 trip; in other words, where a unit needs to come off  
13 and our valves don't close and we overspeed and the  
14 thing flies apart and that -- there --

15          Q.       That doesn't sound good.

16          A.       That's -- that's catastrophic because  
17 you've basically taken a outage -- forced outage for  
18 a year, and you hope that you don't kill anybody  
19 because these -- these generators are filled with  
20 hydrogen. There's a lot of bad things that happen  
21 when you can't stop your turbine. And so as -- as  
22 you go too far, that would be the worst case  
23 scenario.

24                   JUDGE WOODRUFF: That's all the  
25 questions I had.

1 THE WITNESS: Thank you, sir.

2 JUDGE WOODRUFF: Anyone wish to recross  
3 based on questions from the bench?

4 MR. MILLS: I do.

5 JUDGE WOODRUFF: Mr. Mills.

6 MR. MILLS: Judge, can I have a minute  
7 to confer with counsel about whether something's  
8 highly confidential or not?

9 JUDGE WOODRUFF: Sure. Go right ahead.

10 MR. MILLS: Judge, I'm going to have a  
11 couple of sort of general questions on nonhighly  
12 confidential and then a series of questions that will  
13 be highly confidential.

14 RE-CROSS-EXAMINATION BY MR. MILLS:

15 Q. Mr. Birk, in response to a question from  
16 Commissioner Davis, you used -- and this was with  
17 respect to who was talking about the decision to  
18 delay outages in 2009, and you used the acronym  
19 "ELT." What is that?

20 A. That's the executive leadership team in  
21 Ameren.

22 Q. And who -- at Ameren or AmerenUE?

23 A. Ameren.

24 Q. Okay. And who is on the ELT?

25 A. Basically, Tom -- Tom Voss leads the ELT

1 and you have basically senior vice presidents for the  
2 most part that make it up. So AmerenUE officers that  
3 would be on the ELT would be Warner Baxter who is my  
4 boss, Adam Heflin who is the chief nuclear officer,  
5 and senior vice president, Richard Mark.

6                   You would also have from -- from  
7 AmerenUE. And you would also have Chuck Naslund who  
8 is over the unregulated, Scott Cisel who is over  
9 Illinois utilities, he's senior vice president --  
10 president over the Illinois utilities, plus -- plus a  
11 couple of other people.

12           Q.       Okay. Those last two you mentioned,  
13 Chuck -- Chuck Naslund and Cisel?

14           A.       Scott Cisel.

15           Q.       Scott Cisel.

16           A.       Uh-huh.

17           Q.       Those -- those are not AmerenUE people,  
18 are they?

19           A.       That is correct, they are not.

20           Q.       Okay. So in terms of deciding whether  
21 or not to do maintenance based on questions about  
22 access to capital or things of that nature, does the  
23 ELT make the decision about when maintenance is done  
24 or do you?

25           A.       Ultimately -- ultimately I make the



1 decision on when -- when maintenance is -- is  
2 performed in the plan based upon what we believe the  
3 operational needs are of the plant and based upon the  
4 resources we have available.

5 Q. So it was your recommendation and your  
6 decision to basically cancel all the maintenance in  
7 2009?

8 A. Basically, as I said earlier, there was  
9 a concern that capital would not be available, and a  
10 significant portion of the Rush Island -- especially  
11 the Rush Island unit 2 work was capital, and as such,  
12 we -- we did a review of -- of where we were at  
13 with -- with the units, and we felt that the best  
14 course of action would be to -- to delay the outage  
15 one year.

16 I think when you look at it, because a  
17 liquidity crisis occurred, if I recall correctly,  
18 kind of mid to third quarter of '08, what it was  
19 doing was there was uncertainty whether we could get  
20 the capital to actually execute the outage for Rush  
21 Island.

22 And as I mentioned before, when you get  
23 much closer to six months in to the start of an  
24 outage, you really -- I think it's very disruptive if  
25 you don't know whether you're going to do it or not

1 because you have to start putting contracts in place  
2 and you have to start making sure that -- that you  
3 have adequate materials on site to perform that  
4 outage. So we made the decision to delay those  
5 outage -- that -- those outages one year.

6 Q. From -- from a strictly engineering  
7 standpoint, would it have been more optimal to do  
8 those in 2009 assuming capital was available?

9 A. Assuming -- assuming that capital was  
10 available, I believe, yes.

11 MR. MILLS: Judge, the next question I'm  
12 going to ask I think needs to be in-camera.

13 JUDGE WOODRUFF: All right. We are  
14 going in-camera at this time. If anyone needs to  
15 leave the room, please do so. We're muted.

16 (Reporter's Note: At this point, an  
17 in-camera session was held, which is contained in  
18 Volume 25, pages 1064 through 1071 of the transcript.)

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1 JUDGE WOODRUFF: All right. We're out  
2 of the in-camera session. Mr. Mills has concluded  
3 his recross. Recross from MIEC.

4 RE CROSS-EXAMINATION BY MR. ROAM:

5 Q. I only have one question. Fortunately,  
6 it's just a yes-or-no question. I'm assuming from  
7 your testimony that it would be your contention that  
8 the scheduled outage that you pushed from 2009 -- or  
9 the scheduled outages that you pushed from 2009 to  
10 2010, that decision affected the reliability or the  
11 performance of those units that were deferred;  
12 wouldn't that be your testimony?

13 A. Yes, sir.

14 JUDGE WOODRUFF: Anything else?

15 MR. ROAM: That's it.

16 JUDGE WOODRUFF: Okay. Any redirect?

17 MR. RITCHIE: Staff has...

18 JUDGE WOODRUFF: Oh, I'm sorry. I

19 didn't mean to skip you. Recross from Staff.

20 RE CROSS-EXAMINATION BY MR. RITCHIE:

21 Q. Do you think the 2010 budgeted level is  
22 an accurate gauge of the normal level of maintenance?

23 A. Yes, I do. Are you talking about the

24 117 --

25 Q. Uh-huh.

1 A. -- .5 million?

2 Q. Yeah.

3 A. Yes, I do.

4 Q. Isn't it true that the test year level's  
5 higher than the 2010 budgeted level?

6 A. Yes, that is true. It's higher by about  
7 two million.

8 Q. So even if the 2010 budgeted level was  
9 to be accepted, wouldn't a downward adjustment be  
10 required to the test year level?

11 A. There would be a slight downward  
12 adjustment to the test year level.

13 Q. Okay. Now, you told the Commissioners  
14 that you could push the Sioux outage a couple months.  
15 Do you think you could push it to 2011?

16 A. I think that as we look at -- at tying  
17 the scrubbers in, there may be some things -- you  
18 know, it's either going to be done at the end of '10  
19 or potentially the first month or two of '11. I  
20 think it's going to depend on the scheduling of the  
21 scrubbers and if we need a dual outage on both units  
22 to be able to tie some things in. That's really  
23 what's going to determine it.

24 Q. So it could be pushed to 2011?

25 A. Yes, it could be.

1 Q. And would that reduce the 2010 budget  
2 level?

3 A. It would reduce the 2010 level and it  
4 would increase the 2011 level. I think -- I wouldn't  
5 say it would reduce --

6 Q. I think you've answered the question.

7 A. Okay.

8 MR. RITCHIE: That's all I have. Thank  
9 you.

10 THE WITNESS: Yeah, thank you.

11 JUDGE WOODRUFF: Now redirect.

12 REDIRECT EXAMINATION BY MR. LOWERY:

13 Q. Mr. Birk, Mr. Roam asked you a number of  
14 questions -- I'm going back to yesterday now, and  
15 then we'll come back to today -- asked you a number  
16 of questions about Mr. Meyer's numbers, and you had  
17 disagreed with some of those questions.

18 A. Uh-huh.

19 Q. But what I wanted to ask you was, does  
20 anything concern you about the accuracy of the  
21 numbers that Mr. Roam went through with you that  
22 Mr. Meyer put in his testimony?

23 A. The biggest thing that concerns me is  
24 that the -- what -- what Mr. Roam was talking about  
25 was that the -- that the base level of maintenance

1 was not escalated, nor were the maintenance dollars,  
2 you know, associated with overhauls. There was no  
3 escalation in those numbers.

4 Q. What kind of expenses are involved in --  
5 in the maintenance? That's what we're talking about  
6 here today. I don't think you've talked about with  
7 the Commissioners what -- what you spend your  
8 maintenance dollars on.

9 A. From a major overhaul perspective?

10 Q. Sure.

11 A. Yes. Okay. When you talk about a major  
12 overhaul, typically a major overhaul takes anything  
13 from five to six to seven weeks. And what you do in  
14 a major overhaul is that you -- you basically remove  
15 the turbine shells; in other words, you -- you lift  
16 the shells that are -- that are several, several  
17 tons, tens of tons each, and you kind of expose the  
18 internals of your turbine. You also remove end bells  
19 on generators so that you can do crawl-through  
20 inspection. And you do a significant amount of  
21 boiler work, pump work, fan work.

22 When you're talking about a mini  
23 overhaul, a mini overhaul typically has -- you don't  
24 open up the turbine significantly. You just do some  
25 valve maintenance and you do some minor boiler

1 repair. So if the boiler comes off and it's running  
2 with tube leaks, you fix that, and you do some  
3 cleaning. Typically a mini overhaul will last  
4 anywhere from -- from two to four weeks. And the  
5 primary significant difference is a mini overhaul  
6 will typically cost you in the range of one to two  
7 million dollars, where a major overhaul can vary  
8 significantly depending on the unit. But typically,  
9 it's in the -- in the 10 to \$15 million range.

10 Q. Now, these terms that you're using,  
11 major overhauls, mini overhauls, how do those items  
12 relate to the planned outages that are listed on --  
13 it's the answer to DR 294. I believe it's  
14 Exhibit 433 HC that's been admitted into the record.

15 (Reporter's Note: At this point, an  
16 in-camera session was held, which is contained in  
17 Volume 25, page 1077 of the transcript.)

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1                   MR. LOWERY: Your Honor, I need to ask a  
2 question of Mr. Birk, just about -- you gave some  
3 dates on the -- on the outages, the actual dates.  
4 Are those things that we actually need to be  
5 in-camera for?

6                   THE WITNESS: They'll be -- they'll be  
7 okay.

8                   MR. LOWERY: Can we ask that the  
9 transcript be -- be amended to take that into  
10 account?

11                  JUDGE WOODRUFF: All right. The last  
12 answer that he just gave?

13                  MR. LOWERY: The last answer needs to be  
14 in-camera, just coverage dates involved in that. And  
15 I appreciate that, Mr. Mills. It's just really the  
16 dates.

17                  THE WITNESS: It's just the dates, and I  
18 apologize for that. Again, it's just the dates.

19                  JUDGE WOODRUFF: Commissioner Kenney  
20 just brought up the question that whether it applied  
21 to the questions he asked as well.

22                  COMMISSIONER KENNEY: Because I think I  
23 mentioned some dates in there.

24                  THE WITNESS: The -- just to clarify,  
25 the issue with the dates typically is it's a -- it's



1 a energy trading issue in that if you -- if you give  
2 out too significant of dates, other trading entities  
3 can review that information and then use it and maybe  
4 profit from it, so that's the issue with the dates.

5 JUDGE WOODRUFF: Well, let me clarify  
6 for the record. The last question from counsel --  
7 the response to the last question from counsel, the  
8 dates will be made highly confidential in the  
9 transcript.

10 MR. LOWERY: Your Honor, we'll review  
11 the transcript, and if there's other issues related  
12 to dates, for example, in response to Commissioner  
13 Kenney's questions, we'll file something and ask that  
14 that be taken care of so the transcript isn't posted  
15 in EFIS.

16 JUDGE WOODRUFF: Okay.

17 BY MR. LOWERY:

18 Q. Mr. Roam also asked you yesterday about  
19 the scheduled outage in March 2006 of Sioux unit 2  
20 and the plans for the next planned outage of Sioux 2  
21 later this year. Can you explain why there's four  
22 years -- why there's a four-year interval there as  
23 opposed to a three-year? I believe you testified  
24 earlier today in response to some Commissioner  
25 questions that you're really targeting a three-year

1 schedule for the Sioux -- Sioux units.

2 A. Yes. As I mentioned earlier today,  
3 because of the uniqueness of the Sioux units being  
4 cycled boilers, we really targeted a three-year  
5 cycle. The reason that it's -- it is four years as  
6 shown on this table is, we tried to align the Sioux  
7 outage with when we anticipated the scrubber  
8 completion to be.

9 And initially that was supposed to be in  
10 2009 with -- with some liquidity concerns and that  
11 the scrubber actually was -- was -- the in-service  
12 date was actually delayed a year. And as such, we  
13 then moved the Sioux 2 outage to maintain an  
14 alignment with when the scrubber is expected to be  
15 completed.

16 (EXHIBIT NO. 160 HC WAS MARKED FOR  
17 IDENTIFICATION BY THE COURT REPORTER.)

18 BY MR. LOWERY:

19 Q. Mr. Birk, I'm not going to ask you any  
20 questions, I think, that would require you to reveal  
21 the content of this document, but I've handed you  
22 what's been marked for identification as Exhibit 160  
23 HC and ask you if you recognize that document?

24 A. Yes, I do.

25 Q. And I believe yesterday Exhibit 433 HC

1 was admitted into the record. Am I correct that  
2 Exhibit 433 HC is a portion of the document that's  
3 been marked for identification as Exhibit 160 HC?

4 A. Yes, that is correct.

5 Q. And is -- the rest of Exhibit 160 HC, is  
6 that the entirety of the DR response, a portion of  
7 which was admitted yesterday?

8 A. Yes, it is.

9 Q. And Mr. -- you -- you answered this DR;  
10 is that correct?

11 A. Yes, I did.

12 MR. LOWERY: With that, your Honor, I'd  
13 move for the admission of Exhibit 160 HC.

14 JUDGE WOODRUFF: All right. Exhibit 160  
15 HC has been offered. Any objection to its receipt?

16 MR. MILLS: Judge, it's a fairly long  
17 document I was just handed. I'd like to have a few  
18 minutes to review it.

19 JUDGE WOODRUFF: Sure.

20 MR. RITCHIE: As OPC mentioned, it's a  
21 pretty lengthy document. Is there something more  
22 specific in here you can point to about why you're  
23 submitting this in evidence?

24 THE WITNESS: Is that a question for me?

25 MR. LOWERY: No, it's not a question for

1 you.

2 THE WITNESS: Oh, sorry.

3 MR. RITCHIE: It's a question for  
4 Mr. Lowery.

5 MR. LOWERY: Well, as I indicated  
6 yesterday, in order to complete the record, a portion  
7 of the DR response has been admitted into the record  
8 as I indicated yesterday, and I believe the entire  
9 response needs to be admitted into the record so that  
10 the record is complete about what the entirety of our  
11 response is.

12 JUDGE WOODRUFF: I think yesterday's  
13 exhibit was the last page of this document --

14 MR. LOWERY: That's correct.

15 JUDGE WOODRUFF: -- and this is more  
16 information -- and more of an explanation of the  
17 outages that are planned.

18 MR. MILLS: Well, Judge, based on my  
19 brief review, it appears as though the spreadsheet  
20 that's already been admitted really doesn't directly  
21 relate to the long PowerPoint presentation, the other  
22 part of this particular exhibit. It looks as  
23 though -- based on the two parts of the response  
24 are -- there's a number one and number two, so I  
25 don't think originally those two documents went

1 together. I think they were put together as a  
2 response to this data request. So I don't -- I don't  
3 know that the -- that the PowerPoint presentation  
4 really informs as much as the Excel spreadsheet.

5 JUDGE WOODRUFF: Is that an objection?

6 MR. MILLS: You know, there's -- there's  
7 always an issue when you get big exhibits offered in  
8 redirect, because I saw this for the first time two  
9 minutes ago, and I have no opportunity to  
10 cross-examine the witness about it and no opportunity  
11 to talk to my experts about it. I don't really  
12 understand why this entire explanation is -- is  
13 relevant to the -- to the questions on redirect. So  
14 I guess I will object to the admission of it on the  
15 grounds of relevance.

16 MR. LOWERY: Let me -- let me just  
17 respond to one portion of that, your Honor. The --  
18 the exhibit was used in cross-examination, a portion  
19 of this DR was used in cross-examination. Item 2 of  
20 the -- of the DR response, the cover sheet, relates  
21 directly to the portion that was used in  
22 cross-examination.

23 And while Mr. Mills might not have seen  
24 this DR response until today, it's been available to  
25 him and his client via the Company's Caseworks

1 Extranet site at any time they might have chosen to  
2 look at power plant issues throughout the pendency of  
3 the case.

4                   So we haven't sprung something on  
5 anybody in redirect. The DR was brought up yesterday  
6 during cross-examination which is why I think that if  
7 we're going to have all of this discussion about  
8 outages and the DR response, I do think it's relevant  
9 that the record be complete about the entire  
10 response.

11                   JUDGE WOODRUFF: All right. Anything  
12 else, Mr. Mills?

13                   MR. MILLS: Well, just the notion  
14 that anything that happens to be on Caseworks is  
15 ipso facto relevant seems to me a little bit  
16 overbroad. Yes, all this stuff is available. That  
17 doesn't make it relevant to a particular issue or  
18 relevant to a particular topic that comes up on  
19 redirect. And that's my objection, is that I don't  
20 see how this particular document at this particular  
21 point in the examination is particularly relevant to  
22 any question pending.

23                   MR. LOWERY: Your Honor, that PowerPoint  
24 presentation explains how the Company got from its  
25 18- to 24-month intervals ultimately to a six-year

1 and four-year and three-year cycle and explains that  
2 entire process. I didn't suggest that because it was  
3 on Caseworks that makes it relevant. I was  
4 responding to Mr. Mills' concern that he expressed  
5 about the fact that this has been sprung on redirect,  
6 and that's really not a fair characterization of how  
7 the -- how the issue came up.

8 I do think that the document's relevant  
9 to the entire move from a shorter outage interval to  
10 a longer outage interval which we've had a tremendous  
11 amount of testimony about for the last two days.

12 MR. RITCHIE: Staff also would object to  
13 it. It doesn't -- the last page doesn't need this  
14 lengthy PowerPoint presentation to explain.

15 JUDGE WOODRUFF: Well, I'm going to  
16 overrule the objection. The document will be  
17 received.

18 (EXHIBIT NO. 160 HC WAS RECEIVED INTO  
19 EVIDENCE AND MADE A PART OF THE RECORD.)

20 BY MR. LOWERY:

21 Q. Mr. Birk, you were asked a number of  
22 questions by Mr. Roam about I believe at least 2014,  
23 2013, maybe even as far out as 2018, maybe some other  
24 years that are a few years out. These -- do you  
25 understand or do you have an opinion about what the

1 relevance of those dates are vis-à-vis the issue that  
2 we have here today and that is set in a normalized  
3 level of power plant maintenance once rates are set  
4 in this case?

5 A. Yes. I believe, you know -- I think  
6 what we're talking about here is really, you know,  
7 rates -- normal power plant maintenance associated  
8 with probably 2010, 2011, maybe 2012. I think, as  
9 was established yesterday by Mr. Baxter, when the  
10 Sioux scrubber goes into service, we will be most  
11 likely having another -- asking for another rate  
12 increase associated with putting that Sioux scrubber  
13 into service, and that will be before 2013, '14 and  
14 '15 are even relevant.

15 Q. So your expectation is that there would  
16 yet be an additional set of rates in effect before we  
17 even get to those years?

18 A. There will be another look at this  
19 before we get to those years.

20 Q. Now, Commissioner Davis was asking you  
21 some questions and -- and you were talking about  
22 flexibility in moving the outage schedules, and  
23 particularly you're talking about Sioux unit 2. If  
24 you move that Sioux outage a couple of months from  
25 late '10 to early 2011, do you have an expectation



1 about the dollars that you would be spending from,  
2 let's say, June of this year when rates go into  
3 effect to the following June, the 12 months ending  
4 after rates go into effect in this case?

5 A. Yes. By moving that outage two months  
6 or so, if that's what happens associated with the  
7 scrubber tie-in, it would not make any difference in  
8 the amount of dollars that would be spent from --  
9 from, say, June of this year to June of next year.

10 MR. LOWERY: I don't have any further  
11 questions, your Honor. Thank you.

12 JUDGE WOODRUFF: All right. You may  
13 step down. The next witness is Mr. Meyer.

14 MR. LOWERY: Any chance we could take a  
15 three-minute break, your Honor, or a five-minute  
16 break?

17 JUDGE WOODRUFF: Yes, let's do that.  
18 Let's take a five-minute break. We'll come back at  
19 9:40.

20 (EXHIBIT NOS. 400, 401 AND 402 WERE  
21 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

22 (A RECESS WAS TAKEN.)

23 JUDGE WOODRUFF: All right. Let's go  
24 ahead and get started. During the break Mr. Meyer  
25 has taken the stand, so I'll swear you in.

1 (The witness was sworn.)

2 JUDGE WOODRUFF: Thanks very much. You  
3 may inquire.

4 MR. BYRNE: Your Honor, before we start,  
5 could I ask you about some housekeeping matters?

6 JUDGE WOODRUFF: Yes, go ahead.

7 MR. BYRNE: I had asked yesterday  
8 morning if anyone had any cross for Mr. Nickloy's  
9 direct testimony, and I think you suggested people  
10 ought to say by the end of the day tomorrow whether  
11 they had cross for Mr. Nickloy -- yesterday -- and  
12 haven't heard from anybody, so I'm going to assume I  
13 don't need to get a witness to stand  
14 cross-examination on that testimony; is that a fair  
15 assumption?

16 JUDGE WOODRUFF: I think that is a fair  
17 assumption.

18 MR. BYRNE: Okay. And we'll put that  
19 testimony in with the other testimony and we'll take  
20 Mr. Nickloy off the witness list.

21 JUDGE WOODRUFF: Thank you. You may  
22 inquire.

23 DIRECT EXAMINATION BY MR. ROAM:

24 Q. Could you please, Mr. Meyer, state your  
25 name and spell your last name for the record.

1 A. Greg Meyer, M-e-y-e-r.

2 Q. By whom are you employed and in what  
3 capacity?

4 A. I'm a consultant with Brubaker &  
5 Associates, Inc.

6 Q. Are you the same Greg Meyer who filed --  
7 prefiled direct and surrebuttal testimony in this  
8 case?

9 A. Yes.

10 Q. And is that the testimony marked as  
11 Exhibits 400, 401 and 402 and filed on December 18,  
12 '09, and March 5th, 2010?

13 A. Yes.

14 Q. And was your testimony true and accurate  
15 when you filed it?

16 A. Yes.

17 Q. If I asked you the same questions  
18 contained in your prefiled testimony, would your  
19 answers be the same today?

20 A. Yes, they would.

21 MR. ROAM: At this time I would move to  
22 have MIEC Exhibits 400, 401 and 402 admitted into the  
23 record and tender the witness for cross-examination.

24 JUDGE WOODRUFF: Exhibits 400, 401 and  
25 402 have been offered into evidence. Are there any

1 objections to their receipt?

2 (NO RESPONSE.)

3 JUDGE WOODRUFF: Hearing none, they will  
4 be received.

5 (EXHIBIT NOS. 400, 401 AND 402 WERE  
6 RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
7 RECORD.)

8 JUDGE WOODRUFF: And for  
9 cross-examination, looks like we begin with Staff.

10 MR. RITCHIE: No questions from Staff.

11 JUDGE WOODRUFF: AmerenUE?

12 CROSS-EXAMINATION BY MR. LOWERY:

13 Q. Good morning, Mr. Meyer.

14 A. Good morning.

15 Q. You are proposing to normalize power  
16 plant maintenance expense in this case, correct?

17 A. Correct.

18 Q. And just so we have the terminology  
19 straight, it's probably clear from the last day or  
20 so, but if I say coal-fired power plant maintenance  
21 or steam plant maintenance or power plant  
22 maintenance, you understand we're talking about one  
23 and the same, correct?

24 A. Yes.

25 Q. And we're talking about UE's four large

1 base load plants, Labadie, Sioux, Rush Island and  
2 Meramec, correct?

3 A. Correct.

4 Q. You graduated from MU in 1978 with a  
5 bachelors degree in -- in business administration and  
6 an accountancy major; is that right?

7 A. 1979.

8 Q. '79. I had you a year older than you  
9 really are.

10 A. I'm counting every one, too.

11 Q. You -- you worked at the Commission for  
12 about 30 years, correct?

13 A. Correct.

14 Q. You're not an engineer; is that correct?

15 A. Correct.

16 Q. You've never had any responsibilities  
17 related to operating a power plant; is that fair to  
18 say?

19 A. That's correct.

20 Q. Never participated in a scheduled outage  
21 at a power plant, correct?

22 A. No.

23 Q. You don't know what kind of maintenance  
24 work is typically done during a scheduled outage at a  
25 coal-fired unit; is that fair to say?

1           A.       The specifics, no.

2           Q.       You don't have any understanding of the  
3 design and operational differences among the 12  
4 generating units in UE's four steam plants; is that  
5 right?

6           A.       I haven't performed that analysis.

7           Q.       You don't know how many pumps and fans  
8 and valves and so on there are in a particular unit  
9 at, let's say, Sioux versus the unit at Labadie,  
10 correct?

11          A.       Correct.

12                   MR. ROAM: I'm going to object to this  
13 line of questioning on the basis of relevance.  
14 Whether Mr. Meyer knows how many pumps and valves are  
15 a part of a particular unit is not relevant to his  
16 analysis of the cost -- the overall cost of -- of an  
17 outage. So I'm going to object to this entire line  
18 of questioning.

19                   JUDGE WOODRUFF: Response?

20                   MR. LOWERY: It goes to the witness's  
21 qualifications and credibility to make judgments  
22 about what normal maintenance expenses are on  
23 coal-fired power units -- coal-fired generating  
24 units.

25                   JUDGE WOODRUFF: I'm going to overrule

1 the objection.

2 BY MR. LOWERY:

3 Q. And Mr. Meyer, if the Company takes a  
4 scheduled outage to open up a boiler on a unit at  
5 Meramec versus a scheduled outage to open up a boiler  
6 on a unit at Labadie, you don't have any knowledge  
7 about what might be involved in rehabilitating a  
8 boiler at Meramec versus the one at Labadie, correct?

9 A. The specifics between the two? Is that  
10 your question?

11 Q. You don't have any knowledge at all  
12 about -- of what specifically is involved in  
13 maintaining one unit versus another, correct?

14 A. That's correct.

15 Q. Are you aware that approximately  
16 two-thirds of power plant maintenance expense is for  
17 labor and about one-third is for materials?

18 A. Just through my experience, I figured it  
19 was somewhat labor-intensive.

20 MR. ROAM: Judge, I would also like to  
21 object that to the extent -- if counsel is going to  
22 start testifying about specific costs as opposed to  
23 asking questions about whether Mr. Meyer knows about  
24 specific costs, I'm going to object to counsel  
25 testifying during his questioning. I believe he

1 asked do you know that certain amounts of costs are  
2 for labor and certain amounts of costs for something  
3 else. And it's objectionable if he's entering  
4 test -- if he's entering testimony during his  
5 questions.

6 JUDGE WOODRUFF: And I'm going to  
7 overrule that specific -- the objection to that  
8 specific question. If you see that happening, go  
9 ahead and object again.

10 MR. ROAM: Okay.

11 BY MR. LOWERY:

12 Q. Mr. Meyer, you agree that normalization  
13 of a test year cost by multiyear averaging of the  
14 cost based on experience assumes that the cost rises  
15 and falls with the consequence that the actual cost  
16 incurred in the test year is not representative,  
17 correct?

18 A. Maybe you should break that down a  
19 little.

20 Q. Do you not understand the question?

21 A. Well, you read for it seemed a long time  
22 on it. I'd like to try to simplify it or break it  
23 down a little bit.

24 Q. Do you agree that normalization of a  
25 test year cost by multiyear averaging of a cost based



1 on experience, first of all, assumes that the cost  
2 rises and falls, do you agree with that?

3 A. A normalization method would be a method  
4 that would normalize rising and falling cost,  
5 correct.

6 Q. So the answer to the question is yes,  
7 you agree with that part of the question?

8 A. I said "correct."

9 Q. And given that the cost rises and falls,  
10 the consequence of that is that the actual cost  
11 incurred in the test year is not representative,  
12 that's why you're normalizing; is that right?

13 A. Well, a normalization method, when you  
14 perform it, could actually come up to the test year,  
15 so you may not have to adjust it at all.

16 Q. Which means you wouldn't need to  
17 normalize it, right?

18 A. Not necessarily. You would perform the  
19 normalization to make sure that the test year level  
20 is correct.

21 Q. But at the end of the day, the test year  
22 level would be included in the revenue requirement,  
23 right?

24 A. Which meant you -- which meant you had  
25 no adjustment.

1           Q.       When we use a normalized test year, what  
2 we're trying to do is we're trying to set rates that  
3 would be reflective of revenues and expenses in rate  
4 base that would keep the relationship between those  
5 items starting when new rates will be effective in  
6 the rate case at issue; do you agree with that?

7           A.       I'm sorry. You'll have to repeat that  
8 again.

9           Q.       The reason we normalize a test year,  
10 what we're trying to accomplish is we're trying to  
11 set rates that will be reflective of revenues,  
12 expenses and rate base, the relationship between  
13 those items, starting when new rates set in that rate  
14 case are going to be in effect, correct?

15          A.       Normalization is one of the methods to  
16 do that, correct.

17          Q.       No one knows exactly how long rates set  
18 in this or any other rate case are going to be in  
19 effect, correct?

20          A.       That's -- that's at the discretion of  
21 the Company or an intervenor or public -- or Staff or  
22 Public Counsel because of complaint status.

23          Q.       My simple question was nobody knows for  
24 sure how long rates are going to stay in effect,  
25 right?

1           A.       Correct.

2           Q.       Now, I'm aware that you aren't willing  
3 to concede that the need to put the Sioux scrubber  
4 into rate base will necessarily cause the Company  
5 to file another rate case. You don't know whether  
6 the Company will file again soon because of -- file  
7 again soon because of the Sioux scrubber or not,  
8 correct?

9           A.       What I -- what I said is that I'm not  
10 willing to accept because the Sioux scrubbers are  
11 coming in, that you automatically have to file a rate  
12 case.

13          Q.       And you don't know whether the Company  
14 will do so or not, correct?

15          A.       Well, it's my understanding from  
16 listening to Mr. Baxter yesterday that you have plans  
17 to file by the end of this year.

18          Q.       You're -- you are aware that the  
19 investment in the Sioux scrubber is approximately --  
20 is expected to be approximately \$600 million?

21          A.       That's the figures I've seen.

22          Q.       And using a rule of thumb that the  
23 revenue requirement associated with a rate base item  
24 is usually about 15 percent of the investment, you  
25 would agree that the revenue requirement associated

1 with the \$600 million investment would be  
2 approximately \$95 million, right?

3 A. 15 percent of 600 million is 90.

4 Q. Sorry. My math wasn't good. So you'd  
5 agree it would be about \$90 million?

6 A. Correct.

7 Q. Now, if the Company does file a rate  
8 case before the end of 2010, as Mr. Baxter testified  
9 he expects to do, rates -- the longest rates set in  
10 this case would remain in effect would be about 18  
11 months, correct?

12 A. That's -- that's approximately correct.

13 Q. You're aware that the Company has  
14 budgeted \$117.5 million for power plant maintenance  
15 expense for 2010, correct?

16 A. 117.5.

17 Q. You don't have an opinion about whether  
18 or not that 117.5 million number is reasonably  
19 accurate -- a reasonably accurate expectation for  
20 2010; is that correct?

21 A. It's a budget.

22 Q. Do you have an opinion about whether  
23 it's a reasonably accurate expectation for 2010?

24 A. Based on my analysis that we were -- we  
25 would be -- we will be within \$7 million of each

1 other, correct.

2 Q. Mr. Meyer, I took your deposition on  
3 March 9th; isn't that correct?

4 A. Yes.

5 Q. Do you have a copy of your deposition  
6 with you?

7 A. I do.

8 Q. Now, my question, again, was you have no  
9 opinion about whether or not the 117.5 million number  
10 is a reasonably accurate expectation for 2010. Do  
11 you have an opinion or do you not have an opinion  
12 about that?

13 A. I think I just answered that,  
14 Mr. Lowery, and I said that based on my analysis for  
15 2010, using my methodology, we're within \$7 million.

16 Q. I'll ask you to turn to page 28 of your  
17 deposition, and in particular I'll direct your  
18 attention to lines 10 to 15. Do you see that?

19 A. I see what's on 10 to 15.

20 Q. I'm going to ask you whether or not I  
21 asked you the following question and whether you gave  
22 the following answer: "Question: And do you have  
23 any" -- pardon me, I'm looking at the wrong one.

24 "And do you have any particular  
25 criticisms or concerns or questions about, let's say,

1 the 2000 budgeted number as to whether or not that is  
2 a reasonably accurate expectation for 2010?

3 "Answer: I don't believe I have an  
4 opinion on that."

5 Did I read that accurately?

6 A. I don't think "believe" is there.

7 Q. Except for the word "believe," did I  
8 read that accurately?

9 A. Yes.

10 Q. Can I ask you to turn to page 29,  
11 line 7? Are you there?

12 A. Yes.

13 Q. "Question: And you don't have an  
14 opinion about whether the figures shown on that tab,  
15 either in total or the individual figures, whether  
16 they are accurate or not accurate? You don't have an  
17 opinion about that; is that fair to say?

18 "Answer: That's correct."

19 Did I read that accurately?

20 A. Yes.

21 Q. And you have no reason to believe that  
22 the Company won't take the scheduled outages it has  
23 planned to take in 2010 other than Mr. Birk testified  
24 earlier today that the Sioux outage later in the year  
25 might slip to the first month or two of 2011; is that

1 fair to say?

2 A. I have no information that would  
3 indicate that you're planning to delay those outages  
4 besides what Mr. Birk testified to this morning.

5 Q. Now, you changed your power plant  
6 maintenance expense recommendation when you filed  
7 your surrebuttal testimony on March 5th, correct?

8 A. Based on new information, correct.

9 Q. If your new recommendation were adopted  
10 and that new recommendation is, I believe,  
11 approximately \$105 million normalized expense, that  
12 would reflect approximately 14 million less than the  
13 couple you actually spent during the test year,  
14 right?

15 A. Yes.

16 Q. You agree, do you not, that the  
17 purchasing power of a dollar in 2010 is less than the  
18 purchasing power of a dollar in, say, 2004?

19 A. I'd agree with that.

20 Q. And less than the purchasing power in,  
21 say, 2005, 2006, correct?

22 A. Yes.

23 Q. It's fair to say, isn't it, that the  
24 purchasing power of a dollar deteriorates as we move  
25 forward in time?

1           A.       From your -- the periods you've  
2 mentioned before, I'd agree with that statement.

3           Q.       And the reason that happens is because  
4 of inflation, right?

5           A.       Correct.

6           Q.       Let me make sure I understand fully how  
7 you got to your \$105 million. What you did is you  
8 took the plant-by-plant for the four plants'  
9 maintenance expenses over the past several years and  
10 I believe you got this number from one of Mrs. --  
11 Ms. Grissum's work papers; is that correct?

12          A.       No. I misspoke in that deposition.  
13 That was Mr. Birk's rebuttal, I think, work paper.  
14 I -- I -- I assumed it was, and I've listed it on my  
15 work papers as being from Ms. Grissum, but I -- I  
16 misspoke in the deposition. I believe that's  
17 actually Mr. Birk's rebuttal.

18                   MR. LOWERY: Your Honor, I'd like to --  
19 is Exhibit 161, is that the next exhibit, I believe?

20                   JUDGE WOODRUFF: That sounds right. Let  
21 me check here. Yes, 161.

22                   (EXHIBIT NO. 161 WAS MARKED FOR  
23 IDENTIFICATION BY THE COURT REPORTER.)

24                   MR. LOWERY: I do have copies, your  
25 Honor, so -- in case the Commissioners would like to



1 follow along.

2 BY MR. LOWERY:

3 Q. Mr. Meyer, I've handed you -- I've  
4 handed you a document that's been marked for  
5 identification as Exhibit 161. Do you recognize  
6 those documents?

7 A. Yes, I do.

8 Q. And are those the work papers that  
9 underlie your surrebuttal testimony?

10 A. Yes, I believe they are.

11 Q. And the first page of that document is a  
12 spreadsheet, and there's a box in the upper -- sort  
13 of in the upper right-hand corner that says, "DAI  
14 addition to work -- to WP," do you see that?

15 A. Yes, I do.

16 Q. Now, is it your testimony today that  
17 this document came from Mr. Birk and not Mr. Birk's  
18 work papers and not Ms. Grissum's work papers?

19 A. That's my understanding.

20 Q. And where did you get that  
21 understanding?

22 A. After the Staff reviewed the -- my  
23 surrebuttal testimony, they gave me a call and we  
24 went through the process of where the work papers  
25 were developed, and I discovered that I had misspoke

1 in my deposition and that this was actually  
2 Mr. Birk's rebuttal work paper.

3 MR. LOWERY: Your Honor, if you'd just  
4 bear with me for just a moment, please.

5 JUDGE WOODRUFF: Sure.

6 BY MR. LOWERY:

7 Q. So the Staff told you that this was a  
8 work paper that Mr. Birk submitted in his rebuttal  
9 testimony; is that -- is that your testimony?

10 A. No. As I said, Mr. -- the Staff and I  
11 had a conversation as a result of them reviewing my  
12 work paper and we -- and we discussed the inaccuracy  
13 of what I put on my -- on the work papers that  
14 preceded the first work paper. And they said that  
15 they didn't believe that it was accurate to say that  
16 it was developed by Mr. -- Ms. Grissum. And when  
17 we -- when we reviewed back and went through the  
18 process, we agreed that actually the work paper was  
19 done by Mr. Birk.

20 Q. But you -- but you do agree that it is a  
21 work paper that Ms. Grissum supplied with her  
22 rebuttal testimony, correct?

23 A. I don't -- I don't have a way to verify  
24 that today.

25 Q. So is your answer you don't know if

1 Ms. Grissum supplied this work paper with her  
2 rebuttal testimony?

3 A. I could check if you'd like.

4 Q. How might you check?

5 A. I'd have to go back to the office and  
6 pull up my computer and check the -- through our  
7 Internet site.

8 Q. Is it -- is it your testimony that  
9 Mr. Birk did provide this work paper with his  
10 testimony or do you not know?

11 A. That's my understanding.

12 Q. But that's an understanding you got from  
13 the Staff; is that correct?

14 A. No. We followed -- I followed up and  
15 checked Mr. Birk's rebuttal work papers, and that's  
16 when it was -- that's where we also found it.

17 Q. And you're sure about that?

18 A. I'm testifying.

19 Q. All right. Let's go back to what we  
20 were talking about before, and I'm going to repeat, I  
21 think, the question just to get back to the context  
22 of where we were. What you did in your surrebuttal  
23 testimony analysis is you took plant-by-plant  
24 maintenance expenses over the past several years and  
25 you got those expenses from either a work paper from

1 Mr. Birk or from Ms. Grissum, right?

2 A. It's a ten-year analysis of expenses,  
3 correct.

4 Q. And you got that information either from  
5 a work paper from Mr. Birk or from Ms. Grissum; is  
6 that true?

7 A. I'll stick with Mr. Birk.

8 Q. And you looked at those figures and you  
9 averaged some of the individual year figures to come  
10 up with what you thought was a routine or base level  
11 of maintenance at each plant; is that right?

12 A. I utilized this data to come up with a  
13 base level of maintenance expense for each plant,  
14 correct.

15 Q. All right. And when you -- when we say  
16 or when you say, I guess, routine or base, what you  
17 mean is dollars spent on maintenance that are not  
18 associated with a scheduled outage at a plant, right?

19 A. That's the -- correct, that's a level of  
20 expense that would be incurred for those units when  
21 there is an -- an overhaul.

22 Q. And the figures that you are using were  
23 taken from page 1 of what has been marked for  
24 identification as Exhibit 161, correct?

25 A. Yes.

1 Q. So for Labadie, you averaged actual  
2 dollars spent in 2005, 2006, '7, '9, and you used a  
3 budgeted figure for 2010, correct?

4 A. I'll check my -- I'll check my stuff.

5 Q. Okay.

6 A. Which unit?

7 Q. For the Labadie plant, the dollars that  
8 you averaged were 2005, '6, '7, '9 and a budgeted  
9 figure for '10; is that right?

10 A. That's correct.

11 Q. And on table 1 in your -- on page 5 of  
12 your surrebuttal testimony, we get you have listed  
13 25.3 million, and that's an average of those five  
14 figures that -- for the Labadie plant, correct?

15 A. Yes.

16 Q. For Rush Island you used figures from  
17 2005, '6, '8 and '9, and that average was 16.2  
18 million, correct?

19 A. That's correct.

20 Q. And for Meramec you used figures from  
21 2007 and 2008 and calculated a \$20.3 million base  
22 number, right?

23 A. Could you repeat Meramec? I'm sorry.

24 Q. Sure. Meramec you used 2007 and 2008  
25 figures and your average routine or base level you

1 calculated was 20.3 million; is that right?

2 A. Yeah, I'd agree with that. I thought  
3 you said 23.

4 Q. I might have. Sorry. For Sioux, you  
5 used 2007 and 2009 figures and you calculated a base  
6 of 21.4; is that correct?

7 A. Correct.

8 Q. Now, the dollars that you averaged were  
9 actual expenditures by plant, and they were all taken  
10 from years where a major scheduled outage did not  
11 take place; is that right?

12 A. That's correct.

13 Q. The sum of those four figures, the 83.2  
14 million that I think was in your table 1, that's  
15 one pot of dollars that makes up your 105 million,  
16 right?

17 A. Yes.

18 Q. It's your conclusion -- that -- that  
19 83.2 million, that's your conclusion of what a  
20 normalized level of routine maintenance expense  
21 across the four plants would be, right?

22 A. Without any major outages.

23 Q. Which is why I said routine maintenance  
24 expense, right?

25 A. Correct. I'm sorry.

1 Q. And the second part of the approach took  
2 in your surrebuttal testimony was to reflect one or  
3 more scheduled outages at each plant, right?

4 A. That's correct.

5 Q. For Labadie, you used a 2004 and 2008  
6 outages -- outage, and you averaged the maintenance  
7 expense of Labadie, the total maintenance expense of  
8 Labadie in each of those two years; is that right?

9 A. Yes.

10 Q. For Rush Island you used just 2009,  
11 correct?

12 A. No.

13 Q. Just 2007?

14 A. Yes.

15 Q. For Meramec you used just 2009; is that  
16 right?

17 A. Yes.

18 Q. And for Sioux you used just 2008?

19 A. Yes.

20 Q. And then by plant, you subtracted the  
21 routine base level that you had calculated from the  
22 level of expense you used when there were scheduled  
23 outages, that gave you a difference. Then you  
24 divided that difference between the actual intervals  
25 between scheduled outages at the plant in question,

1 and that gave you what you believe is a normalized  
2 level of scheduled maintenance expense by plant; is  
3 that right? I can break it down if you need to, but  
4 do you understand the question?

5 A. Yes, that's correct.

6 Q. And those are the figures in the third  
7 column on table 1 on page 5 of your surrebuttal  
8 testimony; is that right?

9 A. The column that starts with "7.9"?

10 Q. Correct.

11 A. Yeah.

12 Q. You didn't escalate the 2004, 2005,  
13 2006, '7, '8, '9 dollars that you used in making your  
14 calculations to make them 2010 -- equivalent to 2010  
15 dollars, right?

16 A. No, I didn't think it was necessary.

17 Q. And you didn't think it was necessary  
18 because when you looked at the five- and ten-year  
19 averages, you didn't see a lot of variance --  
20 variance; is that right?

21 A. No.

22 Q. Ask you to turn to page 114 of your  
23 deposition, please. In particular I'd direct your  
24 attention to starting on line 3. Just tell me when  
25 you're there, please.



1           A.       I'm there.

2           Q.       Starting on line 3 on page 114 of your  
3 deposition: "Question: In 2006, et cetera? As we  
4 move forward in time, the purchasing power of the  
5 dollar deteriorates?

6                   "Answer: Generally speaking, yes.

7                   "Question: I take it, then, that you  
8 would agree that cost of -- maintenance costs have  
9 escalated over the last nine to ten years?

10                   "Answer: No, I wouldn't agree with  
11 that.

12                   "Question: Why not?

13                   "Answer: Five- and ten-year averages  
14 that I provided in my surrebuttal, those costs are  
15 very close to each other, so there has been some  
16 escalation in the cost, but not that much."

17                   Was that your testimony?

18           A.       That's my testimony.

19           Q.       You agree that payroll expenses  
20 increased in each of the Company's last three rate  
21 cases, correct?

22           A.       I believe so.

23           Q.       UE contracts -- or union contracts at  
24 AmerenUE have a 3 percent annual escalator in them  
25 for a number of years?

1           A.       I'm generally familiar with  
2 approximately that increase. I don't know the  
3 specific one.

4           Q.       Does that sound about right based upon  
5 your knowledge?

6           A.       3 percent is about correct.

7           Q.       So you don't really know whether union  
8 labor -- well, strike that. You don't know whether  
9 material costs have increased over the past several  
10 years, do you?

11          A.       No. I've -- my analysis is on the total  
12 dollar base.

13          Q.       And just so that the record is clear,  
14 your answer to the question, though, is no, you don't  
15 know whether the material costs have increased over  
16 the last several years or not, correct?

17          A.       I haven't done that analysis.

18          Q.       You don't know if the producer price  
19 index has gone up because you haven't reviewed it; is  
20 that fair to say?

21          A.       Like I said, I haven't done an analysis  
22 on the material costs.

23          Q.       You don't really know a lot or very much  
24 about the components of the costs that make up power  
25 plant maintenance expense; is that fair to say?

1           A.        Could you repeat that?

2           Q.        Sure.  You don't know much about the  
3 components of the cost that make up power plant  
4 maintenance expense, what the dollars are spent on,  
5 whether it be for oil or some other kind of material  
6 or labor, contract labor, you don't really know much  
7 about the breakdown on how those dollars are spent;  
8 is that fair to say?

9           A.        I think I testified earlier, Mr. Lowery,  
10 that I recognized that it was labor-intensive.

11          Q.        Okay.  Let's talk in a little bit more  
12 detail about the particular outages that you selected  
13 for your analysis and why you selected them.

14          A.        Okay.

15          Q.        Did you examine actual Company data to  
16 see how much maintenance expense was actually  
17 incurred for the 2004 scheduled outage that you used  
18 for the Labadie plant?

19          A.        I'm -- I'm sorry.  Could you repeat  
20 that?

21          Q.        Sure.  Did you examine actual Company  
22 data to see how much maintenance expense was actually  
23 incurred by the Company for the 2004 scheduled outage  
24 that you used in your analysis for Labadie?

25          A.        I looked at the total dollars.

1           Q.       Which means you didn't look at the  
2 actual expenditures for the 2004 outage versus the  
3 actual expenditures for the other outage, you didn't  
4 have enough -- you didn't have enough granularity in  
5 the data to know exactly how much was spent on  
6 maintenance on that particular outage; is that fair  
7 to say?

8           A.       In other words, if you're asking me if I  
9 could go in -- if I went in and identified the  
10 specific dollars associated with the 2004 Labadie  
11 outage, major overhaul, no, I did not.

12          Q.       You just had the total expenditures on  
13 maintenance in Labadie in 2004, right?

14          A.       That's what I used.

15          Q.       And you didn't look -- for example, you  
16 don't know the dollars spent on the scheduled outage  
17 in 2008 for Labadie that you used? You don't know  
18 the dollars spent on the scheduled outage, you just  
19 know the dollars spent at Labadie on maintenance  
20 overall in 2008, correct?

21          A.       I only used the total dollars.

22          Q.       And that's true for all -- all of the  
23 outages that you -- excuse me -- that's true for all  
24 of the years from which you took outages for all the  
25 plants, you just have the total dollars in each year

1 for each plant, right?

2 A. Correct. Well, let me -- so we're  
3 clear, that's the analysis that I -- that's how I  
4 performed the analysis.

5 Q. Which means you didn't consider whether  
6 or not the outage -- the 2004 Labadie outage, you  
7 didn't consider whether it cost 6 million or 10  
8 million or 12 or 15, you don't really -- you didn't  
9 take into account what it actually costs; fair to  
10 say?

11 A. Well, I -- no, I disagree with that. I  
12 know what the total maintenance was of that unit.

13 Q. But you don't know how much of that was  
14 associated with the particular outage that you were  
15 looking at, true?

16 A. Yes, that's what I've said before.

17 Q. Now, the length of the outages that you  
18 used, they varied quite a bit, correct, between --  
19 between outage to outage, right, same number of days?

20 A. They were the actual outage lengths  
21 that -- that the Company experienced.

22 Q. Varied quite a bit, correct?

23 A. I can give you a range if you'd like.

24 Q. Well, let me just ask you some questions  
25 and see if you agree with it, because we calculated

1 these numbers a couple weeks ago, correct?

2 A. Yes.

3 Q. For Labadie 1, the outage length was  
4 approximately -- of the -- of the outage you used,  
5 the outage length was approximately 88 to 90 days;  
6 would you agree with that?

7 A. Yes.

8 Q. And for Labadie 2, the outage length --  
9 the length of the outage that you looked at was  
10 approximately 52 days, right?

11 A. Yes.

12 Q. And for Rush Island 1 the outage length  
13 for the outage that you examined in your analysis was  
14 116 days, correct?

15 A. We went back and actually looked at that  
16 outage, and I think you and I -- you and I,  
17 Mr. Lowery, calculated that. I think there's  
18 approximately 17 days on the beginning of that outage  
19 that wouldn't be part of the planned outage. So I  
20 think it's down to about 89.

21 Q. Actually down to 99, isn't it?

22 A. 99, yes.

23 Q. Is 99 the right number for the  
24 Labadie -- or excuse me -- the Rush Island 1 outage  
25 that you examined?

1           A.       I can check if you'd like.

2           Q.       Please.

3           A.       I get 89.

4           Q.       Was that from looking at the NERC GADS

5 data that we looked at before?

6                    THE COURT REPORTER:  The what?  I'm

7 sorry.

8                    MR. LOWERY:  N-E-R-C G-A-D-S.

9                    THE COURT REPORTER:  Thank you.

10                   THE WITNESS:  99.

11 BY MR. LOWERY:

12           Q.       Because you were taking 17 days off of

13 the 116 that you had previously calculated, right?

14           A.       Well, no, because previously I added up

15 and got 89 and it was correct.

16           Q.       But -- but you agree it's 99; is that

17 right?

18           A.       Yes.

19           Q.       And the outage -- the length of the

20 outage that you examined for Sioux was 75 days?

21           A.       That's correct.

22           Q.       And the length of the outage that you

23 examined for Meramec was 22 days, correct?

24           A.       23.

25           Q.       Now, you don't know if there's a

1 correlation between the length of an outage and the  
2 maintenance dollars that are expended on an outage,  
3 do you?

4 A. No.

5 Q. You don't know if there is or if there  
6 is not a correlation between the level of maintenance  
7 expense and the age of a power plant; is that correct?

8 A. I think I told you I disagreed with that  
9 assertion before.

10 Q. Can I ask you to turn to page 83 of your  
11 deposition? And I'd direct your attention to  
12 starting on line 20. Actually, we'll start on  
13 line 16. "Question: You don't know one way or the  
14 other whether or not the maintenance expense will go  
15 up as the plant ages or not; is that fair to say?

16 "Answer: I don't know that there is a  
17 correlation between the maintenance expense and the  
18 age of the plant, correct.

19 "Question: And you don't know that  
20 there is not a correlation between the maintenance  
21 expense and the age of the plant, right?"

22 Next page, line 1: "Answer: Correct."

23 Did you -- did I read that accurately?

24 A. I think you read that accurately,  
25 Mr. Lowery, but I think if you recall our deposition,



1 we also talked about the fact when we -- when we  
2 explored this in further detail --

3 Q. Let me -- Mr. Meyer --

4 A. -- we talked about --

5 Q. -- I think -- I think you answered my  
6 question. Mr. Meyer, I take it you're responsible  
7 with -- excuse me -- you're familiar with the  
8 Company's response to DR 294?

9 A. The table?

10 Q. No. DR 294 consists of more than the  
11 table; is that correct?

12 A. Yes.

13 Q. Are you -- are you familiar with the  
14 entire response or just the table?

15 A. I reviewed the response briefly.

16 Q. And the table that you're talking about  
17 is the last page of DR -- or the response to DR 294  
18 which has been admitted into evidence as  
19 Exhibit 160 HC. Do you need a copy?

20 A. Yes.

21 Q. The table you referred to is the last  
22 page of that response; is that correct?

23 A. Yes, it is.

24 Q. And I just mentioned NERC GADS data.  
25 You're familiar with that data, correct?

1 A. Yes.

2 Q. Can you explain just briefly for the  
3 Commission what NERC GADS data is?

4 A. It's my understanding that it's -- is a  
5 collect -- a collection of point for the availability  
6 operating characteristics of the -- of generation  
7 plants designated between different types of outages.

8 Q. Let -- let me -- let me see if you agree  
9 with this or if you know. Is it a database kept by  
10 the North American Electric Reliability Council of  
11 outage events, whether they're forced, whether  
12 they're planned, but instances where units that are  
13 part of NERC are out of service?

14 A. Are the -- well, not completely out of  
15 service, derated.

16 Q. Or derate -- derated or out of service,  
17 could be either one, right?

18 A. That's correct.

19 Q. And this table that's the last page of  
20 Exhibit 160 HC, it contains a listing of scheduled  
21 outages for the 12 steam units we've been talking  
22 about, right?

23 A. Yes.

24 Q. And the information in DR 294 generally  
25 lines up with the NERC GADS data that you looked at

1 when you were selecting the outages that you  
2 examined, right?

3 A. Is your question whether the table in  
4 294 that we talked about on this last page lines up  
5 with the outage -- outages that I reviewed for the  
6 NERC GADS data?

7 Q. Well, let me repeat my question because  
8 it was a specific question, one I -- one I think  
9 you've answered before. Is it true or is it not true  
10 that the information in DR 90 -- 294, in this table,  
11 Exhibit 160 HC, generally lines up with the NERC GADS  
12 data that you looked at?

13 A. This table generally lines up with the  
14 NERC GADS data, correct.

15 MR. LOWERY: Your Honor, I think we're  
16 going to have to go in-camera for these additional  
17 questions.

18 JUDGE WOODRUFF: Okay. We are going  
19 in-camera. If anyone's in the room that needs to  
20 leave, please do so. And we are in-camera.

21 (Reporter's Note: At this point, an  
22 in-camera session was held, which is contained in  
23 Volume 25, pages 1122 through 1133 of the transcript.)

24

25



1 a couple questions, Judge. We may have to go back  
2 in-camera for these if I'm going to refer to 162 HC.

3 JUDGE WOODRUFF: All right. We'll go  
4 back in-camera.

5 (Reporter's Note: At this point, an  
6 in-camera session was held, which is contained in  
7 Volume 25, pages 1136 through 1146 of the  
8 transcript.)

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1                   MR. LOWERY:  If we can take just one  
2 minute for Mr. Meyer to go ahead and mark up the --

3                   JUDGE WOODRUFF:  Let's go ahead and take  
4 about a five-minute break and come back at 11:05 and  
5 we'll try and finish Ms. Grissum before lunch.

6                   (A RECESS WAS TAKEN.)

7                   JUDGE WOODRUFF:  All right.  Let's come  
8 to order, please.  All right.  We're back from the  
9 break and Ms. Grissum has taken the stand.

10                  (The witness was sworn.)

11                  JUDGE WOODRUFF:  Thank you very much.  
12 You may inquire.

13 DIRECT EXAMINATION BY MR. RITCHIE:

14                  Q.        Ms. Grissum, can you please state your  
15 name for the record.

16                  A.        Roberta A. Grissum.  Last name is  
17 spelled G-r-i-s-s-u-m.

18                  Q.        And by whom are you employed?

19                  A.        The Missouri Public Service Commission.

20                  Q.        And in what capacity?

21                  A.        Regulatory auditor.

22                  Q.        Are you the same Roberta Grissum that  
23 caused to be prepared certain testimony in Staff's  
24 revenue requirement cost of service report and  
25 surrebuttal testimony which have been marked as Staff

1 Exhibits 200 and 224, respectively?

2 A. I don't know the exhibit numbers that  
3 were marked on them, but I'll assume that you are  
4 correct, and the answer to that is yes.

5 Q. I believe we've given the reporter the  
6 list of exhibit -- or the exhibits already. Do you  
7 have any changes to your testimony?

8 A. I have one change. We talked about it  
9 in the deposition, but I'll go ahead and talk about  
10 it here too.

11 Q. Yes.

12 A. On page 4 of my surrebuttal at line 13,  
13 the dollar expenditure should read 93,375,424. And  
14 that's all the corrections I have.

15 Q. So with those changes, is your testimony  
16 true and correct to the best of your knowledge?

17 A. Yes, it is.

18 Q. If I asked those same questions today,  
19 would you give the same answers?

20 A. Yes, I would.

21 MR. RITCHIE: I'd like to offer the  
22 relevant portion of the revenue requirement cost of  
23 service report found in Exhibit 200 and Exhibit 224  
24 into evidence.

25 JUDGE WOODRUFF: All right. A portion

1 of 200 and Exhibit 224 have been offered into  
2 evidence. Are there any objections to their receipt?

3 (NO RESPONSE.)

4 JUDGE WOODRUFF: Hearing none, they will  
5 be.

6 (A PORTION OF EXHIBIT NO. 200 AND  
7 EXHIBIT NO. 224 WERE RECEIVED INTO EVIDENCE AND MADE  
8 A PART OF THE RECORD.)

9 MR. RITCHIE: Tender the witness.

10 JUDGE WOODRUFF: Thank you.

11 Cross-examination beginning with Public Counsel?

12 MR. MILLS: Just very briefly, your  
13 Honor.

14 CROSS-EXAMINATION BY MR. MILLS:

15 Q. And Ms. Grissum, I'm sorry, I missed the  
16 correction you made in your surrebuttal testimony.  
17 Can you repeat that for me?

18 A. Sure. It's on page 4 --

19 Q. Uh-huh.

20 A. -- at line 13. The expenditure level  
21 should be 93,375,424.

22 MR. MILLS: Okay. That's all I have,  
23 your Honor.

24 JUDGE WOODRUFF: All right. For MIEC?  
25 Cross from MIEC?



1 MS. VUYLSTEKE: No questions.

2 JUDGE WOODRUFF: Ameren?

3 MR. LOWERY: Thank you, your Honor.

4 CROSS-EXAMINATION BY MR. LOWERY:

5 Q. Good morning, Ms. Grissum.

6 A. Good morning.

7 Q. You also are proposing to normalize  
8 power plant maintenance expense, correct?

9 A. That is correct.

10 Q. And you were here when I spoke with  
11 Mr. Meyer about definitions of coal-fired, steam  
12 plant, power plant. They're all the same for  
13 purposes -- for our purposes, right?

14 A. Yes, they are.

15 Q. You were -- you've been with the  
16 Commission for, I don't know, 15, 16 years, something  
17 like that?

18 A. Approximately 15.

19 Q. And you were an administrative support  
20 employee in the mid 1990s; is that right?

21 A. Yes, '95 to '98.

22 Q. And then you did rate of return work in  
23 the financial analysis department, or division, I  
24 don't know which it is, for about four years, right?

25 A. Right, from '98 to early 2003.

1 Q. And then you -- you've been in the  
2 auditing area since about 2002; is that correct?

3 A. March of 2003.

4 Q. 2003. Now, you have an undergraduate  
5 degree in business that you acquired in 1997 with a  
6 finance emphasis, and then you completed an emphasis  
7 in accounting, both of these at Columbia College in  
8 2002, right?

9 A. 2000.

10 Q. 2000?

11 A. But that is correct, yes.

12 Q. Okay. And you have an MBA from William  
13 Woods? I may have the dates switched, but did you  
14 get that?

15 A. Yes, I got that in 2000 also.

16 Q. All right. You don't have any  
17 engineering education, correct?

18 A. No, I do not.

19 Q. And no experience working in the  
20 engineering field, correct?

21 A. No.

22 Q. This is the only rate case where you've  
23 had responsibility for examining maintenance expense  
24 for electric power plants, correct?

25 A. For electric power plants, but I have

1 been responsible in one other case for maintenance  
2 regarding incident repairs in a Missouri American  
3 Water and also tank painting maintenance.

4 Q. Water mains and water tanks --

5 A. Right.

6 Q. -- for a water Company, right?

7 A. Right. And we use a normalization  
8 methodology very similar to what we used in this  
9 case.

10 Q. So obviously, it's the only case that  
11 you've been involved in where you were normalizing  
12 electric power plant maintenance expense, right?

13 A. That is true.

14 Q. You've never had any responsibility of  
15 any kind associated with actually maintaining the  
16 power plant, correct?

17 A. No, I have not.

18 Q. So no responsibility relate -- in  
19 relating to scheduled or planned outages of a power  
20 plant?

21 A. No.

22 Q. You don't really know exactly how a  
23 boiler works in a power plant; is that fair to say?

24 A. That would be fair to say.

25 Q. Do you know what's involved in opening

1 up -- opening up a turbine during a scheduled outage,  
2 what's involved in that?

3 A. No, I do not.

4 Q. Do you know how important it is to  
5 overhaul a turbine, for example, versus working on a  
6 boiler or other components of a coal-fired power  
7 plant?

8 A. No, I do not.

9 Q. Now, when you proposed what you contend  
10 is a normalized level of power plant maintenance  
11 expense, what you did is you calculated three-,  
12 four-, five- and six-year averages, right, and you  
13 looked at all those?

14 A. I looked at all of those, yes.

15 Q. And the three-year average that you use  
16 was the 36 months ending March 31, 2009, which is the  
17 last year of the test year in this case, right?

18 A. That is correct.

19 Q. And the four years you used went back  
20 one more year to -- to 12 months into March --

21 A. 2005.

22 Q. -- I guess '06?

23 A. '06, yes, sir, sure.

24 Q. And then you looked at the 12 months  
25 ending March '05 and the 12 months ending March '04,

1 right?

2 A. Yes. And I did not use those averages  
3 because there was a period from '03 to '06 where the  
4 maintenance dollars remained very constant. And in  
5 the last two rate cases, Staff did not make a  
6 normalization adjustment to maintenance because they  
7 were consistent with test year levels.

8 Q. Ms. -- Ms. Grissum, I -- I'm just asking  
9 some simple questions, so if you'd just answer my  
10 questions --

11 A. Yes.

12 Q. -- and if Mr. Ritchie wants to ask you  
13 some redirect about --

14 A. Sure.

15 Q. -- some other things maybe on your mind,  
16 that would be fine. But -- but if I ask you a  
17 yes-or-no question, would you just answer my  
18 questions and it will -- frankly, it will move the  
19 hearing along a lot quicker.

20 A. Very good.

21 Q. Would that be okay?

22 A. That would be fine.

23 Q. Now, you examined the aggregate dollars  
24 spent on power plant maintenance during each of the  
25 3-month, 12-month periods that you looked at, right?

1           A.       That is true.

2           Q.       You didn't consider what the dollars  
3 were spent for, whether they were spent on labor,  
4 whether they were spent on materials or whether they  
5 were spent on other things, you didn't consider the  
6 components, right?

7           A.       I looked at only the dollars spent on  
8 nonlabor maintenance.

9           Q.       And you don't know how many of those  
10 dollars arise from a scheduled outage versus from  
11 routine maintenance at the plants, right?

12          A.       No, I do not.

13          Q.       You don't know if the turbines at the  
14 major units were opened up and overhauled during your  
15 three-year period, do you?

16          A.       No, I do not.

17          Q.       And ultimately, you calculated a  
18 three-year average, this actual maintenance expense  
19 for the 12 months -- well, 12 months ending March 31,  
20 '9, '8 and '7, right?

21          A.       Correct.

22          Q.       And the correction you made in your  
23 testimony, there was a typographical error, but the  
24 total is correct on whatever page of your testimony  
25 that was, correct?

1           A.       Yes. The average on page 4 is correct.

2           Q.       What scheduled outages were taken or  
3 when they were taken didn't play a role in how you  
4 calculated your normalized amount; is that fair to  
5 say?

6           A.       No, I did not look at the scheduled  
7 outages. And the only -- the only reason I looked at  
8 them was to determine that the movement from the 18-  
9 to 24-month interval to the five to six interval was  
10 really taking place in order for me to choose the  
11 appropriate years of cost to use as a more  
12 normalization basis.

13          Q.       You didn't compare the number of  
14 scheduled outages in any of those three-year periods  
15 or any of those 12-month periods that made up your  
16 three-year period, you didn't compare that to the  
17 number of scheduled outages that had been taken  
18 before your three-year period began?

19          A.       No, I did not.

20          Q.       And you didn't compare that to the  
21 number of scheduled outages that are scheduled  
22 post-March 31, 2009, right?

23          A.       No, I did not.

24          Q.       You didn't request any information from  
25 the Company about the scope of work at those

1 particular -- at any of those scheduled outages  
2 during any of this time period, right?

3 A. Not specific scope of work, no.

4 Q. You don't really know why the  
5 maintenance expense during the 12 months ending  
6 March 31, 2007 was 94.3 million versus why the  
7 maintenance expense during the test year was 118.9  
8 million, you don't really know why it's different,  
9 correct?

10 A. No, I do not.

11 Q. You did meet with AmerenUE's vice  
12 president of power operations, Mr. Birk, who  
13 testified yesterday and today, you met with him  
14 before finalizing your recommendation; is that right?

15 A. Yes, I did.

16 Q. That was mid-November, I believe?

17 A. November 16th.

18 Q. And you gave consideration to  
19 information Mr. Birk provided you in that meeting  
20 before you finalized your recommendation; is that  
21 fair to say?

22 A. Some consideration, yes.

23 Q. And the next day you actually sent an  
24 e-mail to the Company, and it essentially summarized  
25 the meeting and asked the Company to tell you if you



1 had mischaracterized anything, right?

2 A. That is correct, I did do that.

3 Q. And Mr. Birk did provide some commentary  
4 and reviewed your e-mail and you got an e-mail back;  
5 is that right?

6 A. Yes, he provided some clarifications.

7 MR. LOWERY: Would this be 163, your  
8 Honor?

9 JUDGE WOODRUFF: Actually, yes, 163.

10 (EXHIBIT NO. 163 WAS MARKED FOR

11 IDENTIFICATION BY THE COURT REPORTER.)

12 BY MR. LOWERY:

13 Q. Ms. Grissum, I've handed you what's been  
14 marked for identification as Exhibit 163. Do you  
15 recognize that document?

16 A. Yes, I do.

17 Q. Now, one of the things Mr. Birk told  
18 you -- he told you that moving to the longer outage  
19 cycles, from the 18- to 24-month cycles at -- were  
20 taking place in the early 2000s to the five- to  
21 six-year intervals that the Company's starting now,  
22 that that would increase the cost of major unit  
23 overhaul, didn't he?

24 A. For a particular outage, yes, it would.

25 Q. And could you read -- could you read

1 item 7 on page 3 of Exhibit 163?

2 A. Okay. I'll read it in its entirety.  
3 "Ameren overall has modified its overhaul cycle from  
4 an 18- to 24-month cycle to a five- to six-year cycle  
5 which is more in tune with current industry averages.  
6 Moving to this lengthened cycle has resulted in, A,  
7 savings on outage time, Mr. Birk clarified that it  
8 was a reduced unit outage time; B, increased cost per  
9 outage, however, spending the cost over the five- to  
10 six-year time period could potentially result in cost  
11 savings above the 18- to 24-month maintenance cycle.  
12 And Mr. Birk clarified an increased cost per major  
13 outage -- or major unit overhaul, but a reduction in  
14 the frequency of major overhauls."

15 Q. And what he's telling you there is, is  
16 that when major overhauls are done, they're going to  
17 cost more than they did when they were being done  
18 more often, correct?

19 A. Cost more in the year that it is  
20 performed.

21 Q. Right. The outage itself, if we --  
22 they're going to cost -- if you wait six years to  
23 overhaul the turbine, it's going to cost -- what he's  
24 saying is, it's going to cost more than if I only  
25 wait a couple years to overhaul the turbine, right?

1           A.       In that context, yes.

2           Q.       And Mr. Birk also told you that the O&M  
3 associated with major overhauls is going to average  
4 15 to 20 million per overhaul, correct? And he -- he  
5 mentions that -- he tells you that -- or you  
6 summarize that he had told you that in item A on  
7 Exhibit 163, correct?

8           A.       Yes, that's his contention, but he  
9 provides a clarifier to what I wrote.

10          Q.       And would you read his clarifier,  
11 please?

12          A.       Well, let me read it in its entirety so  
13 that it's in proper context. "Ameren anticipates  
14 maintenance trends on a going-forward basis will  
15 average approximately 15 million O&M cost per major  
16 outage per generating unit. Of that projected cost,  
17 approximately two-thirds of the O&M dollars will  
18 relate to labor costs driven primarily by a 3 percent  
19 wage increase escalation for contract labor  
20 employees. Current labor contracts expire in July of  
21 2012 and July 2014."

22                   His clarifier was, "AmerenUE estimates  
23 that the O&M associated with major overhauls will  
24 average approximately 15 million to 20 million per  
25 major overhaul based upon times between overhauls and

1 equipment -- equipment maintenance requirements."

2 Q. Thank you. Mr. Birk also explained how  
3 AmerenUE plans its major overhauls, correct?

4 A. I believe he did.

5 Q. And when I say "major overhauls," you  
6 understand that we can generally use that term  
7 interchangeably with scheduled or planned outages?  
8 Is that your understanding or do you not know for  
9 sure?

10 A. I do not know for sure.

11 Q. Okay. You're aware that the budget for  
12 2010 power plant maintenance is 117.5 million?

13 A. That was the number that was given to  
14 me, yes.

15 THE COURT REPORTER: I'm sorry. What  
16 was the number?

17 MR. LOWERY: 117.5 million.

18 THE COURT REPORTER: Thank you.

19 BY MR. LOWERY:

20 Q. You've taken a look at the response to  
21 Staff DR 294, which I think is in the record as  
22 Exhibit 160 HC? Do you happen to have a copy of  
23 that?

24 A. Let me see if I do. I have a portion of  
25 it.

1 Q. What portion do you have?

2 A. His narrative that was actually on the  
3 DR response. I did not bring a copy of the  
4 PowerPoint presentation.

5 Q. Well, if we -- if we need -- if we need  
6 it, I'll get you a copy.

7 A. Okay.

8 Q. Ms. Grissum, you had mentioned, I think,  
9 earlier today that you had normalized the non -- you  
10 were looking at the nonlabor dollars associated with  
11 power plant maintenance; is that right?

12 A. That is correct.

13 Q. And just so I make sure I understand, is  
14 it your understanding that the 118.9 million test  
15 year sum that you used in calculating your three  
16 average -- three-year average, that it does not  
17 include labor?

18 A. It does not include labor.

19 Q. And -- and so you think the 91.1 million  
20 for the 12 months ending March 2008 and the 93.3 for  
21 the 12 months ending March 2007, those are nonlabor;  
22 that's your understanding?

23 A. My understanding, they are nonlabor  
24 dollars.

25 Q. Is it correct that you compared

1 information that you had pulled from the ledger with  
2 what you called 19607 reports, I think is what you  
3 referred to as those reports?

4 A. Yes, and I did that only to confirm that  
5 the data that I was looking at was, in fact, related  
6 to nonlabor and not labor. The 19607 report does  
7 provide a split between labor and nonlabor dollars in  
8 maintenance.

9 Q. I'm going to hand you a document and ask  
10 you if you recognize it.

11 A. Yes. This looks like a 19607 report.

12 Q. Is that -- is that the 19 -- is that the  
13 same 19607 report that you mentioned to me in your  
14 deposition last year -- last week that you had looked  
15 at?

16 A. I don't believe so. I believe this is  
17 dated the period ending March 31 of '07, and I would  
18 have looked at a period ending March 31 of '09 for  
19 test year data.

20 Q. Okay. I think if you flip through this  
21 and you go to the last four pages, you're going to  
22 see the 19607 report for the test year period ending  
23 March 31, '09. Do you see that?

24 A. Okay.

25 Q. Is that right?

1           A.       What page are you wanting me to --

2           Q.       I think it's the --

3           A.       -- the very last one or --

4           Q.       -- the fourth -- well, that would be one

5 of them, but the fourth page from the end, do you see

6 a heading that says, "Operating Expenses, Rush Island

7 Steam Plant For Period Ending 3/31/09"?

8           A.       Rush Island steam plant, yes.

9           Q.       Is that -- so is this the 19607 report

10 you would have looked at?

11          A.       I didn't look at individual plants. I

12 looked at the aggregate amount --

13          Q.       Okay.

14          A.       -- for all steam plants.

15          Q.       All right. Now, as you mentioned, this

16 report -- this is the same -- this is -- except for

17 the fact that this is by plant as opposed to an

18 aggregate of the four plants, this is exactly like

19 the 19607 report that you looked at before, correct?

20          A.       Yes. It provides a column for labor and

21 then a column for other type expenses.

22          Q.       That was going to be my next question.

23          A.       Yes.

24          Q.       The last column of that report gives us

25 maintenance expense for each of the four plants for

1 the 12 months ending March 31, 2009, right?

2 A. The last four pages do?

3 Q. I'm sorry. The --

4 A. Say that again.

5 Q. The last column -- let's just look at  
6 the Rush Island one to begin with.

7 A. Okay.

8 Q. The last column of that report gives us  
9 the maintenance expense for Rush Island for the 12  
10 months ending March 31, 2009, right?

11 A. It says "12 months to date," yes.

12 Q. And that would be -- for that particular  
13 period for Rush Island, that would be the 17 million  
14 67 -- \$17,067,068, right?

15 A. That's what this report says.

16 Q. Okay. And that -- that 17 million  
17 figure I just gave you, that would be labor and  
18 nonlabor both, correct?

19 A. It appears to be, yes.

20 Q. Because you've got the -- the  
21 second-from-the-last and the third-from-the-last  
22 column are "Other" and then the third from the --  
23 second-from-the-last is "Other" and the  
24 third-from-the-last is "Labor," right?

25 A. Right. 8.6 million for labor and 8.4



1 million for other.

2 Q. And then if we flip to the next page,  
3 we've got the same report for the period ending  
4 3/31/09 for Meramec, right?

5 A. Correct.

6 Q. And the total expense was 24,069,490,  
7 correct?

8 A. Correct.

9 Q. If we go to the next page, we've got the  
10 same report for Sioux for 3/31 -- 12 months ending  
11 3/31/09, and that's -- the total maintenance is  
12 33,063,746, right?

13 A. Correct.

14 Q. And then we go to the last page, we've  
15 got the same report for Labadie for the 12 months  
16 ending 3/31/09, and the total maintenance is  
17 44,766,440, right?

18 A. That is correct.

19 Q. Do you have a calculator?

20 A. Well, I will have to clarify that the  
21 dollars reported on the 19607 report will vary from  
22 what was given in DR 51 and 145 when we asked for  
23 nonlabor dollars, because there is some maintenance  
24 done to common generation that is included in the  
25 19607 report.

1 Q. Okay.

2 A. So there will be a variance in the  
3 numbers.

4 Q. Okay. I understand. Do you have a  
5 calculator?

6 A. I believe there is one here.

7 Q. Maybe Mr. Meyer left his.

8 A. I just have to figure out how to turn it  
9 on.

10 Q. He's a consultant now. He might charge  
11 you for that.

12 A. Okay.

13 Q. Could you please add up the total  
14 maintenance expense by plant for the 12 months ending  
15 3/31/2009 as shown in the 19607 reports?

16 A. And you're talking both labor and  
17 nonlabor?

18 Q. The total.

19 A. Okay.

20 Q. The total. There will be four totals,  
21 right?

22 A. See if I can get the calculator to work  
23 properly. Oops. Sorry. Let me start over. Whoops.  
24 This calculator's not working right.

25 Q. Let me give you -- let me give you one.

1 A. Give me one that --

2 Q. I'll give you a nine dollar Office Max  
3 calculator and see if it works right.

4 A. Okay.

5 Q. Now, just -- just so that the record's  
6 clear, you added 17,067,068, 24,069,490, 33,063,746  
7 and 44,766,440; is that right?

8 A. That's correct.

9 Q. What was the sum that you calculated?

10 A. Looks like 118,966,744.

11 Q. And that matches exactly the test year  
12 sum that you normalized as shown on your -- in your  
13 surrebuttal testimony, correct?

14 A. It appears to.

15 MR. RITCHIE: Can I verify what time  
16 period the numbers we just added up cover?

17 THE WITNESS: He says this is a 12-month  
18 to date ending March 31, 2009, for the four steam  
19 plants.

20 BY MR. LOWERY:

21 Q. And Ms. Grissum, you don't have any  
22 reason to believe this isn't a 19607 report for the  
23 12 months ending 3/31/2009, do you?

24 A. No.

25 Q. I mean, it looks just like the 19607

1 reports that you examined before, except it's broken  
2 down by plants, correct?

3 A. Correct.

4 Q. And the numbers that you just added up  
5 are the labor and nonlabor maintenance expenses at  
6 those four plants, correct?

7 A. That's according to the 19607 report,  
8 but as I said, the data given in the D -- the DR 51  
9 was characterized as nonlabor maintenance expense, so  
10 if it wasn't, then I was working with incorrect data.

11 Q. This would indicate that you normalized  
12 labor and nonlabor maintenance expense, correct?

13 A. If I used this report, yes, which I did  
14 not rely on this report.

15 Q. But this report adds up to exactly the  
16 figures that you used, does it not?

17 A. Yes.

18 Q. Which means you -- you normalized more  
19 than you really intended to; isn't that correct?

20 A. No.

21 Q. And why not?

22 A. Because I'd relied on DR 51 and DR 145  
23 which were represented me as nonlabor maintenance  
24 dollars, and that's what I relied on for my  
25 normalization.

1           Q.       Do you happen to have copies of those  
2 with you?

3           A.       I don't believe I do.

4           Q.       What numbers -- what DR numbers were  
5 those?

6           A.       Well, it -- let me take it back. DR 51  
7 in this proceeding and DR 145 in the last proceeding,  
8 ER-2008-0318.

9                   MR. LOWERY: Your Honor, if you'd beg my  
10 pardon for just a moment. I don't have any copies of  
11 this, your Honor, because I didn't anticipate this  
12 was going to come up, but I'd like to mark another  
13 exhibit, please.

14                   JUDGE WOODRUFF: It will be 164.

15                   (EXHIBIT NO. 164 WAS MARKED FOR  
16 IDENTIFICATION BY THE COURT REPORTER.)

17 BY MR. LOWERY:

18           Q.       Ms. Grissum, I'm going to hand you  
19 what's been marked for identification as Exhibit 164  
20 and ask you if you can identify that document,  
21 please.

22           A.       This looks like the Company's response  
23 to DR 51, Staff's data request 51.

24           Q.       And that's the data request response  
25 that you indicated you relied upon, correct?

1 A. Yes.

2 Q. Now, may I have that?

3 A. Yes.

4 Q. Sorry. You indicated that this DR  
5 response advised you that the figure shown in it were  
6 nonlabor only; is that your testimony?

7 A. It was my understanding that they were  
8 nonlabor only.

9 Q. Would you -- would you read the data  
10 request itself into the record, please?

11 A. "For the 12-month periods ending  
12 March 31, 2009, and February 28, 2010, please provide  
13 the dollar amount expended on maintenance by  
14 generating units for Meramec, Labadie, Rush Island,  
15 Sioux and Callaway. Also indicate all amounts by  
16 corresponding account charged. Refer to Company  
17 response to DR 145 in Case ER-2008-0318 and for each  
18 of the 12-month periods ending March 31, 2009 and  
19 February 28, 2010.

20 "Please provide the amount of capital  
21 investment completed by AmerenUE by dollar amount by  
22 generating units for Meramec, Labadie, Rush Island,  
23 Sioux, Callaway. Also indicate all amounts by  
24 accounts that were booked. Refer to Company response  
25 to Staff DR 145 in Case ER-2008-0318."

1 Q. Is it fair to say that that question  
2 does not ask the Company to give you the labor-only  
3 component of maintenance expense?

4 A. No, it does not --

5 Q. Okay.

6 A. -- but as I pulled general ledger  
7 data --

8 Q. Let me -- just answer my questions at  
9 this point and Mr. Ritchie might -- might have some  
10 questions he wants to ask you. The response, does  
11 the response represent this information as being  
12 nonlabor maintenance only?

13 A. It doesn't specifically ask for  
14 nonlabor.

15 Q. My question was, does the response  
16 advise you that this is nonlabor only?

17 A. No.

18 Q. Does the spreadsheet that's attached to  
19 the cover sheet, how does it identify the information  
20 that you're looking at? Does it identify it as  
21 maintenance expense or nonlabor maintenance expense?

22 A. Maintenance expense.

23 Q. Do the totals on this schedule, do  
24 they match -- does the 118.9 million match the  
25 total that you just added up from the Company's

1 19607 reports?

2 A. Yes, it does.

3 Q. And the 19607 reports include labor and  
4 nonlabor, right, in that 118.9 million?

5 A. Yes.

6 Q. Do you still contend that you only  
7 normalized the nonlabor component of maintenance  
8 expense?

9 A. In reviewing the general ledger data  
10 which showed me there was 197.5 million totally spent  
11 on maintenance expense and getting the breakdown  
12 between labor and nonlabor on that, I contend that  
13 the numbers I used are nonlabor numbers.

14 Q. So -- but you said you relied upon  
15 DR 51, right?

16 A. Yes.

17 Q. That was your testimony a minute ago,  
18 correct?

19 A. But I also looked at the general ledger  
20 data to confirm it.

21 Q. Isn't it true that you -- at this moment  
22 you're not really sure whether or not you included  
23 labor and nonlabor?

24 A. I'm confident that I looked at nonlabor.

25 Q. So your testimony is that Exhibit



1 No. 164 is wrong?

2 A. I cannot say whether it's wrong or not  
3 because it's not the copy that I looked at.

4 Q. Is it your testimony that the 19607  
5 reports that you just looked at, that they're wrong?

6 A. I don't know that it's similar to the  
7 one that I looked at, and I do not have a copy of  
8 that with me.

9 Q. Did you provide the general lever --  
10 ledger information that you're talking about as a  
11 work paper?

12 A. I believe it was attached as a work  
13 paper.

14 Q. When?

15 A. After the December 18th filing. It was  
16 supposed to be provided.

17 Q. Are you sure it was provided? Is it  
18 your testimony under oath today that you provided  
19 that work paper to the Company?

20 A. I provided it to be provided to the  
21 Company. Whether it was physically filed with --  
22 with the Company as a work paper, I do not know. I'd  
23 have to go back and confirm that. I was not the one  
24 who physically provided the work papers to the  
25 Company.

1           Q.       Why didn't you ask for -- in DR No. 51  
2 and also DR No. 51.1 which was an update, why didn't  
3 you ask the Company to break it down by labor and  
4 nonlabor if you wanted to normalize only the labor  
5 component -- or excuse me -- the nonlabor component?

6           A.       Because I was confident that this was  
7 nonlabor.

8           Q.       How would the Company know -- if you  
9 asked the Company for a data request response that  
10 says give me the maintenance expense --

11          A.       Uh-huh.

12          Q.       -- on the steam-generating units for  
13 these -- each of these 12-month periods, why do  
14 you -- why would the Company know to break it down by  
15 nonlabor and labor? You didn't ask for it to be  
16 broken down, did you?

17          A.       I did not ask for it and this is a  
18 consistent DR that we recommend and submit in every  
19 case, and so it's been my understanding that the  
20 information provided is nonlabor.

21          Q.       And where did you get that  
22 understanding?

23          A.       From speaking with another Staff member  
24 looking at other work papers in previous cases.

25          Q.       This was the first case you ever

1 normalized power plant maintenance expense, isn't it?

2 A. Correct.

3 Q. And this is the first time you've ever  
4 looked at this data, isn't it?

5 A. Correct.

6 Q. And isn't it -- isn't it fair -- from a  
7 Company standpoint, if you asked them a data request  
8 that says give me the maintenance expense, isn't it  
9 fair for the Company to assume that you want the  
10 total maintenance expense?

11 A. As I said, this is a DR that's been  
12 submitted consistently by Staff, so I do not know  
13 what the Company's expectation is as to what data  
14 they are being requested of. I know it does not say  
15 nonlabor only, but knowing what Staff normalizes, it  
16 could be the Company understands that that's what  
17 we're referring to. I did not --

18 Q. You're speculating about that, though,  
19 aren't you?

20 A. I have no opinion of -- I don't know for  
21 sure what -- what the Company's expectation would be  
22 of the DR. I didn't submit the original DR.

23 Q. Staff didn't normalize power plant  
24 maintenance expense in the last case, did it?

25 A. They normalized it in both the last case

1 and in the '07 case, but they did not make an  
2 adjustment because the normalization number came out  
3 very close to test year and it did not warrant an  
4 adjustment.

5 Q. I'll -- I'll correct my question. The  
6 Staff didn't propose a normalization adjustment in  
7 either of those two cases, correct?

8 A. The Staff did not propose a maintenance  
9 adjustment.

10 Q. So the Staff asked data request -- data  
11 request about power plant maintenance and the Company  
12 answered them in those cases, right?

13 A. Using this data that I have here in  
14 front of me.

15 Q. And then that data went to the Staff,  
16 and as far as you know, there was never any other  
17 discussion with the Company about the issue in those  
18 two cases, right?

19 A. I was not involved in the maintenance  
20 issues, so I do not know what discussions took place.

21 Q. But you said that you normalized expense  
22 in other contexts, water mains and -- and tank --  
23 water tanks, right?

24 A. Yes.

25 Q. If -- if the Staff -- the Staff looks at

1 hundreds of -- of data request responses and  
2 thousands of pages of data the Company provides,  
3 right?

4 A. Yes.

5 Q. Isn't it your experience that if the  
6 Staff doesn't propose an adjustment, that for most of  
7 those, the Staff and the Company never have any  
8 interaction about -- about the data? You ask  
9 questions, the Company provides data, that's the end  
10 of it. Isn't that your experience?

11 A. I can't say that there's always a time  
12 when discussions do not take place.

13 Q. It wouldn't surprise you -- since the  
14 Staff didn't propose a normalization adjustment,  
15 actually propose an adjustment in those two cases, it  
16 wouldn't surprise you if the Staff never came back  
17 and discussed the nature of the data that was  
18 provided in those two cases, would it?

19 A. If it's not a contested issue between  
20 the Company and Staff, there may not be a  
21 conversation.

22 Q. So is it still your testimony that it's  
23 reasonable for the Company to read the Staff's mind  
24 that the Staff really wanted nonlabor maintenance  
25 expense when the -- when the Staff actually asked for

1 maintenance expense?

2 MR. RITCHIE: Objection. Asked and  
3 answered.

4 MR. LOWERY: I'm afraid she's --

5 JUDGE WOODRUFF: Overruled. You can --  
6 she can answer.

7 BY MR. LOWERY:

8 Q. Do you remember the question?

9 A. Ask it again, please.

10 Q. Is it still your testimony that it was  
11 reasonable for the Company to read the Staff's mind  
12 and know that you wanted nonlabor expense when you  
13 asked a question that simply asked for maintenance  
14 expense? Is that your testimony?

15 A. Since we've asked for it consistently in  
16 other cases prior to this Ameren case, it could be  
17 reasonable, yes.

18 Q. I'm --

19 A. I'll say yes.

20 Q. I hate to -- I hate to extend this, but  
21 you haven't asked for nonlabor maintenance expense in  
22 past cases, have you?

23 A. Not according to this DR, no.

24 Q. So it's not reasonable for you to expect  
25 that the Company knew you wanted nonlabor expense

1 because you haven't asked for nonlabor expense; isn't  
2 that fair?

3 A. I do not know what conversations took  
4 place between Staff and the Company to clarify what  
5 specifically they had wanted in that DR response.

6 Q. Now, you've also referred to a pool of  
7 maintenance employees that Ameren maintains, right?

8 A. Yes.

9 Q. Now, you think that those are maintained  
10 at the Ameren corporate level at Ameren Services or  
11 some other entity besides AmerenUE; is that your  
12 testimony?

13 A. There is some labor that's at the Ameren  
14 Services level, and I misspoke the other day. It is  
15 allocated down to AmerenUE if it's used for  
16 maintenance and it is included in the payroll issue.

17 Q. Just so I understand your testimony, I'm  
18 talking about the pool of employees that perform  
19 power plant maintenance. It's their job throughout  
20 the year across these four units, then they --  
21 they -- then they move from unit to unit, then  
22 they're scheduled out -- out. Does that pool of  
23 employees that we talked about the other day --

24 A. Uh-huh.

25 Q. -- are you clear about what I'm asking

1 you about?

2 A. Yes.

3 Q. And the other day you told me that those  
4 were maintained at the Ameren corporate level, right?

5 A. And I was mistaken. They are handled at  
6 the AmerenUE level.

7 Q. So now that you understand where  
8 they're -- where they're -- where they're maintained,  
9 when you say "maintained," they're AmerenUE  
10 employees, right?

11 A. Yes.

12 Q. They're on the payroll for AmerenUE,  
13 correct?

14 A. Yes.

15 Q. And their job is to do power plant  
16 maintenance, right?

17 A. That is what Mr. Birk told me they --  
18 that pool was used for, for overhauls.

19 Q. And as -- as their wage and benefit  
20 costs go up, so do the labor and benefit costs  
21 associated with power plant maintenance, right?

22 A. I did not look at the labor. That's  
23 handled in the payroll issue, so I can't answer that.

24 Q. Well, let me ask a more general  
25 question: If I've got ten employees or 50 employees



1 and their job is to perform power plant maintenance,  
2 if their wages and benefits go up, then the cost  
3 associated -- the labor costs allocated for power  
4 plant maintenance associated with their increasing  
5 wage and benefits cost is going to go up just as a  
6 mathematical fact; isn't that true?

7 A. And I did not examine the -- the payroll  
8 issues, so I think you would have to defer any of  
9 those questions to the witness who handled that  
10 issue.

11 Q. My question was whether that was true or  
12 not, not whether or not you handled the payroll  
13 issue. Was your question yes, no or I don't know?

14 A. I didn't -- I didn't examine payroll, so  
15 I can't answer your question is all that I can --

16 Q. I'm asking you a hypothetical question.  
17 If I have a pool of employees and their job is to  
18 perform power plant maintenance, and year after year  
19 their wage and benefits costs go up, as a  
20 mathematical fact, won't the labor associated with  
21 the maintenance costs go up as their wages and  
22 benefits go up?

23 A. It would depend on the scope of their  
24 labor, how many hours they allocated to that  
25 particular project. I can't just say that yes, it

1 would automatically go up.

2 Q. So the unit cost of labor definitely  
3 goes up, right?

4 A. The unit cost goes up. The overall cost  
5 may not.

6 Q. Now, one piece of information that had  
7 some influence on the decision that you made to  
8 propose a normalization of power plant maintenance  
9 expense, as we talked about before, one piece of  
10 information that you considered in part was your  
11 conversation with Mr. Birk, right?

12 A. Yes.

13 Q. And one of the things that he talked  
14 about was that the Company was moving from an 18- to  
15 24-month interval between outages, between planned or  
16 scheduled outages to a five- to six-year interval  
17 on -- on the largest units, right?

18 A. That was part of our conversation, but  
19 in this hearing, I have heard that some of the plants  
20 are moving to three years, some to four or five and  
21 some five to six and some seven to nine, so in  
22 just --

23 Q. I understand.

24 A. -- my conversation with Mr. Birk --

25 Q. Right.

1           A.       -- yes, he said 18 to 24 to a four- to  
2 five-year interval.

3           Q.       But in general, there was a -- there was  
4 a period when the intervals were shorter and the  
5 Company is transitioning to longer intervals, whether  
6 it's three years, four years, six years, seven to  
7 nine, the Company's been transitioning to longer  
8 intervals, right?

9           A.       I understand that the Company began that  
10 transition in 2003.

11          Q.       And -- and that was actually part of --  
12 what's going to be part of my next question. You --  
13 before you finalized your decision to use the  
14 36-month period ending March 31, 2009 to calculate  
15 your normalization adjustment, your conclusion was,  
16 is that transition started in 2003, right?

17          A.       That's my understanding from the  
18 conversations with Mr. Birk.

19          Q.       And in fact, you testified in your  
20 deposition that the transition was essentially over  
21 by 2005. Do you recall that?

22          A.       I don't recall that I said that it was  
23 over. I said that during 2003 to 2005, that was  
24 where I believed a bulk of the transition took place.

25          Q.       You believe that the bulk of the

1 transition took place between 2003 and 2005; is that  
2 your testimony?

3 A. Yes.

4 Q. Okay. But then you conceded that part  
5 of the transition went out to 2008; isn't that true?

6 A. With the movement to a four- to five-  
7 and six -- five- to six-year interval change, yes, it  
8 could have expanded out to 2008.

9 Q. I'd like for you to point me to a  
10 statement anywhere where the Company indicated that  
11 the transition or the bulk of the transition took  
12 place from 2003 to 2005.

13 A. I do not have that.

14 Q. You're familiar with the response to  
15 DR 294, correct?

16 A. Yes.

17 Q. And can you point me in that response  
18 where the Company indicated the transition took place  
19 from 2003 to 2000 -- the bulk of it took place from  
20 2003 to 2005?

21 A. That is simply my opinion based on the  
22 evidence, because when you look at the maintenance  
23 costs for those years, it's remained rather steady,  
24 about \$90 million, and it gave me no indication that  
25 costs were -- were escalating through that time

1 period or that there were more maintenance costs  
2 being incurred during that time period. So --

3 Q. Are you familiar with Mr. Birk's -- the  
4 graph that he includes on page 16 of his rebuttal  
5 testimony?

6 A. Yes, I am.

7 Q. Do you have Mr. Birk's testimony, by any  
8 chance? If you do, then I won't have to --

9 A. I believe I do.

10 Q. Okay.

11 A. Let me see. Are we looking at rebuttal?

12 Q. Yes, we are.

13 A. Okay. Okay. Page 16?

14 Q. That's correct.

15 A. Yes.

16 Q. The figures shown on page -- in the bar  
17 chart on page 16 up through 2009, those are actual  
18 maintenance expenditures, correct?

19 A. Yes, on a calendar year basis.

20 Q. Okay. The expenses in 2003 and 2004 are  
21 higher than in 2005, 2006 or 2007, aren't they?

22 A. Yes. On a calendar year basis, they  
23 are.

24 Q. I'm going to hand you what's been  
25 admitted into evidence as 160 HC. That's the

1 complete response to DR 294, correct?

2 A. Yes.

3 Q. And I just want to clarify for the  
4 record, Mr. Birk, in answering this DR, he does not  
5 indicate to you that the bulk of the transition took  
6 place during 2003 to 2005, does he?

7 A. No, he does not.

8 Q. In fact, the PowerPoint presentation  
9 that's attached as part of this response is dated in  
10 March of 2004, isn't it?

11 A. That's the date on the cover page, yes.

12 Q. And Mr. Birk testified in his rebuttal  
13 testimony at page 16 that the transition was  
14 occurring from 2005 to 2008, doesn't he?

15 A. He makes that statement on line 6, but  
16 he doesn't say to the extent that that transition  
17 took place on the level.

18 Q. If the bulk of the transition was  
19 occurring in 2003 to 2005, shouldn't the 2003 and  
20 2004 maintenance expense levels be noticeably lower  
21 than 2005 through 2008?

22 A. Well, I didn't look at the dollars on a  
23 calendar year basis. I looked at them on a 12-month  
24 period ending March 31. So from the data that I  
25 looked at, it appeared that they were staying steady

1 in all of those years.

2 Q. I understand, but I asked you a  
3 different question than that. You testified that the  
4 bulk -- you concluded in your opinion that the bulk  
5 of the transition took place between 2003 and 2005.  
6 That was your conclusion, right?

7 A. Correct, looking at the March 31  
8 12-month ending period.

9 Q. But if that's true, wouldn't you expect  
10 the 2003 and 2004 expenditures to be noticeably lower  
11 than the 2005 through 2008 expenditures?

12 A. I would expect to see some decline, but  
13 I did not. But that could be explained by increase  
14 in cost that Mr. Birk has been talking about. I do  
15 not know.

16 Q. I mean, if the transition, the bulk of  
17 this is happening in 2003 to 2005, that means we're  
18 taking less outages, right, because we're  
19 transitioning to these longer intervals, right? Is  
20 that what that means in your mind?

21 A. You -- you would theoretically be taking  
22 less outages.

23 Q. All right. And -- and then if the bulk  
24 of it occurs in 2003 to 2005, which means there's not  
25 a lot of transition going on in 2005 to 2008, you

1 would have expected there to be more outages in 2005  
2 through 2008, correct?

3 A. Well, you're looking at it strictly from  
4 a number of outages standpoint. You're not looking  
5 at it from a scope of the outages and how many  
6 dollars may have been involved with those outages.

7 Q. Which you don't know anything about,  
8 right?

9 A. No. You can't say from one year to the  
10 next that an outage that took place in '03 is  
11 identical in cost and scope as one that took place in  
12 2004. So I didn't make that type of comparison.

13 Q. And you don't really know anything about  
14 the comparability between an outage in '03 and an  
15 outage in '08, do you?

16 A. No. I looked at total dollars in an  
17 aggregate as to what Company spent and performed a  
18 normalization based on historical data which to me  
19 provides a good indication of what would be a normal  
20 ongoing level.

21 Q. Isn't it true that you may be pulling  
22 figures, the 12 months ending March 31, '9 and '8 and  
23 '7, you may be pulling figures to normalize this  
24 expense from a period when the number of scheduled  
25 outages was abnormally low?



1           A.       I'm pulling from the March 31 12-month  
2 ending periods because that is the test year in this  
3 particular case.

4           Q.       Well, the 12 month ending March --

5           A.       I'm not looking at outages and I have  
6 made no analysis as to whether there's abnormally low  
7 outages or not. I've not looked at that.

8           Q.       Let me ask my question again because I  
9 don't think that you answered it. Isn't it true that  
10 you may be using information from a three-year period  
11 during which the number of outages that the  
12 Company -- the number of scheduled, planned outages  
13 of the Company's plants is abnormally low?

14          A.       I do not know because I did not --

15          Q.       Fair --

16          A.       -- look at outages.

17          Q.       Fair enough. Now, you received the  
18 response to data request 294 in January, right?

19          A.       January 7th.

20          Q.       And that means you had that information  
21 for more than a month before you filed your rebuttal  
22 testimony, right?

23          A.       That is correct.

24          Q.       But you didn't use that information to  
25 see whether or not the number of outages that

1 occurred in 2003, '4, '5, '6, '7 and '8, whether that  
2 number of outages bore out your conclusion that the  
3 bulk of the transition occurred from 2003 to 2005,  
4 you didn't use that information, right?

5 A. No, because what I was attempting to do  
6 was use three years that I believed would be a good  
7 basis for performing a normalization that would  
8 provide me with a normal level of expense on a  
9 going-forward basis, keeping in mind the correlation  
10 between revenues, expenses and rate base and the  
11 update period -- or the true-up period or cutoff  
12 periods in this case.

13 Q. Is it your testimony that there's no  
14 incremental maintenance expense associated with when  
15 the Company does a scheduled outage versus when it  
16 doesn't do a scheduled outage?

17 A. Restate your question, please.

18 Q. Is it your testimony that there is no  
19 incremental maintenance expense when a Company does a  
20 scheduled outage versus a period when the Company  
21 doesn't do a scheduled outage?

22 A. If you're looking at scheduled outages  
23 only, you would see a difference in dollars, but that  
24 doesn't take into account any type of routine  
25 maintenance that may be happening during that period

1 of time as well. You have to look at the maintenance  
2 dollars in aggregate.

3 (EXHIBIT NO. 165 WAS MARKED FOR  
4 IDENTIFICATION BY THE COURT REPORTER.)  
5 BY MR. LOWERY:

6 Q. I'm handing you, Ms. Grissum, what's  
7 been marked as Exhibit 165.

8 A. Okay.

9 Q. I'm going to ask you some questions  
10 about it. I promise it's simpler than the one  
11 Mr. Meyer had to deal with. I won't promise whether  
12 or not I accurately put all the information on it.

13 A. Okay. I assume you're wanting me to get  
14 numbers from somewhere, so you'll have to direct me  
15 from where.

16 Q. I'll direct you to the response to  
17 DR No. -- I'll direct you to the response to DR 294  
18 on the last page.

19 A. Okay.

20 Q. Do you have the response to DR No. 294?

21 A. I assume you're talking about item  
22 No. 2?

23 Q. Right. It's a table -- it's the very  
24 last page and it's a table, right?

25 A. Yes.

1 Q. Can you please tell me how many  
2 outages -- how many scheduled outages there were from  
3 April 2008 to March of 2009?

4 A. I am seeing one at the Sioux No. 1  
5 plant.

6 Q. All right. Would you please write the  
7 number one on the first blank?

8 A. (Witness complied.) Okay.

9 Q. And that's one of your three month --  
10 three 12-month periods that you averaged to come up  
11 with your normalization adjustment; is that right?

12 A. That is true.

13 Q. Okay. How many from April 2007 to March  
14 2008?

15 A. Looks like I'm seeing one at Labadie  
16 unit 1.

17 Q. Would you please write that number on  
18 the second blank?

19 A. (Witness complied.)

20 Q. How about April -- and pardon me.  
21 That's the second of your three 12-month periods that  
22 you used for your adjustment, right?

23 A. Yes.

24 Q. How about for the third period that you  
25 used, the third 12-month period, April of '06 to

1 March of 2007, how many scheduled outages during that  
2 period?

3 A. Looks like I'm seeing one at Meramec  
4 No. 3 -- oh, excuse me -- 2.

5 Q. I was going to help you out. I think  
6 it's 2.

7 A. There's one at Rush Island No. 1 in  
8 February.

9 Q. Would you write -- would you write that  
10 one on the third blank?

11 A. So 2, yes. (Witness complied.)

12 Q. What's the three-year average for  
13 those -- for your three-year period?

14 A. 1.3.

15 Q. How many are scheduled in 2010, how many  
16 planned outages in 2010?

17 A. Looks like two major outages and one  
18 mini three- to four-week outage.

19 Q. Okay. And did you write the 1.3 on  
20 the --

21 A. Yes, I did.

22 Q. -- correct blank? And would you write  
23 the two or you can write two plus a mini, that's up  
24 to you.

25 A. (Witness complied.) Okay.

1 Q. How many in 2011 are scheduled?

2 A. Looks like three plus another mini  
3 outage.

4 Q. Please write that down.

5 A. (Witness complied.)

6 Q. And however you feel most comfortable  
7 calculating the average, if you just want to use the  
8 three and the two and ignore the minis, what would be  
9 the average scheduled number of outages for calendar  
10 years 2010, 2011?

11 A. I'm just going to look at the major  
12 outages, and there's five, so average of that would  
13 be 2.5.

14 Q. And just two more numbers, please. How  
15 many outages from 2003 to 2005?

16 A. I believe I'm coming up with ten.

17 Q. So the average for 2003 to 2005 would  
18 be?

19 A. 3.3.

20 Q. All right. Have you accurately  
21 transcribed the calculations that you just performed  
22 on Exhibit No. 165?

23 A. I hope I did.

24 Q. You believe that you did, right?

25 A. I believe I did.

1                   MR. LOWERY: I'd move for the admission  
2 of Exhibit 165, your Honor.

3                   JUDGE WOODRUFF: 165 has been offered.  
4 Any objection to its receipt?

5                   (NO RESPONSE.)

6                   JUDGE WOODRUFF: Hearing none, it will  
7 be received.

8                   (EXHIBIT NO. 165 WAS RECEIVED INTO  
9 EVIDENCE AND MADE A PART OF THE RECORD.)

10 BY MR. LOWERY:

11                Q.       Now, you're not saying that -- taking a  
12 look at the number of scheduled outages during the  
13 three-month period that you used versus the number  
14 after and the number before, you're not saying that  
15 analysis is irrelevant, you're just saying that's not  
16 the analysis you did, right?

17                A.       I'm saying it did not impact my  
18 analysis. I looked at only aggregate cost of  
19 maintenance dollars spent in the last three years.

20                Q.       You're not saying that Staff's analysis  
21 is the only valid method that can be used, right,  
22 because you've not tested if -- whether any other  
23 method leads to a fair result; is that true?

24                A.       I cannot determine whether it's valid  
25 because I have not attempted it myself. I only used

1 the normalization method.

2 Q. You don't have an opinion, for example,  
3 about Mr. Meyer's analysis other than that he had  
4 changed it between rebuttal and surrebuttal, that's  
5 the only opinion you have about his analysis; is that  
6 fair?

7 A. That's the only opinion that I have is  
8 that he used a normalization very similar to Staff's  
9 in his direct, and he used a -- what I call a quite  
10 different analysis based on outages in his  
11 surrebuttal.

12 Q. Now, you're preliminarily considering  
13 increasing your recommendation, I believe, by about a  
14 million dollars was the last information that I had;  
15 is that right?

16 A. Yes, for true-up, Staff is willing to  
17 look at the 12 months ended December 31 for the past  
18 three years. And that result of that average in -- I  
19 believe is going to be about \$102 million.

20 Q. Isn't Staff going to look at the  
21 12 rolling -- rolling 12-month period ending  
22 January 31st --

23 A. Yes.

24 Q. -- 2010?

25 A. Yes, we will also look at that.



1           Q.       You agree, I believe, that in general,  
2 the test year as updated or trued-up, if you have an  
3 update or a true-up, is a period past, is employed as  
4 a vehicle on which to project experience into a  
5 future period when the rates determined in the  
6 subject rate case will be in effect; you agree with  
7 that, right?

8           A.       It is not a projection. What we do is a  
9 normalization keeping in mind the relationship  
10 between revenues, expenses and rate base.

11          Q.       Well, let me ask you that question again  
12 just to make sure I didn't misstate it, because  
13 you've given a different answer today than you gave  
14 the other day.

15          A.       Right, because I under -- I  
16 misunderstood your word -- your use of the word  
17 "projection," so now that I've thought about that, I  
18 am clarifying my answer.

19          Q.       You agree that when you are calculating  
20 a revenue requirement, expenses, rate base and  
21 revenues using a historical test year as updated or  
22 trued-up, you agreed that what you're trying to do is  
23 figure out what a normalized level of expense,  
24 revenues, rate base, that relationship, what that  
25 normalized level is going to be once rates are set,

1 right?

2 A. On a going-forward basis, yes.

3 Q. Okay.

4 A. Based on historical data.

5 Q. Right. Using history to predict the  
6 future, right?

7 A. Yes, because we believe --

8 Q. Okay.

9 A. -- that history is the best indicator of  
10 what may take place in the future.

11 MR. LOWERY: Thank you, Ms. Grissum. I  
12 don't have any other questions.

13 THE WITNESS: Thank you.

14 JUDGE WOODRUFF: Mr. Lowery, did you  
15 want to offer 163 and 164? That was the e-mail  
16 exchange and DR response to 51.

17 MR. LOWERY: In fact, I do. Thank you,  
18 your Honor.

19 JUDGE WOODRUFF: 163 and 164 have been  
20 offered. Any objections to their receipt?

21 MR. MILLS: Judge, I don't think any of  
22 us have seen the finished copy of 164, so I would ask  
23 that you reserve ruling on that until we can get --  
24 isn't that the one that Ms. Grissum filled out?

25 JUDGE WOODRUFF: No. That was 165.

1                   MR. MILLS: Okay. I'm sorry. Then I  
2 have no objection.

3                   JUDGE WOODRUFF: All right.

4                   COMMISSIONER KENNEY: Did we get a copy  
5 of 164? Was it DR 151?

6                   MR. MILLS: No.

7                   MR. LOWERY: We will -- we will provide  
8 those, Commissioner. We didn't know that issue was  
9 going to come up during the cross-examination, so I  
10 didn't have copies prepared.

11                  MR. MILLS: But I'm going to object to  
12 that one too until I have a chance to look at it.

13                  JUDGE WOODRUFF: Okay.

14                  MR. LOWERY: Well, it's already been --  
15 it's already been admitted.

16                  JUDGE WOODRUFF: Well, I don't think  
17 I've actually ruled on it.

18                  MR. LOWERY: Okay.

19                  JUDGE WOODRUFF: 163 there was no  
20 objection to. That will be admitted.

21                  (EXHIBIT NO. 163 WAS RECEIVED INTO  
22 EVIDENCE AND MADE A PART OF THE RECORD.)

23                  JUDGE WOODRUFF: 164 I'll defer until  
24 you get a chance to get a copy to everybody.

25                  MR. LOWERY: We'll try to get that at

1 lunch, whenever that is.

2 JUDGE WOODRUFF: All right. That  
3 completes cross-examination. We'll come up for  
4 questions from the bench for Ms. Grissum.  
5 Commissioner Davis?

6 QUESTIONS BY COMMISSIONER DAVIS:

7 Q. Good afternoon, Ms. Grissum.

8 A. Good afternoon.

9 Q. You work in the St. Louis office,  
10 correct?

11 A. Yes, I do.

12 Q. I was going to say, if you worked here,  
13 I apologize because I don't know that I've ever seen  
14 you.

15 A. We've never formally met.

16 Q. Okay. Who is responsible for providing  
17 work papers to the Company?

18 A. I believe they're collected by the  
19 auditor 5, and then those are forwarded on.

20 Q. Okay.

21 A. I was out on an illness on December 18th  
22 and a short period after that, so I didn't --

23 Q. So it would be --

24 A. -- physically -- so --

25 Q. It'd be Mr. Rackers?

1 A. Yes.

2 Q. Okay. And when Mr. Lowery was asking  
3 you questions on cross-examination, you would refer  
4 to Staff. Who is -- who is -- who is Staff? Because  
5 you're -- are you referring to some discussions that  
6 were going on that you weren't involved in? Do you  
7 know who those Staff members are?

8 A. Can you give me a little more  
9 clarification of the context in which I used it?

10 Q. Just, when you -- who -- who -- what  
11 Staff members other than you were having discussions  
12 about the issue that you're giving testimony on with  
13 the Company besides yourself?

14 A. Oh. Well, it would have been  
15 discussions with my supervisors, Mr. Rackers and  
16 Mr. Cassidy, who reviewed my analysis.

17 Q. Okay. All right. And you're an  
18 auditor, not an engineer, correct?

19 A. Correct.

20 Q. And so you're not qualified to say what  
21 the proper number of outages is for -- for Labadie or  
22 Meramec or Rush Island or Sioux?

23 A. I don't believe I am.

24 Q. Okay.

25 A. I do know that outages were considered

1 in the production cost models by Mr. Elliott, but I  
2 don't know to what extent. You'd have to ask him.

3 Q. Ms. Grissum, did you -- you audited  
4 their coal-fired power plant maintenance expenses for  
5 the test period, did you not?

6 A. Yes, I did.

7 Q. Did you recommend any -- any  
8 disallowances?

9 A. Yes, I did.

10 Q. Okay. Now, are those -- that's included  
11 in your -- in your \$101 million recommendation? I  
12 mean, because I just -- reading the testimony, I  
13 didn't see any disallowances. So did I just miss  
14 that or --

15 A. I believe in the cost of service report  
16 that detail was not in there --

17 Q. Okay.

18 A. -- attributed to me, but if you look at  
19 the accounting schedules --

20 Q. Okay.

21 A. -- on the income statement adjustment  
22 sheet --

23 Q. Okay.

24 A. -- you will see that there is a  
25 adjustment dollar amount there.

1 Q. Okay.

2 A. And I guess if it's not HC, I can tell  
3 you what that number is.

4 MR. LOWERY: It's -- it's historic --  
5 it's a historic number, right?

6 THE WITNESS: Okay.

7 MR. LOWERY: That should be fine.

8 THE WITNESS: It is -- it is in the ball  
9 park of \$17 million.

10 BY COMMISSIONER DAVIS:

11 Q. Okay. And what were those -- what were  
12 those disallowances for?

13 A. Well, it wasn't disallowances. It was  
14 just we were trying to restate test year level to  
15 what we believed was a more normal level of expense,  
16 so we took the difference between the test year and  
17 my normalized number, and that gave --

18 Q. Okay. All right. I was --

19 A. -- the 17 million adjustment.

20 Q. Okay. I'm -- I'm sorry.

21 A. Yeah, it's not like a construction-type  
22 project.

23 Q. Okay. So did you look at any prudence  
24 issues or --

25 A. No.

1 Q. Okay. You did not?

2 A. Did not.

3 Q. Okay. So all you did was look at the  
4 expenses, take a three-year average for '06, '07 and  
5 '08?

6 A. March 31st ending '07, '08, '09.

7 Q. March -- March -- okay. March 30 --  
8 March 31st, those respective years. Would you agree  
9 with me that there's -- that there's nothing magical  
10 about a three-year average?

11 A. No.

12 Q. So you think there is something magical?

13 A. Oh, I'm saying there's not anything  
14 magical about a three-year average.

15 Q. Okay.

16 A. Sometimes we use a two-year average,  
17 sometimes we use a three, sometimes we use a five.  
18 It just depends on the circumstances of the  
19 particular issue we're looking at.

20 Q. Okay. So I'm just trying to think. If  
21 you have a set of circumstances where in 2001 the  
22 Company spent \$100 million on coal plant maintenance,  
23 then the next year they spent \$105 million on coal  
24 plant maintenance, and then in the third year they  
25 spent \$110 million on coal plant maintenance, you



1 know, what would be the recommendation for setting  
2 rates? Would you -- would you use the three-year  
3 average or would you look at how the expense would go  
4 progressively upward every year or...

5 A. I know in other issues, if there is a  
6 steady trend upward, Staff may choose to use the  
7 latest known cost rather than doing an averaging --

8 Q. Okay.

9 A. -- for power plant maintenance. There  
10 were circumstances in this case, had a low dollar --  
11 high dollar and a low dollar in those three years  
12 that I looked at, so it was more appropriate to do a  
13 normalization with a three-year average.

14 Q. Right. So I mean, that's -- that's sort  
15 of the heart of it because there wasn't this pattern  
16 of steadily increasing cost?

17 A. Absolutely not.

18 Q. That's why you chose to normalize the  
19 numbers?

20 A. Right. In fact, for the March 31  
21 periods prior to the three years that I chose  
22 remained rather steady from year to year at about  
23 \$90 million --

24 Q. Uh-huh.

25 A. -- we saw no fluctuation whatsoever.

1 And so in the last two rate cases, Staff did not make  
2 any adjustment recommendations from the test year  
3 level.

4 COMMISSIONER DAVIS: Okay. Thank you,  
5 Ms. Grissum. I don't think I have any further  
6 questions.

7 THE WITNESS: Thank you.

8 JUDGE WOODRUFF: Commissioner Kenney?

9 QUESTIONS BY COMMISSIONER KENNEY:

10 Q. How are you?

11 A. Very good, thanks.

12 Q. Good afternoon. I don't want to belabor  
13 the discussion of DR 51, Exhibit 164, but I don't  
14 know that I ever was clear. Are the numbers that are  
15 reflected on that DR labor or nonlabor costs?

16 A. I'm under the understanding that they  
17 are nonlabor costs.

18 Q. Okay. And you also used general ledger  
19 reports and other documents that undergird your  
20 normalization figures, correct?

21 A. Yes. When I looked at general ledger  
22 data, I had a total maintenance cost of I believe  
23 about 197 million, and the 118, say, for the three --  
24 period ending March 31, 2009, was the 118 million  
25 that I used in my normalization, and the remaining

1 dollars was related to labor.

2 COMMISSIONER KENNEY: All right. Thank  
3 you. I don't have any other questions.

4 THE WITNESS: Thank you.

5 JUDGE WOODRUFF: All right. Recross  
6 based on questions from the bench? Public Counsel  
7 first.

8 RE-CROSS-EXAMINATION BY MR. MILLS:

9 Q. Just very briefly, Ms. Grissum. In  
10 DR 51 in this case, you referred to DR 135 from the  
11 prior case; is that correct?

12 A. 145.

13 Q. 145?

14 A. Yes.

15 Q. Okay. And was the text of the -- of the  
16 question in the two cases exactly the same?

17 A. Exactly the same.

18 Q. And were the responses in the same  
19 format from case to case?

20 A. Yes.

21 MR. MILLS: No further questions.

22 JUDGE WOODRUFF: For Ameren?

23 RE-CROSS-EXAMINATION BY MR. LOWERY:

24 Q. Just a couple of questions, Ms. Grissum.  
25 Commissioner Davis asked you about giving a

1 hypothetical, I think, and I don't remember the exact  
2 numbers, but you had an expense level of maybe  
3 90 million one year and the next it was 100 and the  
4 next it was 110, so it was a clear upward trend,  
5 right?

6 A. Yes.

7 Q. And you indicated that in that  
8 circumstance, what the Staff very well might do is  
9 the Staff might pick the latest -- the highest of  
10 those figures because we've got an upward trend shown  
11 in the data, right?

12 A. Correct.

13 Q. And why do you do that? Why would you  
14 choose the latest of those figures when you have an  
15 upward trend?

16 A. Because again, you're trying to pick  
17 what you believe is the normal level of ongoing  
18 expense, keeping in mind, again, the matching of the  
19 revenues, expenses and rate base.

20 Q. And you're trying to pick the normal  
21 level -- you're trying to pick that normal level,  
22 keeping in mind that matching when rates are set in  
23 the case that we're in, right?

24 A. Sure. An example of that would be, you  
25 know, insurance, you know, insurance premiums.

1 Q. So -- I'm sorry.

2 A. We tend --

3 Q. I didn't -- I apologize.

4 A. We tend to look at the latest premium

5 paid by a Company because that's the best gauge of

6 what that ongoing level of expense is going to be --

7 Q. So it's really important --

8 A. -- and normal level.

9 Q. I'm sorry. I apologize.

10 A. That's okay.

11 Q. So it's really important that the

12 information that we look at gives us an accurate

13 picture, as accurate as we can of what the expense

14 levels are expected to be in the future when we're

15 looking at an expense, isn't it?

16 A. Well, we don't look at future expenses,

17 we look at actual history.

18 Q. But that wasn't my question. When we

19 look at all the historical data -- we've got lots of

20 data, we've got data about expense, we've got data

21 about revenues, we've got data about what may have

22 driven those expenses and revenues. When we look at

23 that historical data, it's important that when we

24 look at it, we ask ourselves the question, is that

25 going to give me a good picture of what that expense

1 level's going to be in the future? Is it a good  
2 proxy for what the future level is going to be or  
3 not? That's important to ask yourself, isn't it?

4 A. And I believe I said earlier in this  
5 testimony that looking at historical data is our best  
6 evidence as to what might be the normal level going  
7 forward.

8 Q. But if your historical -- if the data  
9 you look at doesn't give you an accurate picture of  
10 the future, that's something you need to consider,  
11 isn't it?

12 A. No.

13 Q. It doesn't matter to the Staff whether  
14 or not --

15 A. We -- we have to --

16 Q. -- a historical --

17 A. -- derive a normal base on the  
18 information given to us based on actual experience  
19 and use our professional judgment in determining what  
20 we believe is the normal level that would be  
21 experienced on a going-forward basis.

22 Q. So -- so is it your testimony that if  
23 the Staff looks at historical information in a  
24 category and that historical information says that  
25 the expense level should be X, ten dollars, but Staff

1 has other information to suggest that ten dollars  
2 isn't going to bear any resemblance to what that  
3 expense will be in the future, Staff's going to use  
4 the ten dollars?

5 A. Well, it's known and measurable. You  
6 can tell us all you want how much you think it's  
7 going to cost in the future, but until that actually  
8 occurs, it will not be known and measurable.

9 Q. What if Staff has a lot of information  
10 that there are a lot of unusual and abnormal events  
11 going on during the period when the ten dollars was  
12 generated that makes the ten dollars  
13 unrepresentative, does that impact your analysis?

14 A. No, because the Company has the right to  
15 explore those costs and decide themselves if that  
16 warrants a need for rate recovery and to come back in  
17 and file another rate case.

18 Q. So you ignore -- you ignore everything  
19 except the historical numbers; is that your  
20 testimony?

21 A. Correct.

22 Q. Fair enough. The planned outages, I  
23 think you were talking about outages with  
24 Commissioner Davis, and you indicated, I believe,  
25 that you gave some planned outages, or Mr. Elliott

1 used some planned outages in the production cost  
2 model. Do you remember those -- that question --  
3 that discussion?

4 A. Yes, I remember that discussion.

5 Q. The planned outages you're talking about  
6 then were the scheduled planned outages in the  
7 future. That's what Mr. Elliott used, right?

8 A. My understanding is that Mr. Elliott in  
9 the production cost model, modeled not only planned  
10 outages but forced outages. I do not know exactly  
11 how he does that, so you would have to direct those  
12 questions to him.

13 Q. Do you have a copy of your deposition  
14 with you, by any chance?

15 A. Yes.

16 Q. Could you turn to page 62, because I'm  
17 just confused about something. Your answer seems to  
18 be different today.

19 A. Okay.

20 Q. And I'm just trying to clarify for the  
21 record what information you were given from  
22 Commissioner Davis about outages that Mr. Elliott  
23 used.

24 A. Okay. We're at page 62.

25 Q. Page 62 starting at line 8?



1           A.       At line 8.

2           Q.       And I know that you made some  
3           typographical corrections on line 11, but let me ask  
4           you whether -- whether I asked you this question and  
5           you gave this answer.

6                        "Question:  What outage data did you  
7           supply to Mr. Elliott?"

8                        "Answer:  Planned outages for, I believe  
9           it was calendar years 2010 through 2012, is my  
10          understanding."

11                       Was that your answer?

12          A.       Right.  That was data that I did supply  
13          to Mr. Elliott.  But in addition to that, it's my  
14          understanding Mr. -- because you were asking me what  
15          I supplied to Mr. Elliott.

16          Q.       Right.

17          A.       I did not supply Mr. Elliott forced  
18          outage data.  That's data he acquires himself in his  
19          analysis and puts in the production cost model.  But  
20          how exactly he does that, I am not -- I do not know  
21          because I did not perform that analysis.

22          Q.       Commissioner Kenney asked you -- and I  
23          don't want to belabor the point too much either, but  
24          asked you about the response to DR 51, and I know  
25          that's -- it's been -- it's marked as an exhibit.  I

1 can't remember the exhibit number --

2 A. Okay.

3 Q. -- but are you going to go back and take  
4 a look now to verify whether your belief that you  
5 seem to still be holding on to, whether your belief  
6 that you only looked at nonlabor dollars is correct  
7 or not?

8 MR. MILLS: I object to the form of the  
9 question. The reference to "do you seem to still be  
10 holding on to" assumes facts not in evidence.

11 JUDGE WOODRUFF: I'll overrule the  
12 objection.

13 THE WITNESS: Ask your question again,  
14 please.

15 BY MR. LOWERY:

16 Q. You seem to -- you seem to continue to  
17 believe that the information, the dollars that you  
18 normalized, were nonlabor only. That's the belief  
19 you still seem to hold; is that true or not true?

20 A. Yes.

21 Q. And you -- and your belief as you sit  
22 there today still appears to be that information  
23 provided in response to DR 51 and 51.1 and provided  
24 in response to DR 145 in the last case was nonlabor  
25 only; that's your belief, right?

1           A.       That's my belief and verified by general  
2 ledger data that I pulled.

3           Q.       Are you going to go back now, given the  
4 19607 reports that you were shown today and the fact  
5 that they totaled -- the total maintenance in those  
6 total up exactly to the test year amount that you  
7 used, are you going to go back and take a look at  
8 your data and make sure that your belief is true?

9           A.       I'm willing to look at that, but I don't  
10 know that it's going to change my opinion.

11          Q.       I understand, but are you willing to  
12 look at that and make sure that your testimony here  
13 today in terms of what is and is not in those numbers  
14 is really accurate?

15          A.       I would be willing to do that.

16          Q.       And you'd be willing to report back to  
17 the Company and let the Commissioners know whether or  
18 not your belief is true or not true?

19          A.       Sure.

20                   MR. LOWERY: I have no further  
21 questions. Thank you.

22                   JUDGE WOODRUFF: All right. Since the  
23 witness just promised to make a further report, I  
24 want to be clear on what we're going to do, on what  
25 sort of mechanism we would be able to do that with.

1                   MR. LOWERY: I'd like to, I guess,  
2 reserve a late-filed exhibit that we can put into the  
3 record in some fashion after Ms. -- after Ms. Grissum  
4 looks at that report and reports back to us about  
5 whether or not she still holds that belief.

6                   JUDGE WOODRUFF: Ms. Grissum, how  
7 quickly would you be able to do that?

8                   THE WITNESS: Well, I think it would  
9 just be a matter of me going and tracking down my  
10 original general ledger data work paper, and they --  
11 they say that they did not receive that, and I can  
12 bring that back up this afternoon.

13                   MR. LOWERY: And I'm sure the Company  
14 would be more than happy to visit with Ms. Grissum  
15 about the data she's going to look at if she has  
16 questions about what it shows.

17                   JUDGE WOODRUFF: Well, I'm not going to  
18 reserve a number at this time, but if -- if something  
19 is filed, we'll -- we'll give it a number at that  
20 time.

21                   COMMISSIONER KENNEY: Can I ask a  
22 question of Mr. Lowery?

23                   JUDGE WOODRUFF: Sure.

24                   COMMISSIONER KENNEY: Who answered  
25 DR 51?

1 MR. LOWERY: This gentleman right here.

2 THE COURT REPORTER: It's not going to  
3 reflect --

4 JUDGE WOODRUFF: You might want to tell  
5 us his name.

6 MR. LOWERY: I'm sorry. I apologize.  
7 Mr. Weiss.

8 JUDGE WOODRUFF: Is he going to testify?

9 MR. LOWERY: He is not --

10 COMMISSIONER KENNEY: Are we going to  
11 find out now what was contained in DR 51, what those  
12 numbers represent?

13 MR. LOWERY: I'd be happy to put  
14 Mr. Weiss on the stand and ask him that. I'd be  
15 happy to do that, Commissioner.

16 THE WITNESS: I have to interject  
17 because he's claiming Mr. Weiss answered DR 51, and I  
18 have that Tom Opage answered it.

19 MR. LOWERY: I -- I apologize.  
20 Mr. Opage works for Mr. Weiss.

21 MR. RITCHIE: Could we get a few minutes  
22 just to -- off the record to go over some of this,  
23 examine some of this data and then continue?

24 COMMISSIONER KENNEY: I'm -- I'm fine.  
25 I can defer my question.

1                   MR. LOWERY: And Commissioner Kenney,  
2 Mr. Weiss is here, so if -- after that discussion, if  
3 you want to have him take the stand about that issue,  
4 we'd be happy to do that.

5                   JUDGE WOODRUFF: It's actually 12:30, so  
6 why don't we just go ahead and take lunch now and we  
7 can come back to Ms. Grissum when we come back from  
8 lunch. We'll break for lunch now. We'll come back  
9 at 1:30.

10                   (THE LUNCH RECESS WAS TAKEN.)

11                   JUDGE WOODRUFF: We're back from lunch.  
12 We've had Ms. Grissum on the stand and there's some  
13 question of -- she's going to create more documents,  
14 I believe. Or what is the situation, Sam?

15                   MR. RITCHIE: Yes, that's right. We're  
16 still in the process of doing that, and if we could  
17 ask for 15 more minutes to finish that up, then we  
18 should be ready to go.

19                   JUDGE WOODRUFF: Mr. Lowery?

20                   MR. LOWERY: I was just going to suggest  
21 there's a couple house -- well, I guess everybody's  
22 not here, so we can't take care of the exhibits  
23 necessarily.

24                   JUDGE WOODRUFF: Well, are you talking  
25 about the exhibits that you had made that you didn't

1 get copies of, is that --

2 MR. LOWERY: I do have copies.

3 JUDGE WOODRUFF: Oh, go ahead -- we can  
4 go ahead and deal with that.

5 MR. LOWERY: Okay. Fair enough. Your  
6 Honor, there were some exhibits which we didn't have  
7 extra copies of this morning that were marked and we  
8 now have copies for the bench and all the other  
9 parties. That would be Exhibits 162 HC, 164 and 165,  
10 and I believe -- well, I show them all as having been  
11 admitted. I'm not sure whether they were or not.

12 JUDGE WOODRUFF: 164 we deferred ruling  
13 on until Public Counsel's had a chance to see it, so  
14 I guess we won't be able to rule on it since  
15 Mr. Mills isn't here. And he indicated that he  
16 would -- might be over at the Capitol dealing with  
17 the budget. So that's 164.

18 MR. LOWERY: Excuse me, that's 165, your  
19 Honor.

20 JUDGE WOODRUFF: Okay. This is the  
21 completed version.

22 MR. LOWERY: Yes. And then here is  
23 162 HC.

24 JUDGE WOODRUFF: Okay. That's the  
25 completed version.

1                   MR. LOWERY: Those are the ones, and  
2 they have been admitted. Would you like me to go  
3 ahead and give you your copies of 164? I suppose  
4 that you would.

5                   JUDGE WOODRUFF: Yes, if you would,  
6 please, and pass it out to counsel.

7                   COMMISSIONER DAVIS: Judge, while we're  
8 at ease here, can I make a request on the record?

9                   JUDGE WOODRUFF: Sure.

10                  COMMISSIONER DAVIS: I would just like  
11 to request that when witnesses are brought up here  
12 and sworn in, that you somehow instruct them to  
13 answer the questions that are asked and that if they  
14 have things that they wish -- that they wish to say,  
15 then maybe their attorney can -- your respective  
16 attorney can find some way to ask them about that on  
17 redirect as opposed to -- I'm just trying to think of  
18 a way to get this proceeding to move along a little  
19 bit faster, because if not, I'm afraid we're going to  
20 be here into the -- into the evenings and Saturdays  
21 and Sundays and everything else.

22                  JUDGE WOODRUFF: Your suggestion is well  
23 taken and I will mention that.

24                  COMMISSIONER DAVIS: With -- I think  
25 you've got to do it with every witness that comes up



1 here, Judge. Thank you.

2 JUDGE WOODRUFF: All right. And  
3 Commissioner brings up the possibility of going late,  
4 and tonight may be the first night we have to do it  
5 to get through depreciation. Of course, we're not  
6 starting on that yet and it's already afternoon.  
7 What is the situation with witnesses for  
8 depreciation?

9 MR. LOWERY: Well, your Honor, there's  
10 one -- there's one matter that might save us a little  
11 bit of time on depreciation, probably not a  
12 tremendous amount but a little bit. The Company  
13 had -- in their revenue requirement had \$300,000 for  
14 test year costs of removal associated with the Venice  
15 plant, and that still was a contested issue in the  
16 case.

17 In view of the amount that's at issue  
18 there and hearing time and complexity around the  
19 issue, the Company is just willing to remove that  
20 \$300,000 or whatever the -- whatever the exact figure  
21 is according to the revenue requirement, whatever  
22 Staff and Company has, remove that from the revenue  
23 requirement if it's 300,000, and I know that's very  
24 close to what it is. That 320 million and whatever  
25 the figure is on the reconciliation would be reduced

1 by a like amount, and the Company will just not seek  
2 recovery of those costs in this rate case, and that  
3 will resolve at least one small depreciation issue.

4 JUDGE WOODRUFF: Okay. Let me ask  
5 MIEC's attorney, what -- what is the situation with  
6 your witnesses? Do they have to be on today?

7 MR. DOWNEY: Judge, I mean, they both  
8 came from out of town.

9 JUDGE WOODRUFF: Okay.

10 MR. LOWERY: Our witnesses are also from  
11 out of town.

12 MR. DOWNEY: I think I can probably work  
13 with one of the witnesses staying over and hopefully  
14 we can get to one of my witnesses today or tonight.

15 JUDGE WOODRUFF: All right. Well,  
16 hopefully we can finish them all and we'll -- we'll  
17 see how things go this afternoon. Maybe it will go  
18 faster than what we anticipate. In -- in past cases,  
19 what we've done is go till 5:00. If we need to go  
20 for an evening session, we'll take a break for dinner  
21 and come back at 6:00 and go until about 9:00 or so.  
22 We'll see how we're looking when we get later in the  
23 afternoon, but be sort of planning along those lines.

24 MR. DOWNEY: And your Honor, as we  
25 indicated off the record, we had a little bit of a

1    snafu on the witness list, and one of the Ameren  
2    witnesses didn't realize he was on the hook for  
3    testifying in the depreciation matter, and so he's  
4    gone and I don't know what the status is of whether  
5    he can make it back tonight if we do go late.

6                    JUDGE WOODRUFF:  That -- that would be  
7    Mr. Birk?

8                    MR. DOWNEY:  Yes.

9                    MR. BYRNE:  You know, I don't think he  
10   can make it back tonight.  I can call him, but to my  
11   understanding, he's got other stuff he's doing in  
12   terms of operating these plants.

13                   JUDGE WOODRUFF:  I'm sure we can --

14                   MR. BYRNE:  He can come back another  
15   day.

16                   JUDGE WOODRUFF:  We'll fit him in  
17   somewhere.

18                   MR. LOWERY:  And there's nothing -- no  
19   way to predict this.  It certainly wouldn't be my  
20   cross-examination, but he has a pretty narrow issue  
21   within the many depreciation issues.  I would suspect  
22   it would not be a long, drawn out affair when he does  
23   have to come back.

24                   JUDGE WOODRUFF:  All right.  So we're  
25   waiting for Ms. Grissum to get back.  She's the one

1 that's preparing these documents?

2 MR. RITCHIE: Yeah.

3 JUDGE WOODRUFF: Let's go off the  
4 record. We'll come back at 1:45.

5 (A RECESS WAS TAKEN.)

6 JUDGE WOODRUFF: Ms. Grissum is back on  
7 the stand, and Mr. Ritchie, we're to you for  
8 redirect, I believe, if you want to explain what's  
9 gone on over lunch break.

10 MR. RITCHIE: Yes, Judge.

11 REDIRECT EXAMINATION BY MR. RITCHIE:

12 Q. Ms. Grissum, based on looking at the  
13 19607 data and monthly financial statistical reports  
14 over the recent break here, what have you -- have you  
15 prepared a schedule in calculating Staff's adjustment  
16 for power plant maintenance?

17 A. Yes, I have calculated a revised  
18 adjustment.

19 Q. Do you have a copy?

20 A. Yes, I do.

21 MR. RITCHIE: May I approach?

22 JUDGE WOODRUFF: Sure. Will you be  
23 offering this as an exhibit?

24 MR. RITCHIE: Yes, I will.

25 (EXHIBIT NO. 229 WAS MARKED FOR

1 IDENTIFICATION BY THE COURT REPORTER.)

2 BY MR. RITCHIE:

3 Q. When you took another look at some of  
4 these numbers, can you describe what you found?

5 A. I found that my original numbers did  
6 have labor in it, so I redid my calculation looking  
7 at nonlabor only and found that the Staff adjustment  
8 was slightly smaller than what I originally  
9 proposed -- proposed, but it was still a very large  
10 negative number.

11 Q. What was the new number?

12 A. Pardon me?

13 Q. What was the new number?

14 A. The new number is negative 15,338,925  
15 [sic].

16 Q. Why do you think there's not much  
17 difference between the numbers even with the recent  
18 change you made?

19 A. Because looking at the labor dollars  
20 that I originally had included, there is not a lot of  
21 variance in that number. There's about -- from the  
22 three-year average that's labor, there's about a two  
23 and a half million dollar difference which accounts  
24 for the reduction of my Staff adjustment.

25 MR. RITCHIE: I'd like to submit this as

1 evidence -- I'm sorry. What number were we?

2 JUDGE WOODRUFF: This is 229.

3 MR. RITCHIE: -- Staff Exhibit 229.

4 JUDGE WOODRUFF: 229 has been offered.

5 Any objection to its receipt?

6 MR. LOWERY: Your Honor, no objection.

7 I would like the opportunity to maybe ask just a

8 couple of very simple questions about this if --

9 JUDGE WOODRUFF: I think that would be  
10 appropriate.

11 MR. RITCHIE: Certainly I was going to  
12 offer the opportunity to cross-examine on this as  
13 well.

14 JUDGE WOODRUFF: Okay. Do you want to  
15 do that now or do you want to wait?

16 MR. LOWERY: No -- no, I mean, that may  
17 be fine. I --

18 MR. RITCHIE: Yeah, I -- let's do it  
19 now.

20 MR. LOWERY: Okay. That's fine with me.

21 JUDGE WOODRUFF: That's fine. Go ahead.

22 RE-CROSS-EXAMINATION BY MR. LOWERY:

23 Q. Ms. Grissum, just -- just so the  
24 record's clear about the numbers, just so the math is  
25 clear, your prior adjustment was the difference

1 between 118.9 million and what number?

2 A. Say that again.

3 Q. Your prior adjustment was -- well, let  
4 me just ask it this way: How big was your prior  
5 adjustment? I think it was more like 17 or  
6 \$18 million and now you're at 15.3 and your --

7 A. Right. My prior -- my prior three-year  
8 average was 101,140,014, and subtracting that from  
9 the test year level of 118,966,744, I arrived at an  
10 original negative adjustment of 17,826,730.

11 Q. And so your adjustment has shrunk by  
12 roughly \$2.5 million, right?

13 A. That is correct.

14 Q. And this is based upon your prior  
15 methodology when you were looking at the rolling  
16 12-month average as ended March 31, '9 and '8 and '7,  
17 correct?

18 A. Yes, I erroneously included labor.

19 Q. And if you -- and I assume that you're  
20 going to look at the periods 12/31/09, 12/31/08,  
21 12/31/07, and taking into account the nonlabor/labor  
22 split, you're going to look at that and see what that  
23 gives you like you had done before; is that correct?

24 A. I believe that is still Staff's  
25 intention, yes.

1 Q. And in fact, you're going to probably do  
2 that for the 12 months ending March -- or excuse  
3 me -- January 31st, '10, '9 and '8; would that be  
4 correct?

5 A. I believe that is still Staff's  
6 intention.

7 Q. So as part of the true-up, this could  
8 change a little -- could change -- well, whatever the  
9 numbers tell you, it could change again?

10 A. We'll have to wait and see what the  
11 numbers say.

12 MR. LOWERY: Okay. That's all the  
13 questions I have, your Honor. Thank you.

14 JUDGE WOODRUFF: Questions from the  
15 Commission?

16 COMMISSIONER KENNEY: No, thank you.

17 JUDGE WOODRUFF: From MIEC?

18 MR. DOWNEY: Yes, your Honor.

19 RE-CROSS-EXAMINATION BY MR. DOWNEY:

20 Q. Edward Downey now for MIEC.

21 A. Thank you.

22 Q. Ms. Grissum, would you repeat again what  
23 the Staff adjustment is?

24 A. The adjustment based on nonlabor  
25 maintenance only now is only a negative 15,338,295.



1 Q. I think you may have transposed some  
2 numbers earlier.

3 A. Oh, I'm sorry.

4 Q. Okay. Was your original testimony based  
5 on the same methodology as you used here on this  
6 updated schedule?

7 A. Yes, it was.

8 Q. Okay. And did you attend the technical  
9 conference for this proceeding?

10 A. No, I did not.

11 MR. DOWNEY: No further questions.

12 JUDGE WOODRUFF: All right. Redirect,  
13 then?

14 FURTHER REDIRECT EXAMINATION BY MR. RITCHIE:

15 Q. Now, regardless of whether the amounts  
16 used include labor or not, do you believe that the  
17 test year should still be normalized?

18 A. Yes, I do.

19 Q. And you -- that's your continued  
20 contention, that the test year be normalized?

21 A. Yes.

22 Q. For a portion of the time during April  
23 '06 and March '07, was the Company in a transition  
24 period where outages were being extended?

25 A. I believe they were.

1 Q. I'm sorry. I'm having trouble reading  
2 my writing. That should have been March '09. Should  
3 I repeat the question?

4 A. Yes, repeat your question, please.

5 Q. For a portion of the time during April  
6 2006 and March '09, was the Company in a transition  
7 period where outages were being extended?

8 A. Repeat your question one more time.

9 Q. For a portion of the time during April  
10 2006 and March 2009, was the Company in a transition  
11 period where outages were being extended?

12 A. My belief is that the majority --  
13 majority of that transition had already taken place  
14 and was the best data available for me to use for my  
15 normalization.

16 Q. Would you expect fewer outages during  
17 the transition period?

18 A. Yes.

19 Q. Now -- and according to Mr. Birk, there  
20 were very few major outages in 2009, correct?

21 A. I believe that's what he said.

22 Q. Since the outages were being delayed  
23 during this period, would you expect 2010 and 2011 to  
24 be higher since the Company is or will be in a  
25 catch-up mode?

1 A. Yes.

2 Q. Are you trying to project the level of  
3 expense in the future?

4 A. No, I am not.

5 Q. Are you trying to determine a normal  
6 level that maintains a relationship between revenue  
7 expenses and rate base?

8 A. Yes, I am.

9 MR. RITCHIE: No further questions.  
10 Thank you.

11 JUDGE WOODRUFF: All right.

12 Ms. Grissum, you can step down.

13 THE WITNESS: Thank you.

14 JUDGE WOODRUFF: And we will move now  
15 along to the depreciation issue. And we want to do  
16 mini openings for that?

17 MR. LOWERY: Yes, we would.

18 JUDGE WOODRUFF: And we'll begin with  
19 AmerenUE.

20 MR. LOWERY: May it please the  
21 Commission. As I spoke to you about yesterday, the  
22 determination of the appropriate depreciation expense  
23 is a complex and intricate exercise and involves a  
24 lot of different analyses talking about life and the  
25 salvage analyses and all these analyses and estimates

1 to one degree or another.

2                   This is because what we're trying to do  
3 is predict the future. We're trying to predict how  
4 long on average all the companies' poles and wires  
5 will last, when the power plants will be retired, how  
6 much it will cost to retire those poles and wires  
7 once they're replaced, how much it will cost to  
8 remove power plant components from now until the end  
9 of their lives.

10                   But while the analyses are complex, the  
11 goals of depreciation and the manner in which we  
12 should conduct the analyses are fairly  
13 well-established. After all, the determination of  
14 depreciation expense is not a new exercise in utility  
15 ratemaking.

16                   Depreciation expense is a very important  
17 issue, for it reflects how the Commission treats --  
18 because how the Commission treats depreciation  
19 expense is really a reflection of its policy about  
20 returning the capital that investors have invested in  
21 the utility to the -- to the investors, and it also  
22 provides -- depreciation also provides critical cash  
23 flows for AmerenUE.

24                   AmerenUE invests far more than it  
25 receives in depreciation. In 2009 it invested more

1 than two times as much. So while the testimony in  
2 this case may involve some complex analyses and a lot  
3 of methodology that we can talk about, as we talked  
4 about yesterday, it's very important that the  
5 Commission not lose the forest from the trees.

6           The goal of depreciation is to recover  
7 from ratepayers being served by utility assets the  
8 cost associated with those assets. And generally  
9 those costs are the original costs and the net  
10 salvage which is typically negative. It typically  
11 costs more to remove these components than it  
12 costs -- than you get for them in salvage when you  
13 remove them.

14           What you're trying to do is recover  
15 what's called the full service value, that's that  
16 cost plus that salvage, over the service life of the  
17 asset. And what you're trying to do is you want to  
18 recover that rate from the ratepayers being served by  
19 the assets.

20           So if ratepayers are served by a power  
21 plant from 1960 to 2040, you want those ratepayers to  
22 pay all the service value for that power plant. You  
23 don't want to leave undepreciated investment so that  
24 ratepayers in 2040 and beyond pay for a plant that is  
25 not serving them.

1                   Now, the chart that we looked at  
2 yesterday shows the AmerenUE composite depreciation  
3 rates, and I'll put it back up here this afternoon,  
4 which is simply its depreciation expense divided by  
5 its investment stands at just the 13 percentile  
6 today. So 87 percent of the utilities in the  
7 country, electric utilities in the country have  
8 higher depreciation rates.

9                   So we're starting from a place where it  
10 seems obvious that something about the approach  
11 that's being taken by others is leading to  
12 unreasonable results. Staff's proposal would --  
13 would be at barely the 20th percentile. MIEC's  
14 proposals, either one of them, would be almost  
15 entirely off the chart.

16                   Now, with regard to the Staff, the main  
17 bone of contention lies in the fact that the Staff is  
18 essentially treating the Company's four coal-fired  
19 power plants as if they will, for all practical  
20 purposes, last forever, and at least to a point in  
21 time that's far beyond what anybody reasonably  
22 expects.

23                   That approach is virtually alone across  
24 the entire country in the treatment of power plants.  
25 Virtually every other jurisdiction recognizes that a

1 power plant is so-called life span property, i.e. it  
2 is a discrete large unit that will have a defined  
3 life span. It will be retired as a unit. Virtually  
4 every other jurisdiction recognizes that a power  
5 plant bears no resemblance to what depreciation  
6 experts refer to as mass property: Poles, wires,  
7 transformers.

8                   The evidence will show that the Staff's  
9 failure to properly treat these power plants as  
10 lifespan property -- that the lifespan property that  
11 they actually are will fail to recover the service  
12 value of those plants over their service lives. And  
13 that result is at war with the fundamental goal of  
14 depreciation.

15                   MIEC's witness Selecky's alternative  
16 mass property approach suffers from the same flaws  
17 except in a much greater way because of the inputs  
18 that he used which, in fact, are essentially the same  
19 as inputs used by the Staff two rate cases ago which  
20 the Staff now itself says are unreliable and should  
21 not be used.

22                   AmerenUE witness John Wiedmayer and  
23 AmerenUE witness Larry Loos will testify on the  
24 subject, and I encourage you to ask them questions  
25 about these important issues.

1                   By contrast, the Company's proposed  
2 rates for production plan and for transmission and  
3 distribution were calculated in the manner used by  
4 almost every other single -- every other jurisdiction  
5 in the country, and even the Company's proposed rates  
6 would only put the Company's depreciation expense at  
7 the 33rd percentile, a noticeable improvement to be  
8 sure, but still lower than two-thirds of the  
9 utilities.

10                   The question that I urge you to ask  
11 yourself as you consider the evidence on this issue  
12 is which proposal, the Company's, the Staff, or MIEC's  
13 promotes that fundamental goal of depreciation, the  
14 rateable recovery of the service value of the assets  
15 over their service lives? Which approach reflects  
16 sound regulatory policy and will help -- help provide  
17 the cash AmerenUE needs to invest in its system?

18                   I would submit that it will be clear  
19 that if the -- based on the evidence in this case,  
20 the answer to that question is only the Company's  
21 proposed rates will meet that fundamental goal. The  
22 Staff's misuse of the mass property approach for  
23 power plants is artificially lowering the Company's  
24 depreciation expense on those plants by approximately  
25 \$14.5 million and should be rejected.



1                   And MIEC's even more flawed use of the  
2 mass property approach for those steam production  
3 plants would lower the depreciation expense by 38.7  
4 million, and that should also be rejected.

5                   And finally, with respect to  
6 transmission and distribution plants, you should  
7 reject MIEC's off-rejected attempt to base net  
8 salvage for transmission and distribution plants on  
9 recent expense levels associated with a group of  
10 plants retired in the past from a much smaller  
11 universe of plants serving a much smaller universe of  
12 customers, and you should reject MIEC's completely  
13 arbitrary \$25 million, quote, offset in that regard.

14                   Thank you for your time and attention.  
15 Look forward to presenting the issue to you.

16                   JUDGE WOODRUFF: Thank you. Opening for  
17 Staff?

18                   MS. KLIETHERMES: Staff recommends  
19 continuation of the mass property method of  
20 depreciation analysis, leaving in place sufficient  
21 reserves to cover the Company's proposed shutdown of  
22 Meramec if it occurs in 2022 or at any other time.

23                   Let me clarify a few things up front.  
24 If you do a rigorous lifespan study and you have a  
25 representative history for a good mass property

1 study, you get the same rates. You get there  
2 different ways, but you do get the same rates. Mass  
3 property treatment does not mean that individual  
4 items never die. It just means that it is  
5 anticipated that there will be dollars remaining in  
6 the aggregated accounts and to the foreseeable  
7 future.

8                   Staff uses mass property accounting for  
9 items in fleets; a fleet of poles, a fleet of trucks,  
10 a fleet of CTGs, a fleet of coal-fired power plants.  
11 The Company doesn't dispute the use of mass property  
12 treatment through the combustion turbine generators.

13                   Does that mean that a given CTG will  
14 never be retired? Of course not. It means that if  
15 one is retired, it will likely be replaced by another  
16 CTG or a different CTG will be expanded to  
17 accommodate its capacity. Staff isn't saying that  
18 coal-fired steam production units will never be  
19 retired.

20                   While Staff does think that some parts  
21 of coal plants last longer than the Company gives  
22 them credit for and thinks it's likely that some  
23 parts will remain in service longer than the actual  
24 coal processing and burning equipment itself, Staff  
25 is just saying that we have no information indicating

1 that UE's existing coal fleet is going away for good  
2 any time soon, never to be replaced.

3           When there is evidence the coal fleet is  
4 going away, the coal production accounts will become  
5 dying accounts and the distinction between lifespan  
6 and mass property treatment diminish.

7           The Commission is going to be asked to  
8 answer the question of use of lifespan versus mass  
9 property for hydraulic and for coal production units.  
10 Both the steam production and the hydraulic  
11 production should continue to use the mass property  
12 approach but for two different reasons.

13           For steam production, past practices  
14 treated all steam production plants as one large  
15 production facility which has built up an excess  
16 accumulated depreciation reserve of approximately 250  
17 million. This buildup in reserve has been paid for  
18 by past and current ratepayers for the retirement of  
19 steam production plants and the resulted net salvage  
20 for cost of removal.

21           Staff recommends continuation of the  
22 mass property method of depreciation analysis leaving  
23 the excess reserve in place to cover any shortfall of  
24 reserves if the Company's proposed shutdown of the  
25 Meramec occurs -- of the Meramec plant occurs in

1 2022.

2                   For the hydraulic production plant, the  
3 Company has proposed using the FERC license renewal  
4 dates as the final facility retirement date for the  
5 lifespan analysis, but the FERC four-year operating  
6 licenses with license modifications are expected to  
7 be repeatedly renewed into the future.

8                   For current depreciation purposes, these  
9 hydro facilities do appear to effectively have an  
10 infinite life. For example, the Company has  
11 presented no evidence that Bagnell Dam will be  
12 retired and removed in 40 years. Staff recommends  
13 continuation of the mass property method of  
14 depreciation analysis which assumes a much longer  
15 life or approximately another 100 years for Bagnell  
16 Dam.

17                   In short, because the Company has not  
18 provided information regarding when the steam  
19 production and hydroelectric plants will no longer  
20 be economical to maintain and operate, Staff does  
21 not recommend the use of the lifespan -- lifespan  
22 approach.

23                   Instead, Staff recommends the Commission  
24 continue its use of the mass property approach which  
25 recognizes that its given facilities approach the end

1 of its useful life. Additional investment is  
2 required to either extend that facility's useful life  
3 or to place into service a new facility to meet the  
4 load.

5           Staff also recognizes the fact that it's  
6 incredibly unlikely that all of these items  
7 associated with a given plant site will be retired  
8 the day that plant ceases to burn coal. These plants  
9 are important nodes on the transmission grid, and  
10 that equipment will most certainly survive the coal  
11 burning facilities.

12           Further, it is likely that these sites,  
13 even if they cease to be coal-fired for environmental  
14 reasons, will be retrofitted for gas burning, allowing  
15 utilization of the boilers and turbines, the cooling  
16 equipment and much of the physical structures. It is  
17 also possible that CTGs or other generation will be  
18 situated on these sites. As difficult as it has been  
19 for the utilities in the state of Missouri to situate  
20 power plants recently, Staff finds it very unlikely  
21 that these sites will be abandoned altogether.

22           This case is not about lifespan versus  
23 mass property. MIEC did a lifespan study, and their  
24 proposed rates are much lower than Staff. AmerenUE  
25 presented recommended average service lives for use

1 with mass property, and those rates are much higher  
2 than Staff's.

3                   In the last case, this Commission  
4 decided that AmerenUE didn't have good evidence of  
5 when the coal and hydro units would be retired and  
6 that depreciation rates shouldn't be based on bad  
7 retirement guesses. In this case, the Company's put  
8 a little bit more work into their retirement dates,  
9 but they left out the most important part of the  
10 study, an economic analysis of potential  
11 replacements.

12                   The Company claims that it will be  
13 economic considerations rather than actual physical  
14 deteriorations that dictate the retirement of these  
15 plants, yet they did not look at what it will cost to  
16 replace the generation at the selected retirement  
17 date or what it will be replaced with at the selected  
18 retirement date.

19                   Right now, there is no economical  
20 substitute for base load coal plants. There may be a  
21 better mouse trap 20 years from now, there may not.  
22 If there's not, will the Company go ahead and shutter  
23 these units only to build more units using the same  
24 or marginally better technology? I hope not.

25                   The Company's dates are derived on the

1 theory that there's some contemplated environmental  
2 upgrades, and the Company has allotted 20 years of --  
3 20 years for the return of their investment in those  
4 upgrades. Basically, they took the projected date  
5 for the environmental upgrade at each -- at each  
6 plant, added 20 years to it and that's how they  
7 derived these dates. They did stagger them a bit to  
8 allow time for construction of replacement plant  
9 since the Commission -- Commission mentioned that in  
10 its last case.

11           One of the witnesses, and I believe it  
12 might be Mr. Birk, makes an analogy in his testimony  
13 to prolonging these plants' lives being like putting  
14 a new catalytic converter on a ten-year-old car, the  
15 implication that it's inherently a bad idea to do so.  
16 Well, without knowing the cost of a replacement car  
17 and the cost of a new catalytic converter, I think  
18 it's a little too soon to make that -- that decision  
19 without that information.

20           Here, the Company is urging the  
21 Commission to just scrap the car or at least give  
22 them the money for it upfront without checking on the  
23 price of a new one. When we get to these projected  
24 retirement dates, if it's cheaper to keep running the  
25 existing plant than to build a new one, one has to

1 assume the Company will keep running the existing  
2 plant. It may require some upgrades for addressing  
3 environmental concerns, but those are costs that will  
4 just have to be factored into that economic analysis.

5           Now let's talk about the Company's  
6 proposed after-service lives for the mass property  
7 approach. These rates are calculated from  
8 dollar-weighted average service lives. For example,  
9 if a plant costs one million dollars in 1960 and it  
10 got a one million dollar upgrade in 2000 and is  
11 retired in 2010, you have a million years -- you have  
12 a million dollars at a 50-year average service life  
13 and a million dollars at a ten-year service --  
14 average service life for a dollar-weighted average  
15 service life of 30 years.

16           What the Company has done is to project  
17 expenditures into the future. Those projected  
18 expenditures happen to be quite large relative to  
19 existing dollars in those plant accounts, and those  
20 projected expenditures happen to be relatively close  
21 to the projected retirement dates which means you're  
22 putting in dollars that have a shorter average  
23 service life close to the retirement date. So the  
24 Company's rates are higher because they are designed  
25 to accomplish the recovery of capital that has not



1 yet been expended.

2                   Using Sioux as an example, the Company  
3 is saying they want every dollar they've invested in  
4 Sioux -- in Sioux and will invest in Sioux in the  
5 future and might invest in Sioux in the future back  
6 by the year 2033. That's the money for coal handling  
7 equipment, boilers, generators, air intake,  
8 transmission and distribution facilities, parking  
9 lots on the site, the offices on the site, the river  
10 intake, everything there and also the environmental  
11 equipment that has not yet been placed into service  
12 yet. To be clear, I don't think they're requesting  
13 recovery on the dollars that have not yet been placed  
14 into service. They're simply accelerating their  
15 rates to account for those dollars.

16                   The Company argues that accelerating  
17 their rates is necessary based on intergenerational  
18 equity arguments. MIEC argues that their rates are  
19 necessary based on intergenerational equity  
20 arguments. Staff has looked at these considerations  
21 and has looked at the size of the reserve. The  
22 reserve is about where it needs to be. There should  
23 be a large enough reserve to accommodate terminal net  
24 salvage, and there is. However, growing the reserve  
25 too large isn't fair to current ratepayers, and

1 there's no guarantee that the money will be there for  
2 the benefit of future ratepayers.

3           Basically, the Company's approach has  
4 been to take the pool of excess accumulated  
5 depreciation and segregate it out to individual plant  
6 sites. Then they claim that the shortest remaining  
7 plant life, Meramec, doesn't have enough reserve to  
8 cover the cost of removal while the other plants  
9 that have longer projected lives, do have excess  
10 reserves. There are no dedicated decommissioning  
11 funds for each plant. There is, through the net  
12 salvage portion of depreciation rates, a pool of  
13 money collected over the expected average service  
14 life of all plants which is collected as a ratio of  
15 the total plant-in-service.

16           Traditional net salvage computation does  
17 not distinguish between interim or final or terminal  
18 retirement. The cost of removal included in  
19 traditional net salvage is collected over the life of  
20 the average plant for the total investment in all  
21 plant, not segregated out to different units and  
22 certainly not in any sort of dedicated  
23 decommissioning fund.

24           There's a final problem with the  
25 Company's proposed rates. They leave out the

1 terminal net salvage. They don't give a reason for  
2 leaving it out, and it's worth about another 13  
3 million that they'd like to collect every year. But  
4 why would they ask for it now when they can demand it  
5 in the next case? If you accept the Company's  
6 average service lives, the rates they have selected  
7 do not incorporate terminal net salvage.

8                   Even their consultant, Mr. Wiedmayer,  
9 states in his direct testimony that he recommended  
10 against the Company's decision to remove terminal net  
11 salvage from depreciation rates for the steam  
12 production plant accounts. If the Company's dates  
13 are right, and Staff certainly doesn't think that  
14 they are, then future ratepayers are going to be on  
15 the hook for a lot of money for net salvage that  
16 current ratepayers should be paying.

17                   But if you agree to the Company's dates  
18 in this case, the Company can demand a further  
19 increase in rates in the next case as a return to  
20 traditional net salvage treatment. After all, it's  
21 easier to ask for forgiveness than to beg for  
22 permission. We have Mr. Rice available for  
23 questions.

24                   JUDGE WOODRUFF: Thank you. Opening for  
25 Public Counsel?

1                   MR. MILLS: I don't have a mini opening  
2 for this issue.

3                   JUDGE WOODRUFF: MIEC?

4                   MR. DOWNEY: For the benefit of the  
5 court reporter, my name is Ed Downey and I represent  
6 the MIEC. May it please the Commission. We expect  
7 our evidence will consist of the testimonies of  
8 William Dunkel, that's his rebuttal testimony, and  
9 the testimonies of James Selecky, both -- well,  
10 direct, rebuttal and surrebuttal.

11                   And what that testimony will show is  
12 that for steam production plant, the MIEC recommends  
13 the whole life mass property approach. That's the  
14 approach taken by this Commission in Case  
15 No. 2007-0002, and it's also the approach taken by  
16 Staff in this case.

17                   MIEC also recommends a few corrections  
18 to the depreciation calculations performed by Staff,  
19 and in the event that the Commission were to adopt  
20 the lifespan approach for the steam production plant  
21 taken by Ameren, MIEC also recommends a few  
22 corrections to Ameren's calculations.

23                   To summarize the proposed changes that  
24 MIEC is advancing for the steam plant to the Staff's  
25 proposed calculation, the MIEC suggests removing the

1 impact of the Staff's inclusion of terminal net  
2 salvage for the steam production accounts. That's  
3 about a \$5.7 million issue. And the reason for that  
4 is that accruing for terminal net salvage is contrary  
5 to the Commission policy as stated in the Empire case  
6 and because these units are not ready for retirement  
7 shortly.

8                   Another reason is the amount of the  
9 terminal removal cost is unduly speculative because  
10 the Staff used no data pertaining to terminal removal  
11 cost in arriving at the alleged removal cost they  
12 wish to recover.

13                   The second issue is removal of the  
14 impact of including the final retirements of the  
15 Mound, Cahokia and Venice plants in the development  
16 of steam production depreciation lives. That is a  
17 \$42.7 million issue. Including those length --  
18 lengthened -- excuse me -- the reason we -- we  
19 suggest that adjustment is removing the impact of  
20 these -- those retirements -- let me back up a  
21 second.

22                   Basically, those retirements were  
23 premature. They were not reflective of the type of  
24 retirement experience that should be included in the  
25 life of net salvage analysis. And the Callaway steam

1 generators were retired at about 50 percent of their  
2 service life, and Ameren received a settlement on  
3 those early retirements. That's a \$5 million issue.

4           Now, to Ameren's proposed depreciation  
5 calculations using the lifespan approach for the  
6 steam plant, MIEC recommends computing the  
7 depreciation -- depreciation rates by extending the  
8 projected service life of Meramec by five years.  
9 That's a \$9.8 million issue. We believe that that  
10 adjustment is supported by the 2009 Burns and  
11 McDonnell study paid for in commission by Ameren.

12           The second issue is the net salvage for  
13 account 312. We suggest that that should be minus 10  
14 percent rather than minus 15 percent, and that's a  
15 \$3.9 million issue. We suggest that adjustment  
16 because we believe it's justified based on Ameren's  
17 actual experience and reflects future inflation.

18           Now, to both Ameren and the Staff's  
19 calculations, we would suggest the following: Ameren  
20 is actually projected to spend less than \$20 million  
21 per year on average over the next ten years for  
22 future transmission and distribution removal costs,  
23 but it seeks to accrue \$55 million per year from  
24 customers for T&D net salvage.

25           Ameren has already accrued \$582 million

1 for future removal costs. The MIEC simply proposes  
2 that there be a \$25 million offset to slow down the  
3 rate at which that \$582 million accrual increases.  
4 Even with that offset, the \$582 million accrual is  
5 expected to grow over the next ten years. Thank you.

6 JUDGE WOODRUFF: Thank you. I believe  
7 that's all the parties that -- Mr. Pendergast, come  
8 on up.

9 MR. PENDERGAST: If it please the  
10 Commission, I'll try and be very brief. Yesterday I  
11 gave an opening statement in which I referenced the  
12 depreciation issue in a little bit of detail. And  
13 just to make sure that the record is clear, I think  
14 in response to some questions I had with Commissioner  
15 Clayton, we were talking about the fact that the MIEC  
16 had based its depreciation amount for net salvage on  
17 expense.

18 I think it's fair to say that it's not  
19 strictly on expense. I think expense is used as a  
20 springboard for comparing what the expense amount  
21 would be versus an accrued amount, but they do  
22 provide some allowance on top of what the current  
23 expenses are, and I just want to make sure the record  
24 was clear on that particular aspect of it.

25 That said, I think it's still

1 substantively inconsistent with the Commission's  
2 decision in the Laclede case, it's still inconsistent  
3 with what other regulatory jurisdictions do in the  
4 vast majority of cases. I think it's still  
5 inconsistent with the NARUC manual on how these, you  
6 know, particular cost components are to be  
7 calculated. And therefore, I think it should  
8 continue to be rejected.

9 I think Mr. Lowery will also provide  
10 some cross-examination as to the arbitrariness of  
11 this additional allowance that's been made and how  
12 far short it falls of what the traditional method  
13 would produce.

14 The only other item I'd like to mention  
15 is that we've struggled in this proceeding. I think  
16 the Commission has with the whole concept of  
17 regulatory lag. And there's been a lot of evidence  
18 that's been presented about the tremendous capital  
19 investments that are made by utilities in this state,  
20 the fact that months, if not years, will pass before  
21 you actually have an opportunity to even start  
22 earning a return on those rather massive investments.  
23 And you know, for many of those investments, it's  
24 going to be 20, 30, 40 years before you will have a  
25 full recovery of those dollars.



1                   The one thing that goes the other way --  
2 or one of the few things that goes the other way is  
3 net salvage where you do get an allowance for what  
4 the expected cost is of removing facilities at some  
5 point in the future. And while you may feel that you  
6 can't do certain things to speed up the process under  
7 which you start recovering these dollars, I think the  
8 one thing you should not do is go ahead and further  
9 reduce the allowance that's provided to retire those  
10 costs at the end of their useful life.

11                   That's one thing that you don't need  
12 additional legislative authority to do, it's one  
13 thing that you've consistently done in the past. To  
14 provide that kind of allowance, it just seems to me  
15 that while you may be limited in what you can do to  
16 provide quicker recovery, you are not limited in at  
17 least preserving the opportunity that's out there now  
18 to provide an allowance for what those future costs  
19 will be.

20                   In fact, I think in the KCPL case, in  
21 the settlement in that, you actually used  
22 depreciation as a mechanism for generating additional  
23 cash flows to make capital investments in their large  
24 generating unit a possibility. And I think it would  
25 be a big step backwards to in this case whittle away

1 at one of the few tools you do have to provide cash  
2 flows through conventional methods. Thank you.

3 CHAIRMAN CLAYTON: Mr. Pendergast, can I  
4 ask you a couple of questions?

5 MR. PENDERGAST: Sure.

6 CHAIRMAN CLAYTON: You're basically  
7 talking about the difference -- your reference to  
8 our conversation yesterday was relating to the  
9 difference between the accrual method and the actual  
10 method --

11 MR. PENDERGAST: Exactly --

12 CHAIRMAN CLAYTON: -- of collecting the  
13 net salvage. Cost of removal component was built  
14 into depreciation rates. The question that I have  
15 since you referred back to the Laclede case that was  
16 litigated over a four- or five-year period, my  
17 recollection is that there were -- that the general  
18 consensus around the country was using an accrual  
19 type of method which has been advocated for by  
20 utilities in this state, but yet, there were maybe  
21 three states that used the actual method tracking the  
22 actual dollars used to remove property.

23 My question for you -- well, first --  
24 and if my premise is incorrect, don't -- don't  
25 hesitate correcting me. But are you aware of any

1 states that have either changed from accrual to  
2 actual or from actual to accrual since we concluded  
3 that case?

4 MR. PENDERGAST: I'm not, but I do  
5 remember in reading the deposition that Mr. Lowery  
6 took of Mr. Selecky, I believe, there was some  
7 discussion about what other states are doing, and I  
8 don't know if it's an increase. I think your  
9 memory's pretty dead-on, but I think they identified  
10 four or five states that today utilize something that  
11 departs somewhat from the traditional accrual methods  
12 and one of --

13 CHAIRMAN CLAYTON: There's some states  
14 that I think it's required by law.

15 MR. PENDERGAST: Yeah, Pennsylvania,  
16 exactly. Yeah, they have a statute that the Supreme  
17 Court there has interpreted as requiring a more  
18 expense-oriented approach.

19 CHAIRMAN CLAYTON: Okay. Thank you.

20 MR. PENDERGAST: Thank you.

21 JUDGE WOODRUFF: Okay. All right.

22 Let's move on to the first witness, then, which will  
23 be Mr. Wiedmayer.

24 MR. LOWERY: Judge, while Mr. Wiedmayer  
25 is taking the stand, I'd like to go ahead and move

1 the admission of Exhibit 164 so that -- before I  
2 forget it.

3 MR. DOWNEY: What is that, Jim?

4 JUDGE WOODRUFF: 164 was the DR response  
5 No. 51. Mr. Mills, have you had a chance to look at  
6 that yet?

7 MR. MILLS: Yes, Judge, I have now. I  
8 have no objection.

9 JUDGE WOODRUFF: All right. Exhibit 164  
10 will be received into evidence.

11 (EXHIBIT NO. 164 WAS RECEIVED INTO  
12 EVIDENCE AND MADE A PART OF THE RECORD.)

13 (EXHIBIT NOS. 104 NP, HC AND 105 AND 106  
14 WERE MARKED FOR IDENTIFICATION BY THE REPORTER.)

15 (The witness was sworn.)

16 JUDGE WOODRUFF: Thank you very much.  
17 And I will direct you, as one of the Commissioners  
18 indicated a little bit ago, you may have been in  
19 here, just to encourage you to answer the questions  
20 that are asked and not to elaborate on the question  
21 asked because it does tend to slow down the process  
22 if we do that.

23 THE WITNESS: I understand.

24 JUDGE WOODRUFF: Keep that in mind.

25 Thank you. You may inquire.

1 MR. LOWERY: Thank you, your Honor.

2 DIRECT EXAMINATION BY MR. LOWERY:

3 Q. Could you please state your name for the  
4 record.

5 A. My name is John Wiedmayer.

6 Q. And by whom are you employed?

7 A. Gannett Fleming, Inc.

8 Q. And Mr. Wiedmayer, did you cause to be  
9 prepared for filing in this docket prefiled testimony  
10 that's been premarked as Exhibit 104 NP and HC, 105  
11 and 106?

12 A. Yes.

13 Q. Do you have any corrections to those  
14 testimonies?

15 A. Yes, I do.

16 Q. And what would those corrections be?

17 A. In my rebuttal testimony on page 18,  
18 lines 17 and 18, there's the words "too much" on  
19 line 17. It should say "too little." And on line 18  
20 the words "too little" should read "too much."

21 Q. Any other corrections?

22 A. Yes. On page 22 of my rebuttal  
23 testimony, there's a table 1 that lists the average  
24 service lives proposed by Staff in this case, and it  
25 appears that one of the digits got knocked off of

1 that table where it indicates for the five steam  
2 plant accounts. For example, account 311, it has a  
3 proposed average service life for Staff of "6 years,"  
4 that should be "56 years."

5 For account 312 where it has "5 years,"  
6 that should be "45 years." Account 314 where it says  
7 "7 years," it should be "47 years." For account 315,  
8 it has "1 year," that should be "51 years." For  
9 account 316, Staff's proposed average service life is  
10 "5." According to this table it should be "45  
11 years."

12 Q. Any additional ones?

13 A. No.

14 Q. And no addition -- no corrections in  
15 your other testimony?

16 A. That's correct.

17 Q. With those corrections, if I would ask  
18 you the same questions that are posed in that  
19 testimony, would your answers be the same?

20 A. Yes.

21 MR. LOWERY: With that, your Honor, I  
22 move for the admission of Exhibits 104 NP, HC and 105  
23 and 106, and submit Mr. Wiedmayer for  
24 cross-examination.

25 JUDGE WOODRUFF: Exhibits 104, 105 and

1 106 have been offered. Any objection to their  
2 receipt?

3 (NO RESPONSE.)

4 JUDGE WOODRUFF: Hearing none, they  
5 should be received.

6 (EXHIBIT NOS. 104 NP, 104 HC, 105 AND  
7 106 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF  
8 THE RECORD.)

9 JUDGE WOODRUFF: For cross-examination,  
10 we would begin with Public Counsel.

11 MR. MILLS: No questions.

12 JUDGE WOODRUFF: I'm sorry. Did Laclede  
13 wish cross?

14 MR. PENDERGAST: I'll have no more  
15 questions on this issue. Thank you.

16 JUDGE WOODRUFF: All right. For Staff?

17 MS. KLIETHERMES: Thank you.

18 CROSS-EXAMINATION BY MS. KLIETHERMES:

19 Q. Good afternoon. And I will do my best  
20 to not mangle your name. How do you pronounce that,  
21 please?

22 A. Wiedmayer.

23 Q. Wiedmayer. On page 23, line 16 in your  
24 surrebuttal --

25 A. It's line what?

1 Q. Oh, I may have the wrong designation  
2 here. I wonder if that's supposed to be rebuttal.  
3 Yes, I'm sorry. It's your rebuttal. On page 23,  
4 lines 14 through 16.

5 A. Yes.

6 Q. Do you state that for the Meramec steam  
7 production facilities, the current average service  
8 life for all the plant-in-service is 14.41 years?

9 A. Yes.

10 Q. Does the Meramec production plant have  
11 four steam boiler generator production units?

12 A. Yes.

13 Q. And were those units placed in service  
14 in 1953, 1954, 1958 and 1961?

15 A. I believe unit 3 was placed in service  
16 in 1959.

17 Q. And that would be in lieu of the 1958?

18 A. Yes.

19 Q. All right. So these production units  
20 have been in service approximately 49 to 57 years; is  
21 that correct?

22 A. Yes.

23 Q. So the physical plants have been in  
24 service about 34 to 42 years longer than the average  
25 service dollars invested; is that correct?



1           A.       Yes.

2           Q.       I'd direct your attention to page 24,  
3 lines 16 through 17.

4           A.       Of my rebuttal?

5           Q.       Yes, I'm sorry.

6           A.       What lines? I'm sorry.

7           Q.       Approximately 16 and 17 -- 16 through  
8 18. I'm sorry. Do you state the combined steam  
9 boilers, account No. 312, for all four production  
10 steam units, that during the past ten years, the  
11 average plant additions have been \$84 million?

12          A.       Yes.

13          Q.       Does UE have 12 steam boilers?

14          A.       Yes.

15          Q.       So does Meramec have one-third of all  
16 UE's steam boilers?

17          A.       In terms of units, yes.

18          Q.       So would it be reasonable to assume that  
19 at least one quarter of the plant additions to the  
20 steam boiler accounts would have been additions to  
21 the Meramec facility?

22          A.       No.

23          Q.       Would it be approximately that amount?

24          A.       No. All -- all the units are unique, so  
25 I mean, there's numbers in both my work papers and

1 Mr. Rice's work papers that would detail exactly what  
2 that would be.

3 Q. Isn't it reasonable to depreciate plant  
4 over a life that you know will be exceeded?

5 A. It depends on the context in what you're  
6 asking for. Each -- each account that we make an  
7 estimate on is an average.

8 Q. Could you answer yes, no or I don't  
9 know? If you'd like, I could rephrase the question.

10 A. Yes, please.

11 Q. Is it standard depreciation practice to  
12 depreciate a plant over a life that you know will be  
13 exceeded?

14 A. We use an average and an average service  
15 life implies that there will be components that last  
16 longer than the average.

17 Q. Could you turn in your rebuttal to  
18 page 12, lines 10 through 12?

19 A. Could you repeat the -- the page number?

20 Q. Page 12.

21 A. Okay. Page 12. What lines?

22 Q. Lines 10 through 12. Could you please  
23 read the sentence that starts the third word in on  
24 line 10?

25 A. The hydro -- "The hydro plants may

1 remain in service beyond the expiration of their  
2 operating license. However, I believe it is  
3 reasonable to seek recovery of the undepreciated  
4 portion of these plants over the next 40 years or  
5 so."

6 Q. Does use of mass property actually rely  
7 on an assumption that plants have an infinite life?

8 A. No.

9 Q. Could you look in your rebuttal at  
10 page 14, lines -- page 14, lines 18 -- 18 to 19?  
11 Could you read that first sentence in that paragraph  
12 on lines 18 -- 18 to 19?

13 A. Yes. "The use of a lifespan based on  
14 informed judgment that is periodically assessed is  
15 far more equitable than the assumption of a plant  
16 having an infinite life."

17 Q. And could you look at page 17? And  
18 could you read lines 8 through 10, that first  
19 sentence?

20 A. Okay. Yes. "The variances that occur  
21 between 2000 and the year 2025 after the  
22 rehabilitation are greater because the infinite  
23 lifespan assumption is applied to the \$100 million  
24 addition made in 2000, just as it was applied to the  
25 original installation cost of 50 million."

1 Q. Is a transformer from Venice currently  
2 installed at the Osage hydro facility?

3 A. I'm not aware of that.

4 Q. That's not something you examined in the  
5 course of your study?

6 A. Correct.

7 Q. Is Labadie a node on the transmission  
8 system?

9 THE COURT REPORTER: I'm sorry. I  
10 didn't hear you.

11 BY MS. KLIETHERMES:

12 Q. Is Labadie a node on the transmission  
13 system?

14 A. Yes.

15 THE COURT REPORTER: Thank you.

16 BY MS. KLIETHERMES:

17 Q. Will the Company abandon those  
18 transmission facilities in 2042?

19 A. I have no ability to predict that.

20 Q. Did you check in your study with anyone  
21 whether the Company plans to abandon those facilities  
22 in 2042?

23 A. No, I did not.

24 MS. KLIETHERMES: That's all I have.

25 Thank you.

1                   JUDGE WOODRUFF: All right. Then we'll  
2 go to MIEC.

3 CROSS-EXAMINATION BY MR. DOWNEY:

4           Q.       Mr. Wiedmayer, I hadn't planned to ask  
5 you any questions, but I'm going to see if I can  
6 extract some information from you that I plan to get  
7 from another witness, okay? Would you agree that  
8 there's one nuclear unit that Callaway operates?

9           A.       Yes.

10          Q.       Okay. And 12 steam units?

11          A.       Yes.

12          Q.       And there are 24 or 25 hydro units? And  
13 if you know, tell me which it is.

14          A.       I'm not exactly sure of the number of  
15 units. There's three hydro locations. One's pump  
16 storage, one's a run of the river and the other's a  
17 traditional. I'm not sure of the number of units at  
18 each -- each hydro site.

19          Q.       Okay. And do you know how many gas  
20 turbines they operate?

21          A.       I believe it's 45, 46.

22          Q.       And most of those are in Missouri?

23          A.       There's a combination of Missouri and  
24 Illinois.

25          Q.       I understand, but are most of them in

1 Missouri?

2 A. I'm not exactly sure of the percentage  
3 that are --

4 MR. DOWNEY: All right. Thanks for  
5 trying. No further questions.

6 JUDGE WOODRUFF: Okay. Then we'll come  
7 up for questions from the bench. Commissioner Kenney?

8 COMMISSIONER KENNEY: I don't have any  
9 questions. Thank you.

10 JUDGE WOODRUFF: Nothing here. No need  
11 for recross. Any redirect?

12 MR. LOWERY: Got a few questions, your  
13 Honor.

14 REDIRECT EXAMINATION BY MR. LOWERY:

15 Q. Ms. Kliethermes asked you a question  
16 about the additions across the steam fleet over the  
17 past ten years. Do you remember that question?

18 A. I don't, really.

19 Q. Well, turn to page 24, line 17 of your  
20 rebuttal testimony.

21 A. Yes. Okay.

22 Q. Do you see the 84 million that I'm  
23 talking about there?

24 A. Yes.

25 Q. And I believe you said something along

1 the lines you cannot assume that the Meramec plant  
2 received one-fourth of those additions. Can you  
3 elaborate on that, please?

4 A. Sure. We -- we maintain the plant  
5 balance by locations, so each plant, based upon its  
6 age and condition, receives the investment that it  
7 needs to continue to operate in a safe condition. So  
8 I did not agree to the assumption that just because  
9 it was one-third of the -- of the number of units and  
10 had four of the 12 steam units, I did not agree that  
11 33 percent of the additions would be made at Meramec.

12 Q. Is -- in fact, the depreciation study  
13 that you did, isn't that information available in  
14 terms of exactly what the right number is?

15 A. Absolutely. It's both in my work papers  
16 and it's in Mr. Rice's work papers.

17 Q. You don't know off the top of your head  
18 what it is?

19 A. It's in my depreciation study. I don't  
20 know off the top of my head, no.

21 Q. It's actually in your depreciation study  
22 which is in evidence in this case, correct?

23 A. Yes, that is correct. Appendix C of my  
24 depreciation study report.

25 Q. Now, Ms. Kliethermes, she directed you

1 to page 12 of your rebuttal testimony as well, and  
2 she asked you about hydroelectric plants and your  
3 statement that the FERC license for some of those  
4 plants might be renewed, but for depreciation  
5 purposes, you were depreciating the plant over the  
6 existing FERC license. Do you remember that?

7 A. Yes.

8 Q. How does the Staff depreciate the  
9 Callaway plant?

10 A. They use the lifespan approach.

11 Q. And the denominator that they use, the  
12 service -- the lifespan, the estimated service life  
13 that they use, where do they get that?

14 A. They get that from the NRC license.  
15 That is the -- 60 years is the lifespan for Callaway  
16 based upon the expiration of that NRC operating  
17 license.

18 Q. When does the license that's in effect  
19 today, when does it expire?

20 A. Currently it expires in the year 2024.

21 Q. Over what period is Staff depreciating  
22 the Callaway plant?

23 A. In general, they're using a lifespan of  
24 60 years.

25 Q. And that's tied to -- that's -- and is



1 that 20 years beyond the expiration date of the  
2 current license?

3 A. Yes, it is.

4 Q. Is that any different than what you're  
5 doing with the hydroelectric plants with regard to  
6 the use of the FERC license for the estimated  
7 lifespan?

8 A. No. I've judged that to be a reasonable  
9 period of time to recover the remaining investment in  
10 those plants over the license -- over the operating  
11 license life.

12 Q. But there's one difference, isn't there?  
13 The NRC license date that they're using isn't even an  
14 NRC license yet, correct?

15 A. Correct.

16 Q. The FERC -- the dates you're using for  
17 the hydro plants are the actual licenses that are in  
18 place from the Federal Energy Regulatory Commission  
19 for those plants; isn't that right?

20 MR. DOWNEY: Judge, Judge, I'm going to  
21 object. He's leading his own witness.

22 JUDGE WOODRUFF: I'll sustain that  
23 objection.

24 MR. LOWERY: Judge, the only exception I  
25 would take to that is the same objection for MIEC's

1 counsel yesterday was overruled repeatedly, so I'm  
2 just not sure what the rules are.

3 JUDGE WOODRUFF: Well, I've made my  
4 ruling, so move on.

5 MR. LOWERY: I understand.

6 BY MR. LOWERY:

7 Q. Mr. Wiedmayer, the lifespan used for the  
8 Callaway nuclear plant, is there an actual license  
9 associated with that or is there not an actual  
10 license associated with it?

11 A. The lifespan that's used by Staff, by  
12 the Company, by MIEC is not based upon the actual  
13 operating license expiration date which is currently  
14 the year 2024.

15 Q. And what about the -- the lifespans you  
16 used for the hydro plants?

17 A. They are based upon the actual operating  
18 license -- license granted by the FERC, Federal  
19 Energy Regulatory Commission.

20 Q. Mr. Wiedmayer, you were asked --

21 A. With -- with the exception of Keokuk,  
22 which was built in 1913 and took an act of Congress,  
23 so it was established before the Federal Energy  
24 Regulatory Commission came into existence.

25 Q. It's not subject to the licensing

1 requirements of the Federal Power Act, is what you're  
2 saying?

3 A. That is correct.

4 Q. You were asked some questions about your  
5 description of the mass property approach as leading  
6 to infinite life. Do you remember those?

7 A. Yes.

8 Q. Does the retirement history that --  
9 what -- what role does the retirement history, the  
10 final retirement history in the depreciation  
11 information that you studied, what role does that  
12 play in whether or not the use of mass property  
13 approach will produce infinite lives?

14 A. The difference between Company's  
15 proposed depreciation rates and the Staff's proposed  
16 depreciation rates is that the Company has estimated  
17 a final date of retirement for the plants. We  
18 have -- we have established when we think those  
19 plants will be retired based upon the best evidence  
20 that we have available.

21 We looked at lifespans that other  
22 electric companies around the country used based upon  
23 a survey that Black & Veatch performed where they had  
24 actually 133 different electric generating units, and  
25 the lifespan -- the average lifespan of those 133

1 existing coal-fired generating units is 55 years.

2           We've also taken a look at steam plants  
3 that have been retired. Mr. Loos has presented over  
4 500 and some coal-fired generating units that have  
5 been retired with an average lifespan of about 44  
6 years.

7           I've also presented evidence in terms of  
8 the Meramec-era steam plants that have recently been  
9 retired and also those that have been announced, and  
10 the average lifespan of those is about 55 years.  
11 We've estimated a final retirement date, the Staff  
12 has not. And implicit in not estimating a year of  
13 final retirement, the Staff's proposal assumes a --  
14 an operation -- an operation of those plants where  
15 you're just constantly changing out components. So  
16 the operating of that life is infinite based upon the  
17 Staff's estimate because they failed to estimate a  
18 final year of retirement.

19           Q.       And when you use the term "infinite,"  
20 that's what you meant?

21           A.       Yes.

22           Q.       Now, Ms. Kliethermes asked you some  
23 questions about Labadie and whether Labadie was a  
24 node on the transmission system. Do you remember  
25 that question?

1           A.       Yes, I do.

2           Q.       Is it necessary to have the Labadie  
3 steam plant sitting there for that site to be a node  
4 on the system?

5           A.       No, it is not.

6                   MR. LOWERY: That's all I have. Thank  
7 you very much.

8                   JUDGE WOODRUFF: And Mr. Wiedmayer, you  
9 may step down. We're due for a break. We'll take a  
10 break now and come back at three o'clock.

11                   (A RECESS WAS TAKEN.)

12                   (EXHIBIT NOS. 107, 107 HC AND EXHIBIT  
13 NO. 108 WERE MARKED FOR IDENTIFICATION BY THE COURT  
14 REPORTER.)

15                   JUDGE WOODRUFF: All right. Let's go  
16 ahead and get started. We've taken our break and  
17 we're ready to go on with the next witness. Mr. Loos  
18 has taken the stand. Please raise your right hand.

19                   (The witness was sworn.)

20                   JUDGE WOODRUFF: Thank you very much.  
21 And you may have heard my remarks earlier about when  
22 you're asked a question, please answer the question  
23 that's asked and don't elaborate unless an attorney  
24 asks you to do that.

25                   THE WITNESS: I did.

1                   JUDGE WOODRUFF: All right, then. You  
2 may inquire.

3                   MR. LOWERY: Thank you, your Honor.

4 DIRECT EXAMINATION BY MR. LOWERY:

5           Q.        Would you please state your name for the  
6 record.

7           A.        Larry Loos, L-o-o-s.

8           Q.        And by whom are you employed, Mr. Loos?

9           A.        Black & Veatch Corporation.

10          Q.        Did you cause to be prepared for filing  
11 in this docket prefiled testimony that's been  
12 premarked as Exhibits 107 HC and NP and 108?

13          A.        Yes.

14          Q.        And if I were to ask you the same --  
15 actually I almost forgot something, Mr. Loos. You do  
16 have some corrections to your testimony that you  
17 discovered after it was filed in your surrebuttal  
18 testimony; is that right?

19          A.        Actually, it was my -- my direct  
20 testimony that was -- after preparation and  
21 surrebuttal, I found it.

22                   MR. LOWERY: Okay. I'd like to mark an  
23 exhibit, your Honor. I believe it would be 166?

24                   JUDGE WOODRUFF: That is correct, 166.

25                   (EXHIBIT NO. 166 WAS MARKED FOR

1 IDENTIFICATION BY THE COURT REPORTER.)

2 BY MR. LOWERY:

3 Q. Mr. Loos, I've handed you an exhibit  
4 that has been marked for identification as  
5 Exhibit 166, and can you describe what this is,  
6 please?

7 A. This exhibit, Exhibit 166, identifies an  
8 error that I found in connection with tables 3-4 and  
9 3-5 of my schedule LWL-E1. Identified that -- found  
10 that the lifespans that I indicated in those two  
11 columns on those two tables was one year longer  
12 than -- well, we -- that it's actually indicating  
13 through my estimated lifespans.

14 The estimated lifespans control.  
15 Therefore, this error doesn't affect any conclusions,  
16 but those periods are reflected throughout my  
17 testimony with direct and surrebuttal as well as  
18 schedule LWL-E1. This particular exhibit identifies  
19 each of the cases where a correction would be  
20 required to correct that problem.

21 Q. And Mr. Loos, other than the corrections  
22 that are indicated by you in Exhibit 166, if I were  
23 to ask you the questions that appear in your  
24 testimony, would your answers be the same?

25 A. Yes.

1 Q. And I believe you indicated that you  
2 discovered this problem after your surrebuttal  
3 testimony was filed; is that right?

4 A. I did, yes.

5 Q. Just so the record's clear, this doesn't  
6 affect any of your conclusions; is that right?

7 A. No -- no, it does not.

8 Q. With these changes, is your testimony --  
9 Exhibits 107 HC and NP and 108, is it true and  
10 accurate to the best of your knowledge, information  
11 and belief?

12 A. Yes.

13 MR. LOWERY: Your Honor, with that, I  
14 would move for the admission of Exhibit 166 and also  
15 the admission of Exhibits 107 and 108 and tender the  
16 witness for cross-examination.

17 JUDGE WOODRUFF: Exhibits 107 and 108  
18 and 166 have been offered into evidence. Are there  
19 any objections to their receipt?

20 (NO RESPONSE.)

21 JUDGE WOODRUFF: Hearing none, they will  
22 be received.

23 (EXHIBIT NOS. 107 HC AND NP, 108 AND 166  
24 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
25 RECORD.)



1 JUDGE WOODRUFF: And for  
2 cross-examination, we begin with Staff.

3 MS. KLIETHERMES: Thank you, Judge.

4 CROSS-EXAMINATION BY MS. KLIETHERMES:

5 Q. Good afternoon, Mr. Loos.

6 A. Good afternoon.

7 Q. Is the current condition of AmerenUE  
8 plant overall good?

9 A. Yes, for plants that age, yes.

10 Q. Will it be economic factors or physical  
11 limitations that likely drive the retirement  
12 decisions for these plants?

13 A. Economic.

14 Q. Did you study the economic factors?

15 A. Only in a broad sense.

16 Q. Did you study the cost of replacement  
17 generation?

18 A. Not specifically, though it's always in  
19 the back of my mind.

20 Q. What technology will replace these  
21 coal-fired units?

22 A. That's uncertain.

23 Q. Did you look at the cost of upgrades or  
24 retrofits prior to those -- pardon. Did you look at  
25 the cost of upgrades or retrofit units prior to the

1 time of the projected retirement?

2 A. Only capital improvements budgeted over  
3 the next five years.

4 Q. Did you look at the cost of upgrades or  
5 retrofits of these units at the time of projected  
6 retirement?

7 A. At the time of retirement, I would  
8 assume that there's not going to be any. The  
9 upgrades have -- have been done prior to the final  
10 retirement.

11 Q. Did you look at upgrades or retrofits as  
12 an alternative to retirement?

13 A. I considered it.

14 Q. Did that actually factor into your  
15 selective retirement dates?

16 A. In the -- in the overall -- in the  
17 overall sense as to the way that I developed the  
18 estimates, it's a consideration.

19 Q. Did it -- absent that consideration,  
20 would you have had the same numbers?

21 A. Most likely.

22 Q. Are scrubbers currently being installed  
23 at the Sioux facility?

24 A. Yes.

25 Q. And did your study include consideration

1 for future additions of scrubbers to Labadie and Rush  
2 Island?

3 A. Yes, I included an allowance for capital  
4 recovery in the event that scrubbers are required at  
5 those two plants.

6 Q. So your retirement dates for AmerenUE's  
7 four production facilities included a review of the  
8 whole life retirement history of UE's steam  
9 production plant, but did not base the choice of  
10 retirement dates on physical plant limitations; is  
11 that correct?

12 A. Yes.

13 Q. The retirement dates for Sioux, Labadie  
14 and Rush Island steam production facilities were  
15 based on economic factors which includes the  
16 assumption that an economic recovery period of 20  
17 years is an appropriate recovery time for future  
18 investment and scrubber equipment; is that correct?

19 A. It's a reasonable period, yes.

20 Q. But you didn't study whether there will  
21 be an economical source of replacement generation at  
22 the end of those 20 years, correct?

23 A. Economic relative to what?

24 Q. You didn't -- exactly. You didn't  
25 compare to an alternative source of generation or

1 replacement generation or extending the life of that  
2 generation, correct?

3 A. No, I did not -- did not attempt to  
4 estimate what the cost of rehabilitation upgrades,  
5 restoration efficiencies, all the various factors  
6 that would go into the life extension to compare  
7 against what the alternatives are and what the  
8 efficiencies of these plants would be relative to  
9 what the alternative -- the efficiency of alternative  
10 is nor an exhaustive -- exhaustive investigation of  
11 what the technology might be.

12 Q. Is it your understanding that the  
13 Meramec facility will not be getting a scrubber  
14 upgrade?

15 A. That is correct.

16 Q. Will AmerenUE do whatever is necessary  
17 to continue to operate the Meramec plant beyond its  
18 estimated final retirement so as to have available  
19 adequate system capacity to provide safe and reliable  
20 electric service to its native customer base?

21 A. Either through Meramec or some other  
22 resource, whether it's purchased, constructed.

23 Q. Did you base your final retirement of  
24 2022 for Meramec or -- on the AmerenUE IRP?

25 A. Yes.

1 Q. Did that --

2 A. As well as the -- as well as the ECP.

3 Q. Thank you. Did that IRP include plans  
4 for a second nuclear facility to be on line by 2022?

5 A. I don't recall. It may have.

6 Q. Would it surprise you if it did include  
7 plans for a second nuclear facility to be on line by  
8 2022?

9 A. No.

10 Q. You reference in your direct looking at  
11 the estimated retirement dates for coal units in 26  
12 western states, correct?

13 A. Yes.

14 Q. Did you look at the level of renewable  
15 potential in those states relative to Missouri?

16 A. Not in detail, no.

17 Q. Did those states in general have higher  
18 or lower renewable potential than eastern Missouri?

19 A. I think it varies. Certainly the solar  
20 resources in the southwest are better. The wind  
21 resources may be better or worse.

22 Q. Did you look at the level of  
23 environmental regulation in those states relative to  
24 Missouri?

25 A. Not in detail, no.

1 Q. So you don't know whether those states  
2 have a higher or lower level of environmental  
3 regulations?

4 A. No.

5 Q. Was California one of those states?

6 A. No.

7 Q. Was Oregon one of those states?

8 A. No.

9 Q. Was Washington one of those states?

10 A. No.

11 Q. Was Nevada one of those states?

12 A. Yes.

13 Q. Does Nevada have good solar resources?

14 A. Yes.

15 Q. Was Colorado one of those states?

16 A. Yes.

17 Q. Was New Mexico one of those states?

18 A. Yes.

19 Q. Was Arizona one of those states?

20 A. Yes.

21 Q. Was Utah one of those states?

22 A. Yes.

23 Q. Was Wyoming?

24 A. Yes.

25 Q. North Dakota?

1           A.     Yes.

2           Q.     South Dakota?

3           A.     Yes.

4                   MS. KLIETHERMES: Thank you. That's all

5 I have.

6                   JUDGE WOODRUFF: Thank you. Cross from

7 MIEC?

8                   MR. DOWNEY: Yes, please.

9 CROSS-EXAMINATION BY MR. DOWNEY:

10          Q.     Good afternoon, Mr. Loos.

11          A.     Good afternoon.

12          Q.     I want to talk to you about your

13 lifespan study for the coal-fired plants, okay?

14          A.     Okay.

15          Q.     Do you have your direct testimony in

16 front of you?

17          A.     Yes.

18          Q.     Okay. Would you please take a look at

19 table 2-1?

20          A.     Which is in LWL-E1, right?

21          Q.     Yes, and I believe 2-2 is the page.

22          A.     I have it.

23          Q.     Okay. Does that table list certain

24 information about the plants for which you estimated

25 future retirement dates?

1 A. Yes.

2 Q. Okay. And are those power plants the  
3 Meramec, the Sioux, the Labadie and the Rush Island  
4 plants?

5 A. Yes.

6 Q. Okay. And each of those plants has  
7 multiple production units, correct?

8 A. Yes.

9 Q. Okay. Do you show the nameplate  
10 capacity of those units on table 2-1?

11 A. Yes, as reported by energy velocity.

12 Q. Okay. And do you agree with me that the  
13 average nameplate capacity of those units is right at  
14 470 megawatts?

15 A. Appears to be.

16 Q. Thank you. Would you please turn to  
17 page A-5 of appendix A2?

18 A. Okay.

19 Q. Are these the data used in the retired  
20 plant survey component of your analysis?

21 A. Yes.

22 Q. And how many units were considered in  
23 this retired plant survey?

24 A. 586.

25 Q. And would you please tell the Commission



1 what the median capacity is of those 586 retired  
2 units?

3 A. 12.25 megawatts.

4 Q. And also tell the Commission, please,  
5 what the mean or average capacity is of those units.

6 A. 33.12.

7 Q. And I think you may have already covered  
8 this, but you did rely on an integrated resource  
9 plan, correct?

10 A. The data we were able to obtain from  
11 integrated resource plans that were available as well  
12 as the Company's integrated resource plan with  
13 respect to the retirement of Meramec.

14 Q. Okay. And if I recall your testimony, I  
15 think you said you weren't sure, but you didn't doubt  
16 that that resource plan included plans for  
17 Callaway -- what I'm calling Callaway 2?

18 A. That is correct.

19 Q. Are you aware of how Ameren plans to  
20 replace any of the capacity that you show retiring in  
21 your study?

22 A. No, I don't.

23 Q. Would you please turn to page B-3 of  
24 your study?

25 A. Okay.

1 Q. You see the final paragraph here at the  
2 bottom of page B-3?

3 A. Yes.

4 Q. Would you read that into the record,  
5 please?

6 A. "Based on the foregoing, Black & Veatch  
7 does not foresee any technical reasons that would  
8 cause the currently operating generation assets at  
9 the Meramec facility to be retired prematurely.  
10 Black & Veatch cannot opine as to whether there will  
11 be economic, operational or environmental issues  
12 which might adversely affect the viability of the  
13 generating assets in the future."

14 Q. Okay. Would you agree, then, that the  
15 Meramec plant could operate beyond its estimated  
16 retirement date?

17 A. Yes, you know, provided that the  
18 adequate capital resources are put into it and  
19 environmental regulations are such that it could --  
20 it could operate.

21 Q. Okay. And you show a retirement date of  
22 Meramec of 2022?

23 A. Yes.

24 Q. Okay. Did you review the -- what I'm  
25 calling the Burns & McDonnell study?

1           A.       I did at one time but I don't recall it.

2                   MR. DOWNEY:   May I approach, Judge?

3                   JUDGE WOODRUFF:   You may.   I think we're  
4 up to 434; is that correct?   434.

5                               (EXHIBIT NO. 434 HC WAS MARKED FOR  
6 IDENTIFICATION BY THE COURT REPORTER.)

7                   MR. DOWNEY:   And Jim, forgive me.   Is  
8 this a highly confidential document?   I didn't see  
9 where it was marked that.

10                   MR. LOWERY:   Well, I don't know what ER  
11 you got it from, so I don't know the answer to that.  
12 I think we probably -- it may be.   I don't know.

13                   MR. DOWNEY:   Judge, I apologize.   I  
14 don't know if this document is from a highly  
15 confidential disclosure under a DR or not.

16                   JUDGE WOODRUFF:   Do you want to treat it  
17 as highly confidential?

18                   MR. LOWERY:   I would rather, your Honor,  
19 just as -- out of an abundance of caution because we  
20 don't have a way of knowing.

21                   COMMISSIONER DAVIS:   It says  
22 confidential.

23                   JUDGE WOODRUFF:   Okay.   It sounds like  
24 something that would be, so we'll call it 434 HC.  
25 And if you want to discuss any details, we will need

1 to go in-camera.

2 BY MR. DOWNEY:

3 Q. Mr. Loos, I'll tell you, I didn't copy  
4 the entire document, although I did bring it. If  
5 you'd like to look at the entire document, I'm  
6 certainly happy to give it to you. I didn't want to  
7 kill too many trees in this hearing. However, I  
8 think I copied the parts that -- that we want to talk  
9 about.

10 MR. DOWNEY: And I think this is now  
11 Exhibit 434, and I've given it to the witness.

12 JUDGE WOODRUFF: Do we need to go  
13 in-camera?

14 MR. DOWNEY: Yes, please.

15 JUDGE WOODRUFF: All right. We'll go  
16 in-camera at this time.

17 (Reporter's Note: At this point, an  
18 in-camera session was held, which is contained in  
19 Volume 25, pages 1290 through 1294 of this  
20 transcript.)

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1                   JUDGE WOODRUFF: And we're back in  
2 regular session. And while we were off in-camera,  
3 cross-examination concluded, but we have questions  
4 from the bench.

5 QUESTIONS BY COMMISSIONER DAVIS:

6           Q.        Good afternoon, Mr. Loos. Okay.  
7 Mr. Loos, it's my mental impression that -- that  
8 lifespan depreciation methodology takes a significant  
9 capital expenditure like a coal plant and depreciates  
10 out the cost of recovery over -- over, you know,  
11 straight-line depreciation over a period of years  
12 that's the estimated life of the capital asset; is  
13 that more or less correct?

14          A.        Yes.

15          Q.        All right. And I guess implicit in  
16 that -- in that lifespan depreciation methodology,  
17 you know, it contemplates that there are going to be  
18 additions and -- and other maintenance and upkeep on  
19 the plant, you know, to keep it going, correct?

20          A.        Yes. If it weren't for the upkeep,  
21 it's -- it could die at any point.

22          Q.        And so when you're using that lifespan  
23 depreciation methodology, you're going to have, I  
24 guess -- now, if I get this term wrong, you -- you  
25 tell me because I am not a depreciation expert -- but

1 you have these survivor curves or -- I -- so for  
2 instance, you know, if I built a new coal plant in  
3 1980 and I put in, you know, good maintenance and  
4 replaced turbines in 2000, then would there be a  
5 separate curve for those turbines for 2000 or is it  
6 all in one index or how does -- how does -- how does  
7 that work?

8 A. My understanding of the -- of the  
9 application of the survivor curves in this instance  
10 is that there is a different survivor curve, a  
11 different average service life for each of the five  
12 accounts that are within steam production. And  
13 that -- that survivor curve applies to the 1953  
14 addition at Meramec as well as the 2010 scrubber  
15 addition at Sioux when it comes on.

16 Q. Okay. So -- but is it -- are there --  
17 are there five accounts for each plant?

18 A. Yes.

19 Q. Okay. And so the value in those  
20 accounts change with each asset addition?

21 A. And retirement.

22 Q. And retirement?

23 A. Yes.

24 Q. Okay. And then at the -- at the end --  
25 well, let's say for whatever reason you make the

1 decision to shut down like, I guess, what was it,  
2 Venice 2 in 2002 or --

3 A. I believe so, yes.

4 Q. Okay. So you make the decision, then  
5 you -- I mean, basically everything comes to a stop  
6 then? I mean --

7 A. When you retire the plant, all the stuff  
8 that's in the plant is no longer used and useful.

9 Now, you may pull out some small components --

10 Q. Right. You've got the net salvage  
11 issue?

12 A. Right. But otherwise, they're worthless  
13 to make electricity.

14 Q. Right. And is it -- is it fair to say  
15 that the big criticism of the lifespan methodology is  
16 the fact that you don't know when the retirement  
17 dates are necessarily going to be?

18 A. That's my understanding of the  
19 criticism. I don't share that criticism. I'm just  
20 the opposite. I'm more comfortable with lifespan  
21 than I am with mass property.

22 Q. Right, because you can -- you're only  
23 going to recover the depreciation once, correct?

24 A. Right.

25 Q. So you know, if you, for instance, have

1 a coal plant that's -- you know, you estimate the  
2 life on that coal plant to be 60 years, you know, so  
3 you're depreciating it out over 60 years and then you  
4 say, well, we're going to have to extend the life of  
5 that coal plant for another ten years, you can -- you  
6 can adjust the curve and adjust the recovery  
7 accordingly?

8 A. Yes.

9 Q. Okay. And so the opponents would argue  
10 that it creates a -- what I guess I'd call a  
11 generational inequity in that you've got people that  
12 are paying more for the plant at an -- at an earlier  
13 stage than they should be according to straight-line  
14 depreciation; is that fair to say?

15 A. The opponents would say that the  
16 existing customers are paying more because the life  
17 is long -- longer than what we assumed for the first  
18 40 years or whatever period.

19 Q. Uh-huh.

20 A. But in response to that, we also have  
21 the capital additions that may or may not have been  
22 reflected in the depreciation rates in that first 40  
23 years that are then picked up during that ten-year  
24 extension.

25 Q. Uh-huh. Did you -- did you have a



1 chance to read Mr. Rice's surrebuttal testimony?

2 A. Yes.

3 Q. Okay. Page 6 -- at the bottom of page 6  
4 he's got a table.

5 A. I'll see if counsel can give me a copy.

6 Q. And it talks about the different -- the  
7 difference in recovery of the two methods, and it  
8 attempts to put a -- put a dollar value to it?

9 A. I think counsel is trying to find me a  
10 copy.

11 MR. LOWERY: Surrebuttal testimony, your  
12 Honor?

13 COMMISSIONER DAVIS: Yes, surrebuttal  
14 testimony.

15 MR. LOWERY: I'll loan him mine.

16 THE WITNESS: Page reference?

17 BY COMMISSIONER DAVIS:

18 Q. Page 6, there's a table.

19 A. Okay.

20 Q. So it talks about a roughly 25 percent  
21 difference between using the lifespan versus the use  
22 of mass property.

23 A. Yes.

24 Q. Now -- and then on the -- on the next  
25 page, page 7, lines 4 through 11, he talks about

1 AmerenUE's steam production plant current book  
2 reserves have accumulated 250 million in excess  
3 reserves and the Company's method indicates 200  
4 million in excess reserves. So basically he's saying  
5 that you've already got excess money in reserve,  
6 therefore, our lower number, 76 million versus 100  
7 million, is superior. How do you respond to that  
8 argument?

9 A. First of all, the 250 million is a  
10 function of the depreciation rate.

11 THE COURT REPORTER: Is a function --

12 THE WITNESS: A function of the  
13 depreciation rate. If the depreciation rate that  
14 it's using to measure the 250 million is too low,  
15 then that produces an answer. If the proper rate is  
16 higher, that 250 million will decline. So it's a bit  
17 of a circularity involved in that.

18 BY COMMISSIONER DAVIS:

19 Q. Okay. So if the -- if we follow  
20 AmerenUE's recommendation, we go with the higher  
21 rate, then it will actually deplete the reserve and  
22 not add to it; is that what you're saying?

23 A. It will -- it will -- it will increase  
24 the --

25 Q. It will --

1           A.       -- reserve and the -- the indicated  
2 excess in reserve based on the mass property  
3 treatment because the rate continues to be too low.  
4 But if it's measured against a higher rate, then it's  
5 not -- it's not as high. For example, the 200  
6 million that he identifies with respect to the  
7 Company based on my understanding is that to the  
8 Company's rates, that 200 million is being amortized  
9 over the remaining life of those units.

10          Q.       Okay. And Mr. Loos, you're just  
11 going -- you're just going to have to forgive me here  
12 because I'm lost and I'm trying to get through this.  
13 Let me just back up. What does -- okay. AmerenUE  
14 says they've got \$200 million in excess reserves for  
15 steam production plant. The Missouri PSC Staff says  
16 AmerenUE's got \$250 million in excess reserves. What  
17 does that mean? I mean, what -- what does it mean to  
18 have money in excess reserve?

19          A.       Well, first -- first of all, we need to  
20 recognize that the -- any excess of reserves --

21          Q.       Uh-huh.

22          A.       -- is in depreciation reserve which  
23 tends to reduce rate base. So it's -- we've  
24 recovered it, but we're not collecting carrying cost  
25 on a return on it.

1 THE COURT REPORTER: We're not -- I'm  
2 sorry. We're not --

3 THE WITNESS: Collecting carrying cost  
4 return on it.

5 THE COURT REPORTER: Thank you.

6 THE WITNESS: It -- it means that at  
7 some point, and it could have been today or it could  
8 have been back in the 1970s, the depreciation rates  
9 were generating more depreciation than what the rates  
10 today would indicate they should have. So we're in a  
11 position where that we've accumulated through  
12 depreciation a higher level of reserves than  
13 theoretically --

14 BY COMMISSIONER DAVIS:

15 Q. We should -- they should have?

16 A. -- should have, based on the rate that  
17 Staff has proposed.

18 Q. Okay. And so because Staff has proposed  
19 a lower rate, then the amount in reserve is going to  
20 be higher?

21 A. The indicated excess reserve will be  
22 higher, yes. That amount that's in reserve --

23 Q. Right.

24 A. -- is unaffected. It's just how that --

25 Q. Okay.

1           A.       -- they classify that reserve for the  
2 purposes of depreciation --

3           Q.       Study?

4           A.       -- a depreciation study.

5           Q.       Okay. Okay. And just -- just going  
6 back -- going back to page 6 to Mr. Rice's graph.  
7 Basically you're looking at, you know, a difference  
8 of approximately \$29 million. I mean, if you take  
9 the difference in AmerenUE's methodology on steam and  
10 methodology on hydraulic and add them together,  
11 27,600,000 plus 1.4 million, that's roughly  
12 \$29 million, that is -- I mean, how -- I mean, is  
13 that going to be -- you're only going to -- they're  
14 only going to collect that money over, you know, the  
15 life of the plant. And once you collect -- when you  
16 collect -- okay. My impression is if you're  
17 collecting the money in depreciation and then there's  
18 an offset to rate base --

19          A.       Yes.

20          Q.       -- and, you know, the argument is that  
21 these are major capital expenditures, these are not  
22 telephone poles that, you know, get cycled in and out  
23 every day; therefore, they should be treated like a  
24 major capital expenditure and get the -- the lifespan  
25 approach as opposed to the mass plant approach?

1           A.     Right.

2           Q.     Okay.  Now, looking at the -- looking at  
3     the mass property approach, so mass property  
4     basically lumps all of the property together into the  
5     same account; is that right?

6           A.     Each of the five accounts is examined  
7     separately.

8           Q.     Okay.  But -- so there are -- so  
9     everything that goes -- there's one account for five  
10    plants or four plants; is that --

11          A.     Right.  Under the -- there is a boiler  
12    account, 312, for each plant.

13          Q.     Right.  Okay.

14          A.     And a turbine, 314, I believe, for  
15    each -- each plant.

16          Q.     Right.

17          A.     So the depreciation is applied to the  
18    plant balances for those specific accounts, and I  
19    believe AmerenUE does that, you know, by -- by plant.  
20    In other words, plant balance for account 312 for  
21    Sioux --

22          Q.     Right.  AmerenUE is keeping -- keeping  
23    separate accounts, and I'm just trying to figure out  
24    how -- how the mass plant approach differs from the  
25    lifespan approach in terms of actual practice.  So

1 you know, when you -- when you add new -- there's  
2 only going to be one survivor curve for each  
3 account --

4 A. Yes.

5 Q. -- and you know, that curve changes with  
6 the addition of new plant?

7 A. No.

8 Q. No?

9 A. The curve changes in a depreciation  
10 study. The depreciation study doesn't care about  
11 additions. The mass property accounting only looks  
12 at retirements. And so the next study done next  
13 year, five years from now, will look at the  
14 retirement history, and based on that new retirement  
15 history, may conclude that the -- whatever survivor  
16 curve we use for a specific account isn't the proper  
17 one and we need to change it.

18 Q. Uh-huh. Okay.

19 A. But until -- until that, the survivor  
20 curve stays the same, survivor curve defines the  
21 average service life, the average service life then  
22 defines what the depreciation rate is.

23 Q. All right. And if -- I've seen the  
24 hypothetical used in Mr. Wiedmayer's testimony and  
25 don't know if it's in yours or not, but you know,

1 there's this analogy that if you -- let's say you  
2 have permanent plant. The -- you know, the new  
3 technology smart grid arrives and so coal plants are  
4 able to run forever, you know, under -- under the  
5 mass plant approach. Would you -- you know, if the  
6 life on the plant is 100 years, would you ever  
7 recover your investment?

8 A. Using lifespan?

9 Q. Or using -- using mass --

10 A. No, you would not, not over the life of  
11 that plant.

12 Q. Okay. So that's -- that's a barrier to  
13 major capital investment, then, isn't it? I mean, if  
14 you -- let's say you are constructing a plant  
15 that's -- you know, you're hoping it's going to last  
16 for a mighty long time.

17 A. It most certainly is.

18 Q. All right.

19 A. And the -- the magnitude as evidenced by  
20 the \$26 million in one year is very substantial.

21 Q. Right. Is there anything else that I --  
22 that I need to know in this discussion?

23 A. I believe you've got a pretty good  
24 grasp. You mentioned the problem about a single  
25 survivor curve to an account and bringing in new



1 additions or a shorter life, life being defined as  
2 when the plant retires as opposed to what the  
3 historic retirement show as the average service life  
4 of individual components.

5 Q. Uh-huh.

6 A. And once -- once the plant is retired,  
7 all the components in that plant are retired, we  
8 would no longer take a depreciation on that  
9 investment. It's -- either the Company ends up  
10 eating it or the customers end up paying for it that  
11 do not use -- that had no use of that plant.

12 Q. Okay. And Mr. Loos -- I mean, I'm  
13 sorry. I don't recall from your testimony. How  
14 many -- how many jurisdictions have -- have you  
15 appeared in roughly?

16 A. I -- perhaps 20, maybe -- maybe even a  
17 few less.

18 Q. Have you ever run across another  
19 jurisdiction that uses the mass property approach for  
20 coal plants?

21 A. No.

22 COMMISSIONER DAVIS: Okay. Thank you.

23 THE WITNESS: Thank you.

24 JUDGE WOODRUFF: Commissioner Kenney?

25 COMMISSIONER KENNEY: No questions,

1 thanks.

2 THE WITNESS: You bet.

3 QUESTIONS BY JUDGE WOODRUFF:

4 Q. I do have a very basic question, and it's  
5 more my ignorance than anything else, but I'll ask it  
6 here. What happens in retirement if a power plant is  
7 not fully depreciated, from a rate standpoint?

8 A. There's unrecovered investment that is  
9 either written off or it is recovered from future  
10 customers, customers that did not use that particular  
11 plant that we're speaking of. And that's the  
12 intergenerational inequity that I referred to.

13 Q. That's what you meant by the Company  
14 eats it or --

15 A. Right.

16 Q. -- there might be a large lump sum at  
17 the end that would be recovered from customers at  
18 that point?

19 A. Well, it may not necessarily be a lump  
20 sum, but the problem is not only for the future  
21 customers paying for the plant that has been retired,  
22 they're paying for a new plant that may cost six,  
23 seven, eight times as much as the one that was  
24 retired.

25 Q. I'm curious also, and you may not know

1 the answer to this. When Venice 2 was retired, I  
2 think you said in 2002, do you know if it was fully  
3 depreciated?

4 A. I do not know.

5 JUDGE WOODRUFF: Okay. That's all the  
6 questions I have, then.

7 THE WITNESS: Okay.

8 JUDGE WOODRUFF: Anyone wish to recross  
9 based on questions from the bench? For Staff?

10 MS. KLIETHERMES: Just briefly.

11 RE-CROSS-EXAMINATION BY MS. KLIETHERMES:

12 Q. Commissioner Davis asked you about  
13 recovery of the value of the plant over the life of  
14 the plant. With a given average service life and a  
15 properly conducted mass property whole life study,  
16 wouldn't it be equally likely that it would be --  
17 that the value of the plant would be recovered less  
18 than the average service life or over a greater time  
19 than the average service life?

20 A. I thought I followed -- was following  
21 your question, and then you asked the question and I  
22 wasn't.

23 Q. I'm sorry. If -- if you determine  
24 through a valid study of mass property, whole life  
25 depreciation study that you have an average service

1 life of, let's say, 50 years, would that mean that it  
2 is equally likely that a given plant will be retired  
3 at a life of less than 50 years or retired at a life  
4 of greater than 50 years?

5 A. Well, of course, in my study I concluded  
6 that it would be retired -- retired greater than 50  
7 years. My problem with your question is --

8 Q. Could you ask -- could you answer the  
9 question I asked?

10 A. Well, I can't because you predicated it  
11 that it's done properly on a whole life basis. The  
12 whole life of these plants is the lifespan. It's  
13 not --

14 MS. KLIETHERMES: Judge, could you  
15 direct the witness to answer -- to answer the  
16 question with a yes, no or I don't know?

17 MR. LOWERY: The witness indicated that  
18 he can't answer that question.

19 JUDGE WOODRUFF: He has indicated that  
20 he can't answer that question, so if you want to ask  
21 another question or --

22 MS. KLIETHERMES: I would be happy to.

23 JUDGE WOODRUFF: Okay.

24 BY MS. KLIETHERMES:

25 Q. Hypothetically, with a given whole life

1 mass property study, if you have an average service  
2 life of 50 years, is it equally likely that a given  
3 plant -- and I'm not referring to coal plants here,  
4 I'm referring to any unit of plant -- will live less  
5 than 50 years or greater than 50 years?

6 MR. LOWERY: I'm going to object to the  
7 question as being vague. I don't know what a given  
8 whole life study means.

9 BY MS. KLIETHERMES:

10 Q. Is the premise of an average service  
11 life that is the average of the service lives  
12 experienced for those units?

13 A. The -- the average service life  
14 represents the average of all the units in the  
15 universe, that -- that particular universe.

16 Q. Thank you.

17 A. If some -- some would retire --

18 Q. You have answered my question.

19 A. Okay.

20 Q. So if the average service life is 50  
21 years on a hypothetical study, and some plants retire  
22 at 40 years and some plants retire at 60 years, will  
23 the plants retiring at 40 years recover their -- not  
24 recover their capital -- pardon, let me -- let me  
25 rephrase that.

1                   If you have a given study with a 50-year  
2 average service life, let's say there are ten units  
3 in that universe. If four of them retire at 40 years  
4 and four of them retire at 60 years and two of them  
5 retire at 50 years on the dot, is 50 years the  
6 average service life for those plants?

7           A.       For that -- in that particular --  
8 particular hypothetical, yes.

9                   MS. KLIETHERMES: That's all I have.  
10 Thank you.

11                   JUDGE WOODRUFF: All right. MIEC wish  
12 to recross?

13                   MR. DOWNEY: No recross.

14                   JUDGE WOODRUFF: All right. Redirect?

15                   MR. LOWERY: Thank you, your Honor.

16 REDIRECT EXAMINATION BY MR. LOWERY:

17           Q.       Mr. Loos, Commissioner Davis was  
18 discussing survivor curves with you, right? Do you  
19 recall that?

20           A.       Yes.

21           Q.       And I believe that the two of you were  
22 having an exchange about single survivor curves, a  
23 single survivor curve, right?

24           A.       Yes.

25           Q.       Now, it seemed like to me that there was

1 a little bit of confusion about the accounts and what  
2 those were and whether there was a single account or  
3 not. Can you just explain how accounts fit into a  
4 depreciation study, how they're used and what the  
5 accounts are?

6 A. The -- the accounts are a separation of  
7 cost according to, in this case, FERC convention or  
8 as -- or that the costs associated with the boiler  
9 and high-speed --

10 THE COURT REPORTER: And what, sir?

11 THE WITNESS: High -- high-pressure  
12 piping, you know, boiler feed pump, other -- other  
13 equipment related to the boiler is included in  
14 account 312, water pump. Another account where we  
15 collect the original costs associated with the  
16 turbine generator. Those costs are separated and  
17 maintained on the books and records where the Company  
18 records additions and charges it to that particular  
19 account.

20 When there's a retirement, it's credited  
21 to that particular account. Cost removal under the  
22 traditional accrual basis is charged to the -- to the  
23 reserve for that account -- or the primary account, I  
24 guess. So it's accounting convention and we can  
25 collect the retirement information from a particular

1 account, the thought being that the equipment in that  
2 account is somewhat homogeneous, which I don't  
3 believe is a good assumption in all cases.

4                   And we can analyze those retirements and  
5 fit curves to them to make some determination of what  
6 the life -- average service life of the universe in  
7 units will be based on conditions where that we have  
8 not retired everything. We've only retired part -- a  
9 part of the total plant that has been added.

10 BY MR. LOWERY:

11           Q.       I think you were talking with  
12 Commissioner Davis about use of a single average  
13 service life or single curve. Do you recall that?

14           A.       Yes.

15           Q.       What happens if you use a single average  
16 service life, single curve for, say, turbo  
17 generators, that account, and then a plant retires  
18 after, say, 60 years?

19           A.       I go back to the hypothetical example.  
20 We'll use -- in my example instead of we'll retire  
21 the plant at 40, 50 -- 50 years, we retired four  
22 units at 40 years, and so we've got four units where  
23 we have not collected ten years' worth of  
24 depreciation. We have two units that retire at 50  
25 years that would be fully -- fully depreciated, we



1 would have four units that the survivor curve  
2 would say retire at 60 years, but are retired at 50  
3 years.

4 Not only do those four units that would  
5 have retired at 60 years, we haven't recovered the  
6 investment with those, but we relied on those four  
7 units to recover the investment that we didn't  
8 recover from the four units that we retired at 40  
9 years, that investment being -- that recovery being  
10 related to years 50 through 60.

11 Q. Judge Woodruff asked you about an  
12 unrecovered balance, or at least you gave him an  
13 answer where you were describing an unrecovered  
14 balance. Is that -- do you remember that?

15 A. Yes.

16 Q. Do you know what service -- do you know  
17 what service value is?

18 A. I think -- I think I'm confusing it with  
19 valuation things, and we're not talking about  
20 valuation here.

21 Q. Fair enough. You had an exchange with  
22 Commissioner Davis and there was a discussion about  
23 excess reserves. Do you remember that?

24 A. Yes.

25 Q. Do you know what the theoretical reserve

1 is?

2 A. Theoretical reserve is the reserve that  
3 one would have in theory based on the depreciation  
4 rates that were developed. And the comparison of the  
5 theoretical reserve to the actual reserve results in  
6 either excess reserve or reserve deficiency that we  
7 were discussing.

8 Q. So just to make sure that -- that I'm  
9 understanding what you're saying, the difference  
10 between the theoretical and the actual is this excess  
11 you were talking about?

12 A. Excess or deficiency, yes.

13 Q. Mr. Downey asked you some questions  
14 about Sioux, Labadie and Rush Island, and I think you  
15 pointed out that the estimated retirement dates that  
16 you have would have those three plants retiring  
17 within a span of 13 years. Do you remember that?

18 A. Yes.

19 Q. Do you know over what span those three  
20 plants were built?

21 A. They were built over the ten-year  
22 period, May '67 through March '77.

23 Q. Does your study take into account the  
24 orderly replacement of the --

25 A. Yes. We used a -- what we call a spin

1 curve which is the -- a scheduling of the dollars  
2 spent on the -- on construction projects in order to  
3 minimize the -- or manage the flow of funds on a  
4 construction schedule based on our recommended  
5 retirement.

6 Q. That excess reserve we were talking  
7 about a minute ago, where does the \$250 million  
8 number that was being discussed, where does that come  
9 from, what's it based on?

10 A. It's based on Mr. Rice's depreciation  
11 rate, I believe.

12 Q. Under the lifespan approach, what  
13 happens to any difference between the theoretical and  
14 the book reserve?

15 A. A lifespan approach, assuming -- using a  
16 remaining life approach, any excess or reserve  
17 deficiency is amortized over the remaining life.

18 Q. Is another way of saying that, that the  
19 depreciation rate is lowered to take into account the  
20 difference?

21 A. Yes, assuming an excess.

22 Q. Ms. Kliethermes asked you some questions  
23 about whether economic conditions, considerations or  
24 physical plant limitations would drive the  
25 retirement. Do you recall that?

1           A.       Yes.

2           Q.       Are you aware of any constraints or  
3 physical limitations at any of the Company's units?

4           A.       With respect to physical plant and the  
5 operations, no.  However, we did identify a  
6 restriction at Meramec that would indicate that  
7 there's not space available for a scrubber.

8           Q.       I think Ms. Kliethermes was also sort of  
9 implying in some of her questions that, well, you  
10 didn't really do an economic study of replacement  
11 generation.  Why didn't you do that?

12          A.       The number of -- the number of  
13 assumptions and the nature of the assumptions are  
14 such that to do -- to do so would be, I believe,  
15 counterproductive, but okay, we might be able to  
16 tweak our numbers a little bit by making some  
17 assumptions, but those assumptions would be subject  
18 to attack.

19                    At -- at this point in time when we're  
20 several years ahead of the ultimate retirement even  
21 at Meramec, the more broad approach that we took is,  
22 I believe, preferable because there are a number of  
23 uncertainties.

24          Q.       You -- you -- you indicated to  
25 Commissioner Davis that you had testified in perhaps

1 20 states, maybe slightly less?

2 A. I -- I -- I list -- I listed them in my  
3 direct testimony.

4 Q. Whatever the number is, it's there?

5 A. Yes.

6 Q. Do you -- do you have any understanding  
7 about how retirement dates are estimated for purposes  
8 of using the lifespan approach in those however many  
9 number of states it is that you testified in?

10 A. There's a variety of ways of doing it.  
11 Hopefully we get a date from the Company based on  
12 engineering analysis. And often we estimate one, and  
13 I have done not exactly the same study here, but I've  
14 done a study comparable to this with respect to coal  
15 plants, you know, based on considerations, a lot of  
16 the things we talked about in this report.

17 Q. I think you were asked some questions  
18 about Meramec and capacity. Do you know whether  
19 AmerenUE is going to need capacity for Meramec in --  
20 after 2022?

21 A. No, I do not.

22 Q. Do you have any understanding about UE's  
23 capacity position today and in the next 15 years?

24 A. I understand it's long.

25 Q. What might that length suggest for

1 whether Meramec will be needed after 2022?

2 A. Well, I was -- all other factors equal  
3 and I would suggest that perhaps it won't be needed  
4 for capacity.

5 Q. You mentioned an acronym "ECP," and I  
6 know what that is, but I don't think anybody -- well,  
7 some people in the room do, but I doubt if the  
8 Commissioners do. Can you -- can you tell me what  
9 you're referring to?

10 A. I believe it's an environmental  
11 compliance plan.

12 Q. And -- and I think that was in the  
13 context of a question regarding Meramec. What was  
14 the significance of the ECP in this discussion?

15 A. The ECP and the integrated resource plan  
16 both indicated a retirement at 2022 for Meramec.

17 Q. Do you recall if the ECP addressed  
18 scrubbers at Meramec?

19 A. I believe it indicated that scrubbers  
20 would not be added to Meramec.

21 Q. I think you were asked a question again  
22 about what happens if you retire a plant with an  
23 unrecovered balance. Do you have an opinion about  
24 how these two -- these two different methods we've  
25 been talking about, how they compare from a

1 generational equity or a generational inequity  
2 standpoint, whichever way you want to look at it?

3 A. Well, the life -- the lifespan approach  
4 definitely eliminates the intergenerational subsidies  
5 that we've been looking at -- or we've been referring  
6 to. The mass property approach will always produce  
7 intergenerational subsidies.

8 MR. LOWERY: Thank you, Mr. Loos. I  
9 don't have any further questions.

10 JUDGE WOODRUFF: Thank you, Mr. Loos.  
11 You can step down. Next witness, then, is Mr. Rice.

12 MR. DOWNEY: Judge, did I offer 434?

13 JUDGE WOODRUFF: Let me check. No, you  
14 did not.

15 MR. DOWNEY: I'd like to offer that,  
16 then.

17 JUDGE WOODRUFF: All right. 434 HC has  
18 been offered. Any objection to its receipt?

19 MR. LOWERY: Your Honor, I don't know  
20 that I'm going to have an objection, but since I have  
21 not looked at this before -- before this moment, I'd  
22 like to -- if you could reserve your ruling.

23 JUDGE WOODRUFF: All right.

24 MR. LOWERY: Mr. Birk is going to be  
25 here at another time and probably know something

1 about this, and I can take a look at it and let you  
2 know tomorrow if I think I'm going to have  
3 objections.

4 JUDGE WOODRUFF: All right. I will  
5 reserve ruling on that.

6 (The witness was sworn.)

7 JUDGE WOODRUFF: And you heard my little  
8 speech a little bit ago about only answering the  
9 questions that are asked?

10 THE WITNESS: Yes.

11 JUDGE WOODRUFF: Not elaborating unless  
12 asked to do so. It will keep things moving a little  
13 bit faster that way. You may inquire.

14 MS. KLIETHERMES: Thank you, Judge.

15 DIRECT EXAMINATION BY MS. KLIETHERMES:

16 Q. Good afternoon, Mr. Rice.

17 A. Good afternoon.

18 Q. Could you please state and spell your  
19 name for the record.

20 A. Arthur, A-r-t-h-u-r, Rice, R-i-c-e.

21 Q. Are you the same Art Rice who submitted  
22 rebuttal testimony marked as Exhibit 216 and  
23 surrebuttal testimony marked as Exhibit 217 in this  
24 matter?

25 A. Yes.



1           Q.       Are you the same Art Rice who authored  
2 the section of the Staff's cost of service report  
3 which dealt with depreciation?

4           A.       Yes.

5           Q.       Do you have any corrections to make to  
6 your testimony or your portion of the cost of service  
7 report?

8           A.       Yes, I do.

9           Q.       And are those changes that are indicated  
10 on this errata sheet that's been distributed?

11          A.       Yes.

12                   JUDGE WOODRUFF: Do you want to mark  
13 this as an exhibit?

14                   MS. KLIETHERMES: Please.

15                   JUDGE WOODRUFF: Be No. 230.

16                   MS. KLIETHERMES: I'm sorry. 230?

17                   JUDGE WOODRUFF: 230.

18                   MS. KLIETHERMES: Thanks.

19                   (EXHIBIT NO. 230 WAS MARKED FOR

20 IDENTIFICATION BY THE COURT REPORTER.)

21 BY MS. KLIETHERMES:

22           Q.       And other than the changes indicated on  
23 your errata sheets, do you have any additional  
24 changes?

25           A.       No.

1                   MS. KLIETHERMES: Judge, with that, I  
2 offer Exhibits 216, 217, 230 and the portion of the  
3 Staff's cost of service report which dealt with  
4 depreciation.

5                   JUDGE WOODRUFF: All right. 216, 217,  
6 230 and a portion of 200 have been offered. Any  
7 objection to their receipt?

8                   (NO RESPONSE.)

9                   JUDGE WOODRUFF: Hearing none, they will  
10 be received into evidence.

11                  MR. LOWERY: Your Honor, just for  
12 clarification, is this errata sheet, is it 230?

13                  JUDGE WOODRUFF: It's 230.

14                  MR. LOWERY: Thank you.

15                  (EXHIBIT NOS. 216, 217, 230 AND A PORTION  
16 OF 200 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF  
17 THE RECORD.)

18                  MS. KLIETHERMES: I tender the witness  
19 for cross.

20                  JUDGE WOODRUFF: Thank you. And for  
21 cross-examination, then, beginning with MIEC?

22                  MR. DOWNEY: May I approach the witness?

23                  JUDGE WOODRUFF: You may.

24                  MR. DOWNEY: I'm handing the witness  
25 the -- let's see, the rebuttal testimony of Dunkel

1 and the direct testimony of Loos.

2 CROSS-EXAMINATION BY MR. DOWNEY:

3 Q. Good afternoon, Mr. Rice.

4 A. Good afternoon.

5 Q. Would you take a look at -- I think it's  
6 been marked Exhibit 407, but it's the rebuttal  
7 testimony of Mr. Dunkel?

8 A. Yes.

9 Q. Okay. Would you turn to Dunkel schedule  
10 WWD-3?

11 A. Yes.

12 Q. Okay. Now, this is a memo Staff  
13 prepared regarding some corrections to the  
14 depreciation section of the Staff revenue requirement  
15 and cost of service report, correct?

16 A. Yes.

17 Q. When I say "Staff," is that you?

18 A. Yes.

19 Q. Would you turn to page 4 of 4 of that  
20 schedule? And I know at the bottom it says "Schedule  
21 WWD-3," but right above that it also says "Schedule  
22 ARW-6 A. ARW is you, right, that's your initials?

23 A. Yes.

24 JUDGE WOODRUFF: And Mr. Downey, would  
25 you check your microphone to make sure it's turned

1 on? Maybe bring it a little closer.

2 MR. DOWNEY: All right.

3 BY MR. DOWNEY:

4 Q. Okay. The last column in that Exhibit M  
5 as in Mary, do you see that?

6 A. Yes.

7 Q. It shows something called "Net salvage  
8 excess," does it not?

9 A. Yes.

10 Q. And that column compares the proposed  
11 annual accrual for net salvage to the expected  
12 average salvage to be incurred over the next ten  
13 years, correct?

14 A. Yes.

15 Q. And according to this schedule --

16 MR. DOWNEY: Judge, is that better on  
17 the microphone?

18 JUDGE WOODRUFF: I can't tell from here.  
19 I just got an e-mail from Commissioner Gunn  
20 requesting that you speak into the microphone, so --

21 MR. DOWNEY: Okay.

22 JUDGE WOODRUFF: And he hasn't e-mailed  
23 back saying it's better or worse.

24 MR. DOWNEY: All right. Very good.

25 BY MR. DOWNEY:

1 Q. Okay. And according to this schedule,  
2 the average annual excess is almost 35 million; is  
3 that correct?

4 A. Yes.

5 Q. And that's \$35 million?

6 A. Yes.

7 Q. Now, as I understand your surrebuttal  
8 testimony, you agree that for account 369.002, the  
9 ASL was 55 years rather than the 70 years shown on  
10 this schedule that we're looking at; is that correct?

11 A. I believe that's correct.

12 Q. Okay. So if you take a look on this  
13 schedule, again page 4 of 4, you find account  
14 No. 369.002. When you go to column C, you're going  
15 to see 70 years there, right?

16 A. Yes.

17 Q. And you now believe that that should be  
18 55 years rather than 70?

19 A. Yes.

20 Q. And will that increase the -- the  
21 accrual for net salvage? It will, won't it?

22 A. Yes.

23 Q. Okay. So that will actually cause this  
24 \$34.8 million figure to go up, correct?

25 A. I'd like to change my last answer. The

1 answer is no.

2 Q. Okay. Can you explain -- I'll let you  
3 explain that.

4 A. I changed the average service life, I  
5 did not change the net salvage percent.

6 Q. Okay. So you're saying it will stay at  
7 34.8 million? Let -- let me --

8 A. It should, yes.

9 Q. Okay. Let me just ask you this: If  
10 you're recovering the net salvage over a shorter  
11 life, wouldn't you recover -- accrue more each year  
12 even if the rate stays the same?

13 A. That -- that is correct, yes.

14 Q. All right. So you want to revise your  
15 answer so that this excess will actually increase  
16 from \$34.8 million to some higher figure?

17 A. That's correct.

18 Q. I don't really need to know exactly what  
19 that figure is. Okay. I want to change gears a  
20 little bit. I want to discuss your proposed  
21 depreciation lives for steam production plant account  
22 311. That's structures and improvements, okay?

23 A. Okay.

24 Q. For this account Staff is recommending a  
25 56-year average service life ending minus 45 percent

1 net salvage factor percentage; is that correct?

2 A. Yes.

3 MR. DOWNEY: Judge, may I approach the  
4 bench?

5 JUDGE WOODRUFF: You may.

6 (EXHIBIT NO. 435 WAS MARKED FOR  
7 IDENTIFICATION BY THE COURT REPORTER.)

8 BY MR. DOWNEY:

9 Q. I've handed you Exhibit 435 -- well,  
10 maybe it's not marked, but it is Exhibit 435.

11 A. Okay.

12 Q. Do you recognize this document?

13 A. Yes.

14 Q. And these are pages from your work  
15 papers, correct?

16 A. Yes.

17 Q. Did I label them -- label them correctly  
18 320 through 325?

19 A. I don't know the page numbers.

20 Q. Okay. Would you agree there are 789  
21 pages or a large amount of pages to your work papers?

22 A. Yes.

23 Q. Okay. So it's understandable, I did not  
24 copy them all --

25 A. Yes.

1 Q. -- today. All right. Thank you. I  
2 want you to turn to the second page of those work  
3 papers, and there's some handwritten notes there. Do  
4 you see those?

5 A. Yes.

6 Q. And there's something called "Trans  
7 codes." I assume that means transaction codes?

8 A. Yes.

9 Q. And there are numbers, right?

10 A. Yes.

11 Q. What is 7? Is that terminal  
12 retirements, code 7?

13 A. 7 says "Outlier retirements," and in  
14 this particular case, Ameren is using --

15 (Interruption.)

16 JUDGE WOODRUFF: I apologize for that.  
17 We had lost the stream for a moment. They're  
18 reestablishing it.

19 THE WITNESS: In this case the Company  
20 is using the number 7 to record final retirements as  
21 opposed to the definitions, and this -- this gets  
22 into a lot of different definitions. But Ameren's  
23 using code 7 to record final retirements or lifespan  
24 retirements.

25 THE COURT REPORTER: Lifespan retirement



1 what?

2 THE WITNESS: Lifespan retirements.

3 THE COURT REPORTER: Thank you.

4 BY MR. DOWNEY:

5 Q. Just so we're all following, would you  
6 mind repeating your answer?

7 A. Okay. In the retirement data, both in  
8 the life retirement data and in the net salvage data,  
9 in this case Ameren is using a code 7 to record final  
10 retirements and final retirement cost salvage and  
11 cost of removal.

12 Q. Okay. I used the term "terminal  
13 salvage." Can we substitute final sal -- or final  
14 retirement? Excuse me.

15 A. Yes.

16 Q. I used the term "terminal retirement"  
17 and you used the term "final retirement." Are they  
18 the same thing?

19 A. I would assume we are using them the  
20 same, yes.

21 Q. All right. Thank you. I'd like you to  
22 take a look at account 311, and it's actually the  
23 third page of this document. Do you see that?

24 A. Yes.

25 Q. And that is for account 311, is it not?

1           A.     Yes.

2           Q.     And that's structures and improvements?

3           A.     Yes.

4           Q.     And we have transaction codes on the  
5 left-hand side of that page?

6           A.     Yes.

7           Q.     Actually says "tran code," right?

8           A.     Yes.

9           Q.     All right. Under "tran code 7," I show  
10 almost \$27 million. Do you see that?

11          A.     Yes, I do.

12          Q.     All right. And so those are the final  
13 retirements for that account?

14          A.     Yes.

15          Q.     All right. All right. Now I'm going to  
16 ask you to turn to the second-to-the-last page of  
17 that exhibit. And I apologize, I should have  
18 numbered these pages. Do you have that page?

19          A.     Yes.

20          Q.     And at the top it says -- it has a date,  
21 "10/16/09"?

22          A.     Yes.

23          Q.     Okay. And kind of in the middle of that  
24 page, do you see a number under -- under "Retirements  
25 during age interval"?

1 A. Yes.

2 Q. All right. What's that number?

3 A. 42,500,000.

4 Q. Okay. It's actually a little larger  
5 than that, but you averaged to 42.5 million, right?

6 A. Yes.

7 Q. And those are dollars?

8 A. Yes.

9 Q. Okay. And so of that 42 point, roughly,  
10 5 million dollars, if we go back to page 3 of this  
11 document, we see that almost 27 million of those  
12 retirements are the final retirements, right?

13 A. I believe that's correct.

14 Q. Okay. And I think there's a calculator  
15 up there, but -- so you might want to double-check my  
16 math here, but that -- that would be the -- basically  
17 63 percent of these retirements that you're showing  
18 for this account were final retirements, right?

19 A. Yes.

20 Q. I want to change gears a little bit here  
21 and I want to talk to you about your calculations of  
22 net salvage for the steam production accounts, okay?

23 A. Okay.

24 Q. You did not use any data from terminal  
25 retirements in your net salvage analysis; is that

1 correct? And I'm going to help you on this. If you  
2 look, there's an e-mail from you clarifying your  
3 response to MIEC 3-1. Did you happen to bring that  
4 up here -- up with you to the witness stand?

5 A. No.

6 MR. DOWNEY: Judge, do I need to request  
7 permission each time I approach?

8 JUDGE WOODRUFF: No. Feel free.

9 (EXHIBIT NO. 436 WAS MARKED FOR  
10 IDENTIFICATION BY THE COURT REPORTER.)

11 BY MR. DOWNEY:

12 Q. Okay. And my question was you did not  
13 use any data for terminal retirements in your  
14 calculation of net salvage? And I'm hoping that this  
15 response to MIEC 3-1 will help you answer that  
16 question.

17 A. I don't believe I did use any net  
18 salvage in my -- any final retirements in my net  
19 salvage analysis, correct.

20 Q. Thank you. That's a tough question to  
21 answer off the top of your head, so I thought I'd get  
22 you that document. Okay. And this may seem awfully  
23 obvious, but I'm going to ask you anyway. So your  
24 net salvage factor or percentage was based upon  
25 interim retirements only and no terminal retirements,

1 correct?

2 A. That's correct.

3 Q. And to determine your net salvage  
4 accruals, you multiplied the net salvage percentage  
5 that you came up with by the -- by the total  
6 plant-in-service; is that correct?

7 A. That's correct.

8 Q. Okay. Stated differently, you did not  
9 multiply your net salvage percentage by only that  
10 part of the plant-in-service that is expected to  
11 retire as part of interim retirements?

12 THE COURT REPORTER: As part of interim  
13 what?

14 MR. DOWNEY: Retirements.

15 THE COURT REPORTER: Thank you.

16 BY MR. DOWNEY:

17 Q. Do you agree that the Commission does  
18 not generally allow accruals for terminal  
19 retirements, salvage accruals?

20 A. I'm not aware of that, no.

21 Q. Pardon me?

22 A. I am not aware of it.

23 Q. I'm sorry. Do you agree that the  
24 Commission does not generally allow accruals for  
25 terminal retirements?

1           A.       I do not agree.

2           Q.       Okay. I'm obviously not asking this  
3 question correctly. Do you agree that the Commission  
4 does not generally allow terminal net salvage of  
5 production accounts?

6           A.       State that again, please.

7           Q.       Yes. That the policy of the Commission  
8 is that it does not generally allow terminal net  
9 salvage for production accounts?

10          A.       I don't believe that's the policy of the  
11 Commission, no.

12          Q.       Okay. Tell me what your interpretation  
13 is of the Empire order with regard to terminal net  
14 salvage.

15          A.       In the Empire order, the Commission --  
16 the case separated the plant equipment into  
17 production equipment and mass property equipment as  
18 they labeled it, and they rejected lifespan treatment  
19 because they did not believe the dates that were put  
20 forward for use with the lifespan treatment.

21                    There is also comments in there with  
22 respect to not allowing terminal net salvage related  
23 to lifespan treatment. Since they did not use the  
24 lifespan treatment, my conclusion is they did not  
25 reject -- or they did not reject terminal net

1 salvage.

2 Q. Okay. I don't think this is the place  
3 for me to debate with you the meaning of the case, so  
4 we'll move on, okay?

5 A. Okay.

6 Q. You still have Mr. Dunkel's rebuttal  
7 testimony handy?

8 A. Yes.

9 Q. Would you turn to schedule WWD-3 again?

10 A. Yes.

11 Q. And turn to page 2 of 4.

12 A. I'm there.

13 Q. Okay. And does that show your salvage  
14 accrual for account 311?

15 A. My accrual. I'm not sure which column  
16 I'm supposed to be looking at here.

17 Q. All right. I'm going to give you the  
18 column here in just a second.

19 A. Plant-in-service --

20 Q. The salvage accrual for account 311.

21 A. Okay. I have it. Yes.

22 Q. Is that column J?

23 A. Yes.

24 Q. Thank you. And the amount that you show  
25 in that column is \$1.58 million and change; is that

1 correct?

2 A. That's correct.

3 Q. Okay. And the way you obtain that  
4 figure is you take the amount in column H which is  
5 the plant-in-service, correct?

6 A. Yes.

7 Q. And you multiply that by minus .45 or  
8 minus 45 percent, correct?

9 A. Correct.

10 Q. And you divide by 56 which is the ASL  
11 life, average service life?

12 A. Yes.

13 Q. Okay. And that's how you come up with  
14 \$1.580595 million?

15 A. Yes.

16 Q. Thank you. Okay. And you come up with  
17 that amount even though 63 percent of the retirements  
18 that you studied for that account were final  
19 retirements?

20 A. That's correct.

21 Q. Okay. And now I'd like to talk to you  
22 about Mr. Selecky's calculations, okay?

23 A. Okay.

24 Q. Are you familiar with them?

25 A. No.



1 Q. Have you reviewed his testimony?

2 A. I read it, but I did not study his  
3 tables.

4 Q. Okay. Would you agree that one of the  
5 big differences between your approach under the whole  
6 life method and Mr. Selecky is for the steam  
7 production plant accounts?

8 A. Yes.

9 Q. And it's, in fact, that you use the  
10 retirements of the Cahokia, Mound and Venice, both 1  
11 and 2 plants, in your life analysis?

12 A. Yes.

13 Q. And Mr. Selecky believes those  
14 retirements are outliers and should not have been  
15 used in the life analysis; is that correct?

16 A. That's my understanding.

17 Q. Okay. And you understand the concerns  
18 Mr. Selecky had with those -- using those  
19 retirements?

20 A. No.

21 Q. Okay. Did you read that he believed  
22 that the -- those plants were not representative of  
23 coal -- coal-fired plants because they have much  
24 higher heat rates?

25 A. I understand that's what he said, yes.

1 Q. Okay. And thus they're less efficient?

2 A. At those heat rates, yes, they would be  
3 less efficient.

4 Q. Okay. And that they were used as  
5 cycling units rather than base load?

6 A. They were used as cycling units, yes.

7 Q. And two units at the Venice plant  
8 actually were retired due to a fire?

9 A. Yes.

10 Q. And that was another one of his  
11 concerns. Do you recall that in his testimony?

12 A. Yes.

13 Q. Okay. Do you agree that units with  
14 higher heat rates may be retired sooner than units  
15 with lower heat rates?

16 A. If the two are available and you can  
17 retire one, yes.

18 Q. Okay. That's because one is more  
19 efficient than the other, right? And the least  
20 efficient is going to be retired sooner; is that  
21 fair?

22 A. Normally, yes.

23 (EXHIBIT NO. 437 WAS MARKED FOR  
24 IDENTIFICATION BY THE COURT REPORTER.)

25 BY MR. DOWNEY:

1 Q. Okay. Mr. Rice, would you tell me what  
2 page 1 of Exhibit 437 shows?

3 A. Well, the title says it's "Comparison of  
4 Heat Rates and Fuel Type - Retired Plants and  
5 Plants-in-Service."

6 Q. Okay. Mr. Rice, I'd ask you to take a  
7 look at pages -- the numbering is really off on these  
8 things. Just look at the second and third pages of  
9 this document. Are those responses to data requests?

10 A. Yes.

11 Q. Okay. And those are Ameren's responses  
12 to MIEC's data requests, correct?

13 A. Yes.

14 Q. Are the heat rates that -- that I show  
15 on page 1 in the -- in the second column there, are  
16 they the same as -- as provided in these data  
17 requests?

18 A. Yes.

19 Q. Okay. And so we start with Cahokia,  
20 22,000 --

21 MR. LOWERY: Your -- your Honor, I'm  
22 going to object at this time. There's been no  
23 foundation laid that this witness has any knowledge  
24 of the document -- the contents of the documents, the  
25 accuracy of these documents, whether he -- whether he

1 knows anything about them.

2 JUDGE WOODRUFF: Your response?

3 MR. DOWNEY: Well, I'm asking him. I  
4 mean, let's -- let's see what he knows and see if he  
5 can compare it to other documents in the case.

6 MR. LOWERY: Before -- before the  
7 content of the documents is put into the record,  
8 then, I think a foundation needs to be laid.

9 JUDGE WOODRUFF: I'll overrule the  
10 objection. I think he's trying -- I think there's  
11 foundation met, so...

12 BY MR. DOWNEY:

13 Q. Do you agree that the figures on the  
14 left-hand column, second to the -- to the left on  
15 page 1 are from these DR responses?

16 A. Yes.

17 Q. Okay. And I'd ask you to take a look at  
18 Mr. Loos's direct which is up at the witness stand,  
19 and in particular table 2-1.

20 A. Yes.

21 Q. Let me catch up with you. I'm sorry.  
22 Okay. And do you see a chart on -- under that table?  
23 Actually, it is a table. All right. Do you see  
24 column D?

25 A. Column D.

1 Q. Did you find column D?  
2 A. Yes.  
3 Q. And column D reflects the heat rates,  
4 does it not, for the units at Meramec, Sioux, Labadie  
5 and Rush Island?  
6 A. Yes.  
7 Q. And these are as represented by  
8 Mr. Loos?  
9 A. Yes.  
10 Q. I'm sorry. Mr. Loos. Would you compare  
11 the heat rates shown on Exhibit 437 on the right side  
12 for those units to what's shown in table 2-1?  
13 Satisfy yourself that they're the same.  
14 A. The heat rates for a newer improved  
15 version of the plants, that is Meramec and Sioux and  
16 so on, are better than the older Cahokia, Mound and  
17 Venice plants, yes.  
18 Q. You answered my next question. Okay.  
19 Two to three times better, roughly two to three times  
20 better?  
21 A. Close to three in one case.  
22 Q. Okay. And two in the other cases?  
23 A. Yes.  
24 Q. All right. Now, do you agree that  
25 cycling units may be retired sooner than base load

1 units? That's a bad question. Let me try that  
2 again.

3                   Cycling units -- let me put it this way:  
4 Units that are cycled as opposed to used for base  
5 load, would be retired sooner; would you agree with  
6 that?

7           A.       They would need additional maintenance  
8 and refurbishment sooner.

9           Q.       So all other things equal, they -- they  
10 would be retired sooner?

11          A.       They may be.

12          Q.       Is that because there's more stress on  
13 those units when they're cycling units?

14          A.       Yes.

15          Q.       And would you agree that when units are  
16 damaged and retired due to fire, those units are  
17 likely going to be retired sooner than units that are  
18 not retired because they catch on fire?

19          A.       Depending on the damage that was --  
20 occurred during the fire would determine whether or  
21 not they were retired. I'm sorry. Ask your question  
22 again, I guess.

23          Q.       That's okay. If your car catches on  
24 fire and it's totaled, okay, and it's a brand new  
25 car --

1           A.       Then it --

2           Q.       -- would you agree that's -- that's not  
3 representative of the life of that car, especially  
4 those cars that don't catch on fire?

5           A.       That car is retired at that moment?  
6 Yes.

7           Q.       All right. And it's a similar thing  
8 here with Venice 1 and 2; would you agree?

9           A.       I don't believe they caught on fire.

10          Q.       Okay. But a fire caused their premature  
11 retirement; do you agree?

12          A.       No. A fire did not cause the premature  
13 retirement of Venice 2.

14          Q.       Okay. Venice 1?

15          A.       I don't know if there was a fire at  
16 Venice 1.

17          Q.       Are you disputing that -- that a fire  
18 was involved in the early retirement of those units?

19          A.       I'm saying that the fire in two of six  
20 units did not cause the retirement of all six units.

21          Q.       All right. Okay. Another significant  
22 area of disagreement between you and Mr. Selecky  
23 relates to the retirement of the steam generators for  
24 the Callaway plant. That's account 322; is that  
25 correct?

1 A. Yes.

2 Q. And Mr. Selecky believes that those  
3 generators' retirement should be removed from the  
4 life analysis because their premature retirement were  
5 outliers? And that's paraphrasing what he's -- what  
6 he's saying in his testimony. Do you agree?

7 A. I'd have to look at his testimony again.  
8 I don't recall his terminology.

9 Q. Okay. Can you tell the Commission what  
10 your understanding is of the reason he thinks you  
11 should remove that retirement from your analysis?

12 A. I don't understand his reason for  
13 wanting to remove it from the analysis. It was  
14 retired.

15 Q. Okay. Would you agree that those steam  
16 generators had an expected life of 40 years?

17 A. When they were initially installed, I  
18 assume they did, but I -- no, I don't know that.

19 Q. Okay. Do you know if they were retired  
20 at 19.5 years?

21 A. Yes.

22 MR. DOWNEY: Okay. Judge, I think I've  
23 got some questions regarding a highly confidential  
24 matter.

25 JUDGE WOODRUFF: All right. We'll go



1 in-camera.

2 (Reporter's Note: At this point, an  
3 in-camera session was held, which is contained in  
4 Volume 25, pages 1348 through 1357 of the transcript.)

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1                   JUDGE WOODRUFF:  And we're back in  
2 regular session.

3 BY MR. DOWNEY:

4           Q.       Okay.  Mr. Rice, I want to change gears  
5 again, and I think this is the last topic that I  
6 intend to cover with you.  You understand that  
7 Mr. Selecky recommends a -- what we're calling an  
8 offset, a \$25 million offset to the net salvage  
9 accruals?

10          A.       For the transmission/distribution  
11 accounts, yes.

12          Q.       Yes, for transmission and distribution  
13 accounts.  And you do not agree with that offset?

14          A.       That's correct.

15          Q.       At one time did you agree with that  
16 offset?

17          A.       Not that I recall.

18          Q.       At any time did you agree to any amount  
19 of offset?

20          A.       I don't recall that, no.

21          Q.       Okay.  Okay.  You do agree that Ameren  
22 has reported that it already has accrued 582 million  
23 in future removal costs, though?

24          A.       That's approximately the number I  
25 remember, yes.

1 Q. Okay. And your own schedules show that  
2 Ameren is expected to accrue substantially more for  
3 removal costs than it's expected to incur over the  
4 next ten years, correct?

5 A. Over the next ten years, yes.

6 Q. All right. Which means that this  
7 \$582 million accrual for future removal would be  
8 expected to grow even larger over the next ten years  
9 on average?

10 A. Yes.

11 Q. Okay. Do you agree that even under  
12 Mr. Selecky's \$25 million offset, that \$582 million  
13 accrual for future removal will continue to grow over  
14 the next ten years?

15 A. The number you pointed out to me earlier  
16 in my schedule 6 A, yes.

17 MR. DOWNEY: Thank you. No further  
18 questions.

19 JUDGE WOODRUFF: All right. Did you  
20 wish to offer 435, 436, 437 and 438?

21 MR. DOWNEY: Yes, Judge.

22 JUDGE WOODRUFF: 435, 436, 437 and 438  
23 have been offered. Are there any objections to their  
24 receipt?

25 MS. KLIETHERMES: Judge, I have a -- I

1 guess not so much an objection as a clarification.  
2 One of those -- and I'm struggling to find which one  
3 it was -- I believe it's 435 -- had some handwritten  
4 notes on it, and I don't believe that those were the  
5 written notes of Art Rice, although the exhibit is  
6 itself identified as the work papers of Art Rice. So  
7 that needs to be clarified that that's not his  
8 handwriting.

9 JUDGE WOODRUFF: Go ahead and show it to  
10 the witness. I think you're talking about the first  
11 two pages?

12 MS. KLIETHERMES: Yes.

13 THE WITNESS: I believe that is all my  
14 handwriting.

15 MS. KLIETHERMES: Oh, disregard.

16 JUDGE WOODRUFF: All right. 435, 436,  
17 437, 438 will be admitted.

18 MR. LOWERY: Your Honor, 438 I believe  
19 needs to be HC.

20 JUDGE WOODRUFF: 438 HC.

21 MR. LOWERY: Thank you.

22 (EXHIBIT NOS. 435, 436, 437 AND 438 HC  
23 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
24 RECORD.)

25 JUDGE WOODRUFF: All right. It's now

1 five o'clock. It looks like we have a long way to go  
2 yet this evening. I propose to stop now for the --  
3 for a dinner break, come back at six o'clock again  
4 and go until we're done. So with that, we are on  
5 break until six o'clock.

6 (THE DINNER BREAK WAS TAKEN.)

7 JUDGE WOODRUFF: All right. Let's go  
8 ahead and come to order. Welcome to our night court  
9 session. When we left off at five o'clock, we had  
10 Mr. Rice on the stand and we were about to go to  
11 AmerenUE for cross.

12 MR. LOWERY: Thank you, your Honor.

13 CROSS-EXAMINATION BY MR. LOWERY:

14 Q. Good evening, Mr. Rice.

15 A. Good evening.

16 Q. Mr. Rice, the Staff treated the Callaway  
17 plant as lifespan property, correct?

18 A. Yes.

19 Q. Which means the Staff used an estimated  
20 retirement date based upon the expire -- expected  
21 expiration of the Company's next nuclear regulatory  
22 commission or NRC license which would be 2044,  
23 correct?

24 A. That's correct.

25 Q. But for steam production plant, the

1 Staff treated the steam production plant as mass  
2 property, correct?

3 A. That's correct.

4 Q. And in fact, you were essentially  
5 instructed by your supervisor, Mr. Gilbert, to take  
6 the mass property approach for the steam production  
7 plants because that is what in the Staff's view  
8 the Commission had previously approved; is that  
9 right?

10 A. In general, that's correct, yes.

11 Q. Now, in addition to being instructed by  
12 Mr. Gilbert to take the mass property approach, you  
13 also reference what you call a manual that Gilbert --  
14 Mr. Gilbert wrote which gets into the details of how  
15 to run a depreciation study, right?

16 A. Correct.

17 Q. And you relied upon that manual in  
18 developing your depreciation study; is that correct?

19 A. It's not -- it's not totally correct. I  
20 used it -- used it as a guideline for the overall how  
21 to do a depreciation study for a rate case.

22 Q. Do you have a copy of your deposition,  
23 Mr. Rice?

24 A. Yes.

25 Q. Could I ask you to turn to page 13?

1           A.       I've got to find it first.

2           Q.       Just tell me when you're on that page,  
3 please.

4           A.       Okay.

5           Q.       Starting on line 21, let me ask you if I  
6 asked you the following question, if you gave the  
7 following answer: "Did you rely upon that manual  
8 indirectly or directly in developing your  
9 depreciation study? Apparently you did, right?  
10                    "Answer: Yes."  
11                    Did I read that accurately?

12          A.       Page 13 is which page up here? I'm  
13 sorry.

14                    MR. LOWERY: May I approach, your Honor?  
15                    JUDGE WOODRUFF: You may.

16                    THE WITNESS: It's not this page 13.

17 BY MR. LOWERY:

18          Q.       No, no. I'm --

19          A.       It's this page 13.

20          Q.       Yeah.

21          A.       Okay.

22          Q.       Yeah, you've got a mini script so you've  
23 got to look at these page numbers.

24          A.       Okay.

25          Q.       So let me ask you the question again.

1 On page 13, lines 21 to 24, did I ask you the  
2 following question and did you give the following  
3 answer: "Question: Did you rely upon that  
4 manual" -- and "that manual" is the manual we spoke  
5 about a minute ago, Mr. Gilbert's manual, right?

6 A. Yes.

7 Q. "Did you rely upon that manual  
8 indirectly or directly in developing your  
9 depreciation study? Apparently you did, right?

10 "Answer: Yes."

11 Did I read that accurately?

12 A. Yes.

13 Q. Mr. Rice, I'm gonna hand you a copy of a  
14 document and ask you if you recognize it?

15 A. Yes.

16 Q. Is that the manual that we've been  
17 talking about?

18 A. Yes.

19 Q. Could you please turn to page 45 of that  
20 manual?

21 A. Yes.

22 Q. Could you please read the first  
23 paragraph under the description heading that starts  
24 with the word "Unlike"?

25 A. "Unlike mass utility properties such as



1 poles, mains, conductors, et cetera" --

2 THE COURT REPORTER: Whoa, whoa, whoa.  
3 Slow down. Sorry. "Mains, poles, conductors,  
4 et cetera."

5 THE WITNESS: " -- there exists utility  
6 property that requires some forecast as to its date  
7 of retirement. Types of plants applicable to this  
8 type of analysis are buildings, electrical power  
9 plants, telephone switching equipment, gas storage  
10 field, et cetera."

11 BY MR. LOWERY:

12 Q. And that paragraph that you read is  
13 under the section called "Forecast For Lifespan  
14 Studies," is it not?

15 A. Correct.

16 Q. Electric power plants are described as  
17 lifespan property, aren't they?

18 A. Yes.

19 Q. In fact, Mr. Gilbert's manual says  
20 lifespan property is, quote, unlike mass utility  
21 property, doesn't it?

22 A. Yes.

23 Q. Could you please read the last sentence  
24 of the paragraph that is immediately above the  
25 "Procedure" heading?

1 A. The whole paragraph?

2 Q. Please.

3 A. Okay. "The general characteristics of  
4 life study" --

5 Q. I'm sorry, I'm sorry, Mr. Rice.

6 Actually, we don't need to read the entire paragraph.

7 Could you just read the last sentence of the

8 paragraph that's immediately above the Procedure

9 heading? I apologize.

10 A. "Therefore, it is necessary to forecast  
11 the estimated date which the entire facility is to be  
12 retired. It also points out the necessity of  
13 frequent reviews of plant life."

14 Q. So Mr. Gilbert's manual indicates that  
15 it's necessary to forecast the estimated retirement  
16 date when the facility will be -- will be retired,  
17 correct?

18 A. Yes.

19 Q. And that's exactly what AmerenUE witness  
20 Larry Loos did, isn't it?

21 A. Yes.

22 Q. Could you read the objective of the  
23 lifespan study section of Mr. Gilbert's manual?

24 A. It says, "To arrive at an estimated  
25 average life for use in determining proper and

1 adequate depreciation rates."

2 Q. Mr. Rice, in fact, the second paragraph  
3 under the Procedure heading outlines as part of the  
4 procedure one uses when using the lifespan approach  
5 that you must estimate a final retirement date for,  
6 quote, each power plant; is that right?

7 A. I'm not with you.

8 Q. Okay. Sorry about that. The second  
9 paragraph under the Procedure heading.

10 A. Okay. "Estimate the date of final  
11 retirement for each structure, power plant, central  
12 office switch, et cetera."

13 Q. So the procedure says that you must  
14 estimate -- estimate the retirement date for each  
15 power plant, calls out power plants, correct?

16 A. Yes.

17 Q. So when you told me before that  
18 Mr. Gilbert's manual, quote, assumes that a mass  
19 property approach should be used for production  
20 plant, that wasn't accurate, was it?

21 A. Apparently not.

22 Q. And in fact, isn't it true, Mr. Rice,  
23 that this Commission has never said that the lifespan  
24 approach is inappropriate for developing  
25 depreciation -- depreciation rates for steam

1 production?

2 MR. DOWNEY: I'm -- I'm going to object  
3 unless you've established some foundation for this  
4 witness to know all of the orders that this  
5 Commission has issued, because you just asked him  
6 you're not aware of any orders they've ever issued  
7 where this is required.

8 MR. LOWERY: This witness testifies in  
9 his testimony that the Commission had rejected the  
10 lifespan approach and the Commission prefers the mass  
11 property approach. I think it's a fair question. If  
12 he doesn't know the answer to the question, he can  
13 say he doesn't know.

14 JUDGE WOODRUFF: I'll overrule the  
15 objection.

16 BY MR. LOWERY:

17 Q. Do you remember the question, Mr. Rice?

18 A. Yes, but you just made a statement that  
19 I need to have corrected.

20 Q. Well, Ms. Kliethermes will be happy to  
21 correct it for you, I'm sure. Isn't it true that  
22 this Commission to your knowledge has never said that  
23 the lifespan approach is inappropriate for developing  
24 depreciation rates for steam production plants?

25 A. To my knowledge, that's correct.

1 Q. In fact, you discussed with Mr. Gilbert  
2 whether the lifespan approach should be used, and he  
3 directed you to prior cases which you read, correct?

4 A. Yes.

5 Q. And you understood that in those prior  
6 decisions that you took a look at, the Commission  
7 simply didn't find that the evidence related to the  
8 estimated retirement dates in those cases was  
9 sufficient, right?

10 A. Correct.

11 Q. But this is a different case, isn't it?

12 A. Yes.

13 Q. Let's talk a little bit more about that.  
14 The last time the mass property versus lifespan  
15 approach issue came up for UE steam production plants  
16 was in the ER-2007-00 -- 0002 case, right?

17 A. Yes.

18 Q. And in that case the Company expressed a  
19 lot of concerns about the Staff's depreciation study,  
20 in particular about the average service lives that  
21 were used for steam production. Do you recall that?

22 A. Yes.

23 Q. And as it turns out, the Staff, I think  
24 in particular you, now share some of those same  
25 concerns, don't you?

1 A. Yes.

2 Q. You don't think that the study from the  
3 ER-2007-0002 case is reliable and you've, in fact,  
4 used substantially different average service lives in  
5 this case, haven't you?

6 A. Yes.

7 Q. And in its Order from that case -- do  
8 you happen to have a copy of the Order from the  
9 ER-2007-0002 case?

10 A. No.

11 Q. Okay. I've handed you a copy of the  
12 ER 2007-0002 Report and Order. You've seen that  
13 before, correct?

14 A. Yes.

15 Q. I do not have a copy. Do you mind if I  
16 look over your shoulder?

17 A. You've got it flagged here.

18 Q. Well, it may be a different...

19 A. I'm sorry I didn't bring my copy.

20 Q. That's all right. That's not your  
21 fault. Could you please read the last sentence in  
22 the paragraph before the Conclusion of Law that  
23 starts with, "Based," read it into the record,  
24 please?

25 A. "Based on the evidence before the

1 Commission, it appears AmerenUE's criticism of the  
2 Staff's choice of survivor curves is merely a further  
3 attempt to discredit Staff's decision not to truncate  
4 those curves to account for speculative retirement  
5 dates for AmerenUE's generating plants."

6 Q. Mr. Rice, you agree now that Mr. -- that  
7 AmerenUE's criticism of the Staff's choice of the  
8 survivor curves was a valid criticism, don't you?

9 A. Well, let me read this again, exactly  
10 what it says because...

11 Q. Well, can you answer my question? I  
12 mean, go ahead and refresh your recollection, then --  
13 then I need to know if you can answer my question or  
14 not.

15 A. Okay. What's your question?

16 Q. My specific question was you agree, do  
17 you not, that AmerenUE's criticism of the Staff's  
18 choice of the survivor curves in that case by  
19 Ms. Mathis, you agree that AmerenUE's criticism of  
20 the choice of those survivor curves is a valid  
21 criticism, don't you?

22 A. It was a valid criticism, yes.

23 Q. Thank you. Do you recall that another  
24 concern the Commission expressed in its Order in that  
25 case was that the retirement dates that had been used

1 by the Company would have retired all of the plants  
2 before steam plants within a span of 16 years; do you  
3 recall that?

4 A. Yes.

5 Q. But Mr. Loos, in his study in this case,  
6 he accounted for the ordinarily retirement and  
7 replacement of all of the steam plants over the span  
8 of time when -- when he estimates all of the plants  
9 will be retirement -- will be retired, and you didn't  
10 have any criticism of that, did you?

11 A. No.

12 Q. So that concern expressed by the  
13 Commission, you don't have that concern with respect  
14 to Mr. Loos's -- Mr. Loos's study, I should say, in  
15 this case, do you?

16 A. That's correct.

17 Q. Now, your discussions with Mr. Gilbert  
18 where you and he discussed that the Staff was going  
19 to use the mass property approach to the steam  
20 production plants, isn't it true that those  
21 discussions occurred before you had even received the  
22 Company's filing in this case?

23 A. In general, yes.

24 Q. So before you read or considered  
25 Mr. Wiedmayer's testimony, before you read or



1 considered Mr. Loos's testimony in the Black & Veatch  
2 report, you already understood that if you were asked  
3 to do a depreciation study in an electric case, you  
4 would be treating the steam plants as mass property;  
5 isn't that right?

6 A. That's correct.

7 MR. LOWERY: Your Honor, I need to mark  
8 an exhibit, 166, I believe.

9 JUDGE WOODRUFF: Actually, it's going to  
10 be 167.

11 (EXHIBIT NO. 167 WAS MARKED FOR

12 IDENTIFICATION BY THE COURT REPORTER.)

13 BY MR. LOWERY:

14 Q. Handed you what's been marked for  
15 identification as Exhibit 167. Do you recognize this  
16 document?

17 A. My name is on it as a carbon copy, and  
18 I'm reading through it and I do recognize that I have  
19 read it before, yes.

20 Q. You indicated that you were copied on  
21 it, correct?

22 A. Yes.

23 Q. It is, in fact, an e-mail string started  
24 by Staff auditor Steve Rackers on September 24th of  
25 last year, and that continued by another e-mail from

1 Mr. Rackers on September 29th, right?

2 A. Yes.

3 Q. Could you please turn to the second page  
4 and read Mr. Rackers' first e-mail into the record?

5 A. "I just finished reading Wiedmayer's  
6 depreciation testimony in the UE case. On page 31 he  
7 says that the Missouri Commission uses lifespan for  
8 nuclear production plants. Hopefully this is a  
9 mischaracterization. Considering how we have always  
10 opposed the lifespan method and since ER-2007-0002  
11 was stipulated between Staff and Company on  
12 depreciation, I don't think it is necessarily  
13 Commission use or acceptance.

14 "However, I know we are calculating the  
15 rates differently for Callaway than we are for Wolf  
16 Creek, so I'm concerned that what we have done can  
17 even be portrayed as acceptance of lifespan."

18 Q. Mr. Wiedmayer's statement that the  
19 Missouri Commission uses lifespan for nuclear  
20 production plants is not a mischaracterization, is  
21 it?

22 A. No.

23 Q. In fact, the Staff supports using  
24 lifespan for nuclear production, correct?

25 A. Correct.

1           Q.       And Mr. Rackers' statement that we  
2 have -- quote, we have always opposed the lifespan  
3 method, end quote, is consistent with the fact that  
4 before you ever saw any evidence in this case, you  
5 were told that you would be treating steam production  
6 as mass property; isn't that right?

7           A.       That's -- that's right.

8           Q.       Now, would you read Mr. Rackers' last  
9 e-mail on the first page into the record?

10          A.       Okay. Mr. Rackers' last e-mail.

11          Q.       It will be his last e-mail, I believe,  
12 top of the first page and it starts out "Guy."

13          A.       Okay. "To an accountant, or maybe it's  
14 just me, the technical discussion about metallurgy is  
15 like a foreign language. Something about what we did  
16 in establishing the depreciation rate for Callaway is  
17 or looks enough like lifespan that Wiedmayer is  
18 claiming it is, and this will be used against us on  
19 the coal units."

20          Q.       That -- you can stop there.

21          A.       Okay.

22          Q.       Isn't it a fair assessment of what  
23 Mr. Rackers had to say that the Staff was concerned  
24 that there was an inconsistency between treating  
25 power plant A, the Callaway plant, as lifespan

1 property, but treating power plants B, C, D and E as  
2 mass property? Isn't that a fair assessment of what  
3 Mr. Rackers was concerned about?

4 A. The nuclear -- one nuclear plant versus  
5 the full -- four coal-fired plants, yes.

6 Q. And he was concerned that that might  
7 appear inconsistent, wasn't he?

8 A. That's what it appears, yes.

9 Q. And that's because for the Callaway  
10 plant, in order to use the lifespan approach for  
11 depreciation purposes, you have to use an estimated  
12 date when that plant is going to be retired, don't  
13 you?

14 A. Well, yes, that's the lifespan  
15 procedure, yes.

16 Q. And Mr. Rice, you used 2044 as that  
17 date, but in fact, the only license AmerenUE has to  
18 operate the Callaway plant at this moment actually  
19 expires in 2024, doesn't it?

20 A. Correct.

21 Q. Because the Company hasn't even applied  
22 for an extension to that license yet, has it?

23 A. Okay. You asked me that question before  
24 and it's been answered. I thought it was and you  
25 said it wasn't, so...

1 Q. You -- you now understand that the  
2 license has not been applied for; is that right?

3 A. I haven't followed through to confirm  
4 that necessarily.

5 MR. LOWERY: You don't know. Your  
6 Honor, I'd like to move for the admission of  
7 Exhibit 167.

8 JUDGE WOODRUFF: 167 has been offered.  
9 Any objection to its receipt?

10 (NO RESPONSE.)

11 JUDGE WOODRUFF: Hearing none, it will  
12 be received.

13 (EXHIBIT NO. 167 WAS RECEIVED INTO  
14 EVIDENCE AND MADE A PART OF THE RECORD.)

15 BY MR. LOWERY:

16 Q. Mr. Rice, Callaway may or may not retire  
17 in 2044, correct?

18 A. That's correct.

19 Q. It might be sooner, it might be later --

20 A. Correct.

21 Q. -- we don't know for sure, do we?

22 A. Correct.

23 Q. Just like the steam plants might retire  
24 sooner or might retire later than the dates Mr. Loos  
25 estimated, right?

1           A.       That's correct.

2           Q.       Mr. Rice, Mr. Gilbert was pretty adamant  
3 that the mass property approach is the right approach  
4 to use for steam production; isn't that fair to say?

5           A.       I wouldn't characterize it that way as  
6 adamant.

7           Q.       Could you turn to page 67 of your  
8 deposition, please? And again, that's the 67 -- the  
9 little 67 in the upper right-hand corner of each of  
10 those four pages per page.

11          A.       I'm there.

12          Q.       Direct your attention to line 17 to 20.  
13 Ask you if I asked you the following question and  
14 answer -- I'm sorry. Line 12 to 16: "Question: Did  
15 you ever go to Mr. Gilbert and say, you know" --  
16 excuse me -- "you know, Wiedmayer has a lot of  
17 concerns about this mass property" -- I'm sorry. I  
18 think I'm reading the wrong quote. I apologize.

19                    Sorry about that, Mr. Rice. Line 8, my  
20 apologies. I asked you the following question:  
21 "Question: Mr. Gilbert was probably pretty adamant  
22 that the mass property, that that's the right  
23 approach, right? Is that fair to say?

24                    "Answer: Yes."

25                    Did I read that question and answer

1 properly?

2 A. Yes.

3 Q. Now, you actually went to Mr. Gilbert  
4 and you said something along the lines of  
5 Mr. Wiedmayer has a lot of concerns about the mass  
6 property approach for the steam plants and I think he  
7 made some good points, so I want to ask you what you  
8 think, didn't you?

9 A. I don't believe I did that.

10 Q. Take a look at lines 12 to 16 on page  
11 67, confirm whether I asked you the following  
12 question and whether you gave the following answer.

13 "Question: Did you ever go to  
14 Mr. Gilbert and say, you know, Wiedmayer has a lot of  
15 concerns about this mass property and I think he made  
16 some good points. What do you think about that?

17 "Answer: Yes, I have done it."

18 Did I read that accurately?

19 A. Yes.

20 Q. And you do think Mr. Wiedmayer provided  
21 some reasonable information that he had some good  
22 points, don't you?

23 A. Yes.

24 Q. But when you went to Mr. Gilbert and  
25 brought up good points Mr. Wiedmayer or Mr. Loos had

1 made, basically he told you it doesn't matter, the  
2 Staff believes they should use the mass property  
3 approach. That's basically what he told you, isn't  
4 it?

5 A. Well, my problem here is I don't believe  
6 I ever went to Mr. Gilbert and said that  
7 Mr. Wiedmayer had a lot of concerns. That phrase, I  
8 don't believe I did those words but --

9 Q. You agree --

10 A. -- I mean, I did discuss with  
11 Mr. Gilbert the lifespan approach that was being  
12 offered by Mr. Wiedmayer, yes.

13 Q. I read your deposition transcript  
14 accurately, did I not?

15 A. Yes, you did.

16 Q. Let me go back to my last question.  
17 When you went to Mr. Gilbert and brought up good  
18 points that Mr. Wiedmayer or Mr. Loos had made,  
19 basically he told you it doesn't matter, the Staff  
20 believes they should use the mass property approach.  
21 Isn't that basically what he told you?

22 A. In general, yes.

23 Q. So isn't it fair to say that regardless  
24 of how meritorious the points Mr. Wiedmayer made  
25 about using lifespan for steam production plants, the



1 Staff wasn't going to do it, were they?

2 A. Staff was going to offer the mass  
3 property approach, yes.

4 Q. Regardless of how good the points were  
5 that Mr. Wiedmayer made?

6 A. Basically.

7 Q. You agree Mr. Wiedmayer is a qualified,  
8 reputable and competent depreciation engineer, don't  
9 you?

10 A. Yes.

11 Q. And you know that the Commission to your  
12 knowledge has never directed the Staff to use the  
13 mass property approach for steam plants, did it --  
14 has it, I should say?

15 A. I don't know that either way.

16 Q. Direct your attention to page 69 of your  
17 deposition, line 6. Ask you if I asked you this  
18 question and if you gave this answer.

19 "Question: Because you already  
20 testified that the Commission did not direct the  
21 Staff to use the mass property approach, right?

22 "Answer: Correct."

23 Did I read that accurately?

24 A. Yes.

25 Q. The Staff could have used the lifespan

1 approach had it chosen to, correct?

2 A. Yes.

3 Q. And using the lifespan approach for  
4 steam plants would not be wrong, would it?

5 A. No.

6 Q. And if your superiors had asked you to  
7 do so and if -- you would have had no problem doing  
8 that yourself, would you?

9 A. If I was told to do it that way, I would  
10 have, yes.

11 Q. Do you have a copy of the Staff's cost  
12 of service report?

13 A. I have a section that I wrote, yes.

14 Q. Do you have the depreciation section?

15 A. I believe I do, if I can find it. Okay.

16 Q. Direct your attention to page 103,  
17 lines 27 to 29.

18 A. 23 to 79, yes.

19 Q. Twenty -- page 103, line 27 to 29.

20 A. All right.

21 Q. You -- you state -- and let me just  
22 clarify, you wrote this section, correct, you're  
23 responsible for this section, correct?

24 A. Yes.

25 Q. You state at page 103, lines 27 to 29,

1 "Under the true mass property treatment, the  
2 Company's need for compensation for a shutdown and/or  
3 removal of an individual steam plant or hydroelectric  
4 plant is considered throughout the life of the  
5 plant," right?

6 A. Correct.

7 Q. And what you mean by true, is that if  
8 there are plants that have retired in the database  
9 that you were studying and if the data is sufficient  
10 in that database, then you would be able to  
11 accomplish this, quote, true mass property treatment,  
12 right?

13 A. Yes.

14 Q. And in fact, you questioned whether the  
15 amount of final retirement history for the steam  
16 production accounts is sufficient to give you an  
17 accurate, a true mass property result, don't you?

18 A. Yes.

19 Q. So when Ms. Kliethermes said this  
20 morning in her opening -- or this afternoon, I guess  
21 it was, in her opening statement, if you have a  
22 representative history, you should get the same  
23 result, that's a big if, isn't it?

24 A. Yes.

25 Q. And you've got some concerns about

1 whether you've managed to accomplish a true mass  
2 property result in this case, don't you?

3 A. Yes.

4 Q. And the reason you question whether the  
5 data is sufficient, the reason for your concerns is  
6 because there's not much information in that data at  
7 all about final steam plant retirements, is there?

8 A. That's correct. I mean, there is  
9 information in there, but it's -- it's nowhere near  
10 the number of dollars that are currently in service.

11 Q. To your knowledge, the only steam  
12 production units retired by UE are the Mound, Cahokia  
13 and the Venice 1 plants, right? And there's  
14 basically nothing in the data about those final  
15 retirements, is there?

16 A. And Venice 2.

17 Q. And Venice 2. So those four plants,  
18 that's the only retirement history in the data,  
19 right?

20 A. Correct.

21 Q. And there's very little data in there.  
22 The dollars in the retirement data are very small,  
23 particularly in relation to the current four steam  
24 plants that we have in service, aren't they?

25 A. For the first three you mentioned, yes.

1 For Venice 2 there is a reasonable amount, but it's  
2 still small.

3 Q. This data sufficiency problem that you  
4 have in this case, you've really got that problem  
5 with the hydro units, don't you?

6 A. Well, there is no hydro unit facility  
7 that has been shut down, and there is no final  
8 retirement history in the accounts.

9 Q. Which means you have -- you don't  
10 have -- you may not have enough data for the steam  
11 plants to get a true mass property result, right?

12 A. Correct.

13 Q. But you have no data at all for hydro  
14 units, so there's no way you can get a, quote, true  
15 mass property result for the hydro units, is there?

16 A. That's correct.

17 Q. At the end of the day in your mind, the  
18 average service life estimates that you were using to  
19 treat these power plants as mass property, they are  
20 no better than the life estimates the Company is  
21 using to treat the plants as lifespan property; is  
22 that fair?

23 A. That is fair.

24 Q. Did you compare the average service  
25 lives that you're using to the service life used in

1 other jurisdictions for steam production?

2 A. No.

3 Q. Direct your attention to the Staff  
4 report page 94, lines 3 and 4.

5 A. Very beginning, okay.

6 Q. Bear with me just a second, Mr. Rice.  
7 Well, I can't find the -- the particular passage now,  
8 but I think you probably remember saying this. Let  
9 me ask you that. Is it correct that in your  
10 testimony you say that part of the process you must  
11 go through when you are using the mass property  
12 approach is to check the data for reasonableness to  
13 ensure sufficient data exists to perform a  
14 statistically significant analysis; do you remember  
15 saying that?

16 A. Yes.

17 Q. Mr. Rice, you're not even sure if the  
18 final retirement data in the steam production plant  
19 accounts is sufficient to perform a statistically  
20 significant analysis, are you?

21 A. No, I have no way of knowing that.

22 Q. In fact, you have some serious doubts  
23 about whether there is -- whether it is sufficient to  
24 perform a statistically significant analysis, don't  
25 you?

1           A.       When I look at the curves and the way  
2 they come out, it looks like there's insufficient  
3 data.

4           Q.       And you discussed these doubts with  
5 Mr. Wiedmayer, didn't you?

6           A.       Yes.

7           Q.       And he told you that the mass property  
8 approach would not capture the short-lived equipment  
9 that remain in the plant when it retired and, in  
10 fact, he also told you that, in fact, if you do not  
11 have representative plants in your data, the mass  
12 property approach will not capture that short-lived  
13 property, will it?

14          A.       That's what Mr. Wiedmayer said, yes.

15          Q.       And the problem Mr. Wiedmayer  
16 identified, in fact, does exist in this case, doesn't  
17 it?

18          A.       Yes.

19          Q.       And if you don't capture the short-lived  
20 prop -- short-lived property, you're not going to  
21 fully depreciate all of the investment in that  
22 account over the -- I mean for that plant over the  
23 actual service life of that plant, are you?

24          A.       For an individual plant, no.

25          Q.       Mr. Rice, isn't it true that if the

1 retirement history of the Company is inadequate --  
2 and I'm talking about the final -- the history of  
3 final retirements, final retirements for steam  
4 plants -- if that history is inadequate, you really  
5 can't use the mass property approach, can you?

6 A. That's correct.

7 Q. But you did use it, right?

8 A. Well, I wasn't sure whether it was or  
9 was not adequate when I was using that.

10 Q. Mr. Rice, you agree that about half of  
11 the property of these power plants will not retire  
12 until the plant is retired; isn't that right?

13 A. That's the way I answered that question  
14 when you asked me before, but since then, I have  
15 looked at it a little more and it may be less than  
16 that, but...

17 Q. It's not a whole lot less, is it?

18 A. No.

19 Q. Mr. Rice, in trying to argue against use  
20 of the Staff -- or excuse me -- of the lifespan  
21 approach and to support the Staff's use of the mass  
22 property approach for these steam plants, at  
23 page 104, lines 15 to 18 of the Staff report, you  
24 stated as follows -- I'll give you a chance to get  
25 there.



1 A. Page 104, lines?

2 Q. 15 to 18.

3 A. Okay.

4 Q. You stated that, "In addition to being  
5 unreliable for any specific steam unit, a fixed  
6 retirement date for a specific plant site can result  
7 in a fixed mentality towards the actual retirement of  
8 that site regardless of the change in circumstances  
9 that might result in beneficial continuation of that  
10 site." Was that your testimony?

11 A. Yes.

12 Q. You didn't cite me to any specific  
13 example where utilities shut down a power plant  
14 because it had previously estimated a retirement date  
15 for depreciation purposes, you can't cite me to a  
16 single example, can you?

17 A. No.

18 Q. You can't cite me to a single example  
19 where any company that owned an industrial plant shut  
20 it down because it had previously estimated a  
21 retirement date for depreciation purposes, can you?

22 A. No.

23 Q. I mean, that statement that you made was  
24 made -- based upon -- solely upon your personal  
25 experience at a smaller Monsanto plant where you used

1 to work where Monsanto had decided 18 or 24 months  
2 out that they were going to shut down the facility,  
3 right?

4 A. Correct.

5 Q. And that one personal experience is not  
6 analogous at all to the estimated retirement dates  
7 for electric power plants that are 10, 20, 30, 40  
8 years into the future, is it?

9 A. Not 10, 20, 30 years, no.

10 Q. The Staff -- the statements you made at  
11 page 104, lines 15 to 18 is nothing more than pure  
12 speculation, isn't it?

13 A. That's correct.

14 Q. You're familiar, I take it, with the  
15 NARUC depreciation manual? And when I say NARUC, I  
16 mean National Association of Regulatory Utility  
17 Commissioners; is that right?

18 A. Yes.

19 Q. You agree that in general it's an  
20 authoritative source of information for public  
21 utility depreciation practices?

22 A. Yes.

23 Q. In fact, I'd like for you to turn to  
24 page 90 of Mr. Gilbert's manual that's been admitted.

25 A. Okay.

1 Q. Am I correct that Mr. Gilbert's manual  
2 lists the NARUC manual as an authoritative reference?  
3 A. What page again?  
4 Q. Page 90. Oh, you're right, I'm sorry.  
5 I haven't made it as an exhibit. You still have the  
6 manual, correct?  
7 A. Yes.  
8 Q. My -- my apologies. Are you on page 90  
9 of the manual?  
10 A. Oh, okay. I gotcha.  
11 Q. I'm sorry.  
12 A. It's just a list here.  
13 Q. It's been a long day.  
14 A. No. 5.  
15 Q. Mr. Gilbert's manual cites the NARUC  
16 manual we're talking about as an authoritative  
17 reference, does it not?  
18 A. Yes.  
19 Q. I'm going to hand you a copy of a  
20 document. Do you recognize that document?  
21 A. Yes.  
22 Q. Is that the NARUC manual we've been  
23 talking about?  
24 A. Yes.  
25 Q. Can you turn to page 141, please?

1           A.       May I use my own?

2           Q.       Oh, you can use your own, sure.

3           A.       141?

4           Q.       In the middle of that page on page 141,  
5 can you please read the paragraph that starts, quote,  
6 lifespan and mass property have different approaches?

7           A.       Read that paragraph?

8           Q.       Yes, please.

9           A.       Okay. "Lifespan and mass property have  
10 different retirement patterns and require different  
11 analysis. Mass property accounts use an age  
12 distribution or generation arrangement of survivors  
13 produced by the actuarial or computed mortality  
14 method. The lifespan accounts use primarily the unit  
15 investment surviving at a given date. Example:  
16 December 31st of the study year, lifespan property  
17 generally has the following characteristics."

18          Q.       All right. That's -- that's sufficient.  
19 Could you turn to page 93 of the NARUC manual,  
20 please? I'm sorry. I think I gave you the wrong  
21 page reference. Mr. Rice, the passage that you just  
22 read -- I'm sorry. I didn't mean to switch gears on  
23 you, but go back to page 141. I apologize. I read  
24 my reference wrong.

25          A.       Okay.

1 Q. The passage you just read, that first  
2 sentence, it indicates that the lifespan and mass  
3 property require different analyses, right? Those  
4 approaches require different analyses, right?

5 A. Yes.

6 Q. But you're using the same analysis for a  
7 transmission and distribution plant which you would  
8 certainly characterize as mass property as you were  
9 using for the steam plants, right?

10 A. Correct.

11 Q. Go down a little further on page 141  
12 starting with the second sentence in the last  
13 paragraph.

14 A. "Another example"?

15 Q. No. The second sentence in the last  
16 paragraph. Actually, I guess it's the third sentence  
17 in the last paragraph where it says, "The following  
18 classes of utility property."

19 A. Okay.

20 Q. Would you read that sentence, please?

21 A. "The following classes of utility  
22 property may be most appropriately studied under this  
23 method. Taking into consideration the availability  
24 of plant accounting data and particularly the number  
25 of units of property involved, buildings, electric

1 power plants, major high voltage substations and  
2 switching stations, telephone central, Alpha  
3 switching equipment, water filtration plants" --

4 Q. That's -- that's -- that's good enough.  
5 Let me try to move it along as much as we can. What  
6 the NARUC manual says is that the electric power  
7 plants are most appropriately studied under the  
8 lifespan method, correct?

9 A. Correct.

10 Q. Are you familiar with a textbook by a  
11 couple of gentlemen named Wolf and Fitch?

12 A. Yes, you introduced it to me in the  
13 deposition.

14 Q. I'm going to hand you a copy of it. Are  
15 you still on page 90 of Mr. Gilbert's manual?

16 A. Mr. Gilbert's manual? Yes.

17 Q. I see Commissioner Davis has his own  
18 copy. Gilbert lists the Wolf and Fitch book that  
19 you're holding as an authoritative reference as well,  
20 doesn't he? Item 12 of Mr. Gilbert's list on  
21 page 90.

22 A. Yes, I'm just looking.

23 Q. I think the edition you're holding might  
24 be the 1994 edition, and I think Mr. Gilbert might  
25 list the 1992.

1           A.       Correct.

2           Q.       Would you please turn to page 255 of the  
3       Wolf and Fitch text that you're holding?

4                    COMMISSIONER DAVIS:  I'm sorry.  What  
5       page is that, Mr. Lowery?

6                    MR. LOWERY:  255, Commissioner.

7                    THE WITNESS:  Okay.

8       BY MR. LOWERY:

9           Q.       Would you please read how Wolf and Fitch  
10       describe lifespan property in the second full  
11       paragraph on page 255?

12           A.       "Depreciation professionals use the term  
13       lifespan to describe both a unit of property in a  
14       group of property that will be retired as a unit.  
15       Examples of a unit of property are a hydroelectric  
16       dam or a building housing electrical generating  
17       equipment.  Examples of a group of property that will  
18       be retired as a unit include turbines, generators or  
19       other equipment used to generate electrical power and  
20       housed in either the dam or building."

21           Q.       Okay.  You can stop there.  Each of  
22       AmerenUE's coal-fired units will be shut down and  
23       stop generating electricity at some point in the  
24       future, won't they?

25           A.       Yes.

1           Q.       You'd agree, would you not, that the  
2   Wolf and Fitch test -- text is treating power plants  
3   as lifespan property, wouldn't you?

4           A.       Correct.

5           Q.       But you treat them as mass property,  
6   right?

7           A.       Right.

8           Q.       You've been doing depreciation work for  
9   about two years; is that right?

10          A.       Not quite two years.

11          Q.       And I -- I just don't remember. Is  
12   this the first full depreciation study -- life  
13   analysis/net salvage analysis that you've done?

14          A.       That's correct.

15          Q.       Are the average service life estimates  
16   that you use in your mass property rates, are they  
17   based on actual data or are they estimates?

18          A.       The average service lives are based on  
19   curves that are fit to actual data.

20          Q.       Okay. That's -- that's a fair answer.  
21   But ultimately, they're estimates of what the average  
22   service life is going to be, right?

23          A.       Correct.

24          Q.       Okay. Are the net salvage percentages  
25   you used, they're -- they're estimates also, right?



1 A. Correct.

2 Q. You agree that given what can be done  
3 today, since it's estimated that these four plants  
4 won't retire for between the next 12 to 40 years or  
5 so, that given what can be done today, the approach  
6 that Mr. Loos and Black & Veatch took in estimating  
7 the retirement dates is relatively complete and  
8 logical, right?

9 A. Correct.

10 Q. You agree that the Black & Veatch study  
11 was well done, correct?

12 A. Correct.

13 MR. LOWERY: I'll mark another exhibit,  
14 your Honor. I believe it's 168.

15 (EXHIBIT NO. 168 WAS MARKED FOR  
16 IDENTIFICATION BY THE COURT REPORTER.)

17 BY MR. LOWERY:

18 Q. Can you identify Exhibit 168, please?

19 A. It looks like an e-mail from myself to  
20 Mr. Gilbert.

21 Q. Is it fair to say that this e-mail  
22 reflects your assessment of AmerenUE's initial  
23 depreciation filing in this case?

24 A. I'm having a little trouble remembering  
25 writing this, unfortunately.

1 Q. Take your time.

2 A. Okay. This was back in August of '09.

3 Q. Right.

4 A. Right after you filed, apparently.

5 Q. We filed on July 24th or thereabouts,  
6 correct? Do you remember that?

7 A. The exact date, no.

8 Q. But late in July, does that ring a bell?

9 A. Yes.

10 Q. My question was, is it fair to say that  
11 this e-mail reflects your assessment of AmerenUE's  
12 initial depreciation filing?

13 A. This is my first assessment of  
14 Mr. Wiedmayer's direct, yes.

15 Q. Okay. Would you please turn to the  
16 second page of this document and read your summary  
17 which you bolded? You have a summary and then a  
18 semicolon, the word "Summary" in bold. Would you  
19 please read the rest of that?

20 A. Okay. "I do give credit to the way  
21 Wiedmayer and Loos extended the life expectancy about  
22 20 years past the ASL that would be found from the  
23 typical mortality curves on current boiler plant  
24 equipment and then further extended them to  
25 accommodate an early replacement construction

1 schedule. I also understand the implications of  
2 increasing environmental constraints and see advances  
3 in technology resulting in significant increases in  
4 thermal efficiency of new plants over the AmerenUE  
5 plants in question.

6 "Overall, I believe the estimated  
7 retirement dates presented by Wiedmayer and Loos to  
8 be reasonable. Short of a reversal of the  
9 environmental movement and/or a decade-long economic  
10 depression, I believe these plants will be slowly  
11 going away over the next 12 to 36 years."

12 MR. LOWERY: Your Honor, I move for the  
13 admission of Exhibit 168.

14 JUDGE WOODRUFF: 168 has been offered  
15 into evidence. Are there any objections to its  
16 receipt?

17 (NO RESPONSE.)

18 JUDGE WOODRUFF: Hearing none, we'll --

19 MR. DOWNEY: Judge, Judge?

20 JUDGE WOODRUFF: Yes, sir.

21 MR. DOWNEY: Can I take a look at it for  
22 a second?

23 JUDGE WOODRUFF: Sure.

24 MR. DOWNEY: You know, Judge, what I  
25 might suggest is I reserve my right to object after

1 I've read it, and I can let Mr. Lowery know in the  
2 morning. It's sort of like he did on my exhibit.

3 JUDGE WOODRUFF: Okay. We'll reserve  
4 ruling on it.

5 BY MR. LOWERY:

6 Q. Mr. Rice, you don't have -- really have  
7 any criticism of what Mr. -- Mr. Wiedmayer and  
8 Mr. Loos did, particularly Mr. Loos did, given the  
9 limitations of trying to estimate the retirement of  
10 large steam units decades into the future, do you?  
11 They pretty much did all they could do; isn't that  
12 fair?

13 A. Correct.

14 Q. And if Mr. Gilbert had let you do the  
15 lifespan approach, you would have done something very  
16 similar to what Mr. Loos did to estimate retirement  
17 dates, wouldn't you?

18 A. Most likely, yes.

19 Q. Mr. Rice, in fact, you yourself have  
20 evaluated the Company's evidence in this case and you  
21 personally think that it may very well be convincing  
22 enough that the Commission will agree that the  
23 lifespan approach ought to be used, don't you?

24 A. I have stated that, yes.

25 Q. And your summary in your e-mail

1 essentially proves just that, doesn't it?

2 A. Yes.

3 Q. Let's talk about your average service  
4 lives a little bit more. If we don't truncate -- if  
5 a depreciation analyst does not truncate the survivor  
6 curves that you -- that he's using for steam plants  
7 so we use them for average service lives and we'll  
8 treat the plant as mass property, then in 25 or 35  
9 years when we retire the plant, there will be an  
10 undepreciated balance in the books, won't there?

11 A. For that individual plant, yes.

12 Q. And the only -- the only customers who  
13 will be on the system at the time that plant retires  
14 and when it has an undepreciated balance, they will  
15 no longer be receiving service from that plant, will  
16 they?

17 A. They'll be receiving service from some  
18 other plant.

19 Q. Right. They -- they may have to pay for  
20 the undepreciated balance on the plant that doesn't  
21 serve them anymore and also pay for the capital  
22 investment in probably the much more expensive new  
23 plant that might replace it, right?

24 A. The analysis should take into account  
25 the retirements from that plant and give an elevated

1 depreciation to the following plant, yes.

2 Q. Except when you have insufficient  
3 retirement history like we do here, it's not going to  
4 do that, is it?

5 A. You would end up elevating the retire --  
6 the depreciation rates for the replacement plant,  
7 yes.

8 Q. And the customers who did take service  
9 from the plant that retired but has an undepreciated  
10 balance, those customers will not have paid the full  
11 service value for that plant, will they?

12 A. Unless a prior plant had retired and the  
13 depreciation rates on that plant had been elevated  
14 from that act.

15 Q. But that is -- that's not going to  
16 happen given the insufficient retirement history you  
17 have in the database here, is it?

18 A. That's probably correct.

19 Q. Let's talk about your surrebuttal.  
20 Let's first just talk just a moment about -- well,  
21 strike that. I think I understand your Exhibit 230.

22 Mr. Rice, could you turn to page 8,  
23 line 3 of your surrebuttal testimony?

24 A. Yes.

25 Q. There -- starting there, you explain

1 what you say causes the difference between the  
2 Company's and the Staff's depreciation rates for  
3 steam production; is that fair?

4 A. Yes.

5 Q. And you note that no one has historical  
6 steam plant final retirement data which is  
7 representative of the four existing large steam  
8 plants in service today, right?

9 A. Say that again, please.

10 Q. Don't you note that no one has -- that  
11 no -- nobody possesses historical steam plant for  
12 final retirement data which is representative of the  
13 four existing large steam units UE has today; is that  
14 what you say?

15 A. Neither the Staff nor the Company has  
16 historical steam plant final retirement data which  
17 represents the large steam production facilities  
18 operated by AmerenUE.

19 Q. So neither of the -- you were just  
20 talking about the Company and the Staff. I said no  
21 one, but --

22 A. Okay.

23 Q. -- you wouldn't know anybody else that  
24 would have that data either, would you?

25 A. No.

1 Q. Okay. And you're describing this  
2 insufficiency of data problem that you and I have  
3 talked about earlier, right?

4 A. Yes.

5 Q. And then you go on to say a little  
6 farther down that, "If the Staff and the Company each  
7 had a historical database which represented the  
8 existing plants, the analysis result -- analysis  
9 result by either method would have been closer."  
10 Right? Did you say that?

11 A. Yes.

12 Q. But again, that's that big if we talked  
13 about before, right? That is the condition and the  
14 condition is not met, right?

15 A. Correct.

16 Q. Let me ask you this: The Company's  
17 method of setting depreciation rates for the steam  
18 plants, it does not depend on this insufficient final  
19 retirement data for the smaller and cheaper steam  
20 units that have been retired, does it?

21 A. Say that again, please.

22 Q. The Company's method, the lifespan  
23 method Mr. Wiedmayer used does not depend upon this  
24 insufficient final retirement data for the smaller,  
25 cheaper steam plants that are in UE's retirement



1 history, does it?

2 A. It was one of the things that they  
3 looked at --

4 Q. Well, let me --

5 A. -- and it was used in his analysis.

6 Q. He only examines interim retirements in  
7 his analysis, doesn't he?

8 A. That's not true.

9 Q. That's not true?

10 A. Schedule C in the back of Loos's  
11 testimony shows a mass property type whole life  
12 interim and final retirement curves.

13 Q. Did Mr. -- did Mr. Wiedmayer use --  
14 Mr. Wiedmayer truncated the survivor curves that he  
15 used in his analysis, did he not?

16 A. As a lifespan analysis, yes, but that's  
17 not what's included in the appendix C of Mr. Loos's  
18 report.

19 Q. Are you talking about Mr. Loos's report  
20 or Mr. Wiedmayer's report?

21 A. Mr. Loos's report.

22 Q. Well, I'm talking about Mr. Wied -- did  
23 Mr. Loos calculate depreciation rate for the Company  
24 in this case?

25 A. He used those curves to get a remaining

1 life.

2 Q. That wasn't my question. Who calculated  
3 the remaining life depreciation rates using the  
4 lifespan approach for the Company in this case,  
5 Mr. Wiedmayer or Mr. Loos?

6 A. Mr. Wiedmayer.

7 Q. Mr. Wiedmayer's analysis does not depend  
8 on final retirement data from Cahokia and Mound and  
9 Venice 1 and 2, does it?

10 A. That's correct.

11 Q. I didn't ask a very good question  
12 before, I guess.

13 A. I'm sorry. I got in the wrong book.

14 Q. That's all right. That's all right. So  
15 the data problem that we've been talking about, it  
16 affects the accuracy of your mass property approach,  
17 the rates you calculated with the mass property  
18 approach, but it doesn't have any effect on the  
19 Company's approach that Mr. Wiedmayer reflects in his  
20 depreciation rates, does it?

21 A. Directly, no.

22 Q. And then if we take a look on page 9 of  
23 your surrebuttal testimony, the bottom line is that  
24 the Staff, quote, recommends -- you use the word  
25 recommend, I believe, correct? Staff recommends to

1 continue to treat these plants, which the NARUC manual  
2 and Wolf and Fitch both say are lifespan property,  
3 the Staff recommends to continue to treat them as  
4 mass property. That's your recommendation, isn't it?

5 A. I'm sorry. Where -- where are you on  
6 that page? Page 9?

7 Q. Well, line 3, it says, "What does Staff  
8 recommend"?

9 A. Okay.

10 Q. Page -- line 5, "Staff continues to  
11 recommend."

12 A. Okay.

13 Q. And my question was, the bottom line is  
14 as reflected on page 9 of your surrebuttal testimony  
15 is that Staff continues to recommend to treat these  
16 plants which the NARUC manual and Wolf and Fitch both  
17 say are lifespan properties, Staff recommends to  
18 continue to treat them as mass property, right?

19 A. Yes.

20 MS. KLIETHERMES: Objection to the form  
21 of the question on that.

22 THE WITNESS: Yeah.

23 MR. LOWERY: I think it's been answered  
24 already.

25 JUDGE WOODRUFF: It has been answered.

1 Overruled.

2 BY MR. LOWERY:

3 Q. And in fact, the Staff's method, quote,  
4 Uses past retirement history to estimate future  
5 retirement patterns, doesn't it? You say that on  
6 page 9, lines 7 and 8?

7 A. Yes.

8 Q. And that's the same past retirement  
9 history that you are not even sure is sufficient to  
10 perform a statistically significant analysis --  
11 analysis, are you?

12 A. Correct.

13 Q. And it's the same retirement history  
14 about which you have had some serious doubts about  
15 whether it is sufficient to use for what you call the  
16 true mass property approach, isn't it?

17 A. Correct.

18 Q. Mr. Rice, you point to an approximately  
19 200 to \$250 million difference between the  
20 theoretical and the book reserve for steam production  
21 in your surrebuttal testimony, don't you?

22 A. Yes.

23 Q. I've got a true or false question for  
24 you. Mr. Wiedmayer's remaining life depreciation  
25 rates which were calculated using the lifespan

1 approach, they include amortizing the current  
2 difference between the theoretical in the book  
3 through the depreciation rate over the remaining life  
4 of steam plants, don't they?

5 A. Yes.

6 Q. And he calculated those -- and if he  
7 calculated those remaining lives correctly, given the  
8 parameters he used, the estimated retirement dates --  
9 I'm sorry. I messed up my own question.

10 Did he calculate the remaining lives'  
11 rates that he is using, did he calculate them  
12 correctly -- using the parameters that he used, his  
13 inputs -- to your knowledge, did he calculate them  
14 correctly?

15 A. To my knowledge, yes.

16 Q. So Mr. Wiedmayer is not proposing to  
17 ignore the difference between the theoretical and the  
18 book reserve, is he?

19 A. Correct, he's trying to make it go away.

20 Q. Well, and that's the object of the  
21 remaining life rate is to make it go away, isn't it?

22 A. Yes.

23 Q. Mr. Rice, you have a diagram at the  
24 bottom of page 10 of your surrebuttal testimony,  
25 don't you?

1 A. Yes.

2 Q. And let's see if I'm -- if I can boil  
3 down what it -- what it shows. It simply shows the  
4 components of the whole life depreciation formula and  
5 the mass property approach that you're using, right?

6 A. Correct.

7 Q. Now, your heading for this diagram at  
8 the bottom of page 10 of your surrebuttal testimony,  
9 it says, quote, Staff and Commission Policy For  
10 Computation of Depreciation Rate. Is that what you  
11 said?

12 A. Well, I signed the affidavit, yes.

13 Q. Did you not write that, Mr. Rice?

14 A. No.

15 Q. It cites Commission Order ER-2004-0570,  
16 doesn't it?

17 A. Yes.

18 Q. Who wrote that that's the Staff and  
19 Commission policy for computation of depreciation  
20 rate if it wasn't you?

21 A. Apparently it got in there during the  
22 edits.

23 Q. It's not true, is it?

24 A. No.

25 Q. Do you have a copy of the Commission's

1 Order in Case No. ER-2004-0570, the Empire case?

2 A. Yes.

3 Q. Do you have --

4 A. I have it.

5 Q. If we were to look in the Report and  
6 Order from Case No. ER-2004-0570, nowhere in that  
7 order is it going to say that it's the Commission's  
8 property [sic] to treat steam plant life as a mass  
9 property, is it?

10 A. I expected you to ask the question the  
11 opposite. Say it again, please.

12 Q. Does the Commission's order in the  
13 Empire case say anywhere that it's the Commission's  
14 policy to treat steam production plant as mass  
15 property?

16 A. No.

17 Q. So what -- what that heading on your  
18 diagram on page 10 ought to read, it ought to read  
19 Staff policy, right?

20 A. Correct.

21 Q. In the Empire case, the Commission just  
22 didn't believe the evidence about the estimated  
23 retirement dates based on the particular evidence in  
24 that case; isn't that right?

25 A. That's the way I read it, yes.

1 Q. Empire's evidence in that case has  
2 nothing to do with the evidence in this case, does  
3 it?

4 A. Not really.

5 Q. So this citation to the Empire case  
6 really doesn't have any relevance to this case, does  
7 it?

8 A. That's the way I understand it, yes.

9 Q. Now, on the next page of your testimony,  
10 there's a heading that says, "Company Interpretation  
11 of Computation of Depreciation Rate." Do you see  
12 that?

13 A. Now you're back to my testimony again.

14 Q. Yeah, I'm sorry. I'm back to your  
15 surrebuttal testimony, page 11.

16 A. I have to put them away or I'll lose  
17 them.

18 Q. Sure, I -- I understand.

19 A. My surrebuttal testimony. Page what?

20 Q. Page 11.

21 A. Okay.

22 Q. There's a heading it top. It says,  
23 "Company Interpretation of Computation of  
24 Depreciation Rate." Do you see that?

25 A. Page 11? Wait a minute.



1 Q. Well, it sure looks like it to me.

2 A. Well, I have my own copy and that may  
3 not be the same page number as the official copy  
4 here. Page 11. Go ahead.

5 Q. Okay. I'm sorry to ask the question a  
6 third time.

7 A. Yeah.

8 Q. Do you -- do you see the diagram that's  
9 labeled "Company Interpretation of Computation and  
10 Depreciation Rate"?

11 A. Yes.

12 Q. Did you write that heading?

13 A. No.

14 Q. Do you agree with it?

15 A. Yes.

16 Q. Well, let me ask you, the diagram that's  
17 shown under that heading, that's just the remaining  
18 life formula, isn't it?

19 A. It has two things in it. It has the  
20 estimated true-up for reserve deficiency which is the  
21 remaining life part --

22 THE COURT REPORTER: Wait a minute. It  
23 has the what? The estimated what?

24 THE WITNESS: The estimated true-up for  
25 reserve deficiency --

1 THE COURT REPORTER: Thank you.

2 THE WITNESS: -- which is the remaining  
3 life part. And then something that has not been  
4 mentioned -- well, maybe it has. With respect to the  
5 production plant accounts, Mr. Wiedmayer truncated  
6 the net salvage similar to the way he truncated the  
7 life analysis, and the net salvage for when the plant  
8 shuts down has been removed from the depreciation  
9 analysis.

10 BY MR. LOWERY:

11 Q. So this is an accurate reflection of the  
12 remaining life depreciation formula if you include  
13 terminal net salvage in the depreciation rate,  
14 correct?

15 A. If you remove terminal net salvage from  
16 the depreciation rate.

17 Q. Okay. If you remove it as Mr. Wiedmayer  
18 did, correct?

19 A. Yes.

20 Q. And had he included terminal net salvage  
21 in the depreciation rate, the depreciation expense  
22 that he calculated would have been higher, right?

23 A. Correct.

24 Q. So by not including it, the Company's  
25 actually proposing lower depreciation rates; isn't

1 that right?

2 A. They're proposing not to collect net  
3 salvage at this time, yes.

4 Q. I mean, Mr. Wiedmayer didn't make this  
5 formula up, right?

6 A. Correct.

7 Q. It's not really the Company's  
8 interpretation, it is a recognized depreciation rate  
9 formula. If we go look in that NARUC manual, we're  
10 going to find this formula, except it will probably  
11 say include the terminal net salvage, won't it?

12 A. Yes.

13 JUDGE WOODRUFF: Mr. Lowery, make sure  
14 your microphone is on and that you're close to it.

15 MR. LOWERY: I think it is, your Honor,  
16 but --

17 JUDGE WOODRUFF: I think it is now. You  
18 tend to get away from it.

19 MR. LOWERY: Sorry about that.

20 JUDGE WOODRUFF: All right.  
21 Commissioner Jarrett is actually watching us from  
22 New Mexico, and he just sent me an e-mail.

23 MR. LOWERY: All right. I'll try to --  
24 I'll try to do a better job of that.

25 BY MR. LOWERY:

1           Q.       On page 11 and 12 of your -- of your  
2    rebuttal to Mr. Selecky -- and I'm in your  
3    surrebuttal, but your rebutting Mr. Selecky, what I  
4    think you call issue 3.  What Mr. Selecky -- and let  
5    me ask you if this is how you understand it.  What  
6    Mr. Selecky has done with the mass property rates he  
7    calculated is essentially to make precisely the same  
8    mistake that Jolie Mathis of the Staff made two rate  
9    cases ago; is that right?

10           A.       That's my understanding, yes.

11           Q.       Well, when you say it's your  
12    understanding, you've looked at what he did and --

13           A.       I've looked at what he did, and the best  
14    I can tell, that is what he did.

15           Q.       I mean, his average service lives and  
16    his net salvage percentages against mass property  
17    rates are essentially -- not exactly, but they're  
18    very close to what Ms. Mathis used, right?

19           A.       Correct.

20           Q.       And there are problems with the average  
21    service lives that Ms. Mathis used, aren't there?

22           A.       Correct.

23           Q.       He doesn't even -- Mr. Selecky doesn't  
24    even come close to true mass property treatment,  
25    right?

1 A. Correct.

2 Q. I mean, the problem is, you've got a  
3 sufficiency-of-data problem because you don't have  
4 very much final retirement history, but he ignores  
5 the final retirement history, right?

6 A. Correct.

7 Q. So he's got the problem you have, only  
8 he's got it a lot worse, doesn't he?

9 A. Yes.

10 Q. So Staff's analysis from ER-2007-0002 is  
11 invalid, and Mr. Selecky's is just as invalid, isn't  
12 it?

13 A. That's my conclusion, yes.

14 Q. You also disagree with Mr. Selecky's  
15 treatment for net salvage or transmission and  
16 distribution plant, correct?

17 A. That's correct.

18 Q. As you point out, the Staff and the  
19 Company, they are following the Commission's  
20 direction on that issue, correct?

21 A. That's my understanding, yes.

22 Q. Would you take a look at that Empire  
23 decision again, please? Turn to page 54.

24 A. Yes.

25 Q. Would you read the last -- excuse me.

1 Would you read the last sentence before the first --  
2 well, I guess it's the last sentence of the first  
3 full paragraph?

4 A. "It is the policy of this Commission to  
5 return to traditional accounting methods for net  
6 salvage."

7 Q. So that's an instance where the  
8 Commission did announce what its policy is, didn't  
9 it?

10 A. Yes.

11 Q. And by traditional method, what you  
12 understand that to mean is to not rely upon  
13 historical averages of past expenses, net salvage,  
14 but to accrue for future cost of removal based upon  
15 analyzing the retirement history in the account,  
16 correct?

17 A. By traditional accounting methods for  
18 net salvage, I have looked at that several times,  
19 having not worked here very long, to figure out what  
20 traditional was, and I ended up back in the Code of  
21 State Regulations where it says to use FERC in it --  
22 FERC USOA, and I got into the FERC USOA and  
23 determined that the only way it can possibly be a  
24 systematic and rational allocation of service value  
25 over the service life is if terminal interim --

1 whatever net salvage is included in the depreciation  
2 expense throughout the plant life.

3 Q. And that's not based upon using recent  
4 expense levels for determining the net salvage  
5 component of the depreciation accrual, is it?

6 A. That's correct.

7 Q. And finally in your surrebuttal  
8 testimony, you address Mr. Selecky's continuing  
9 effort to have both the Company and the Staff ignore  
10 final retirements at the Callaway plant in the  
11 Staff's and the Company's life and net salvage  
12 analysis, right?

13 A. Please say that again.

14 Q. The last thing I think you address in  
15 your surrebuttal testimony is you address  
16 Mr. Selecky's adjustment that he's proposing to  
17 account 322, reactor equipment, right?

18 A. Okay.

19 Q. Is that right?

20 A. Yes.

21 Q. Now, there were some questions about  
22 that earlier this evening, right, before we broke for  
23 dinner?

24 A. Yes.

25 Q. You mentioned some data request

1 responses; is that right?

2 A. Yes. Sorry. I didn't bring that with  
3 me.

4 MR. LOWERY: That's okay. I think I  
5 did. Your Honor, I believe this will be 169?

6 JUDGE WOODRUFF: Correct, 169.

7 (EXHIBIT NO. 169 WAS MARKED FOR  
8 IDENTIFICATION BY THE COURT REPORTER.)

9 BY MR. LOWERY:

10 Q. Mr. Rice, I've handed you what's been  
11 marked for identification as Exhibit 169, ask you if  
12 you recognize that?

13 A. Yes.

14 Q. Is this one of the data requests you  
15 were mentioning when Mr. Downey was request -- was  
16 questioning you earlier this evening?

17 A. Yes.

18 Q. Is this one of the data request  
19 responses you relied upon in continuing to reach the  
20 conclusion that it would be inappropriate to ignore  
21 the steam generator retirements in the life and net  
22 salvage analyses?

23 A. It is one of them. It refers me to the  
24 DR -- MIEC DR 22-1 which then I had to go get. But  
25 yes.



1 Q. And MIEC 22-1, that's actually the one  
2 that Mr. -- at least a part of it's what Mr. Downey  
3 showed you and admitted into the record earlier, at  
4 least -- least marked and showed you earlier; is that  
5 right?

6 A. Yes.

7 Q. Am I correct that Exhibit 169, the  
8 response to Staff's DR 364, it indicates that none of  
9 these payments from Westinghouse or fuel credits or  
10 other credits the Company received, none of them were  
11 booked against accumulated depreciation?

12 A. Correct. That's my understanding.

13 Q. Do you have your rebuttal testimony,  
14 Mr. Rice?

15 A. Yes.

16 Q. Would you turn to page 4, please?

17 A. Page 4?

18 Q. Yes.

19 A. Yes.

20 Q. Could you take a look at lines 14 to 15,  
21 16, see if I read this accurately? "Retirements are  
22 removed from the life analysis if they are found to  
23 be reimbursed retirements." That would be one  
24 circumstance. These weren't reimbursed retirements,  
25 were they, these generators?

1           A.       I do not believe they were.

2           Q.       And this other circumstance when you  
3 would do that is if there was evidence of -- of a  
4 legal action showing fraud or misconduct, like if the  
5 Company engaged in fraud or misconduct, right?

6           A.       Well, it may be a supplier in this case,  
7 but that's generally true, yes.

8           Q.       And there's no evidence in any of these  
9 documents that we've seen relating to these steam  
10 generator retirements that there was misconduct or  
11 fraud, is there?

12          A.       Not that I know of.

13                   MR. LOWERY: Your Honor, I'd move for  
14 the admission of Exhibit 169.

15                   JUDGE WOODRUFF: 169 has been offered.  
16 Any objection to its receipt?

17                   (NO RESPONSE.)

18                   JUDGE WOODRUFF: Hearing none, it will  
19 be received.

20                   (EXHIBIT NO. 169 WAS RECEIVED INTO  
21 EVIDENCE AND MADE A PART OF THE RECORD.)

22                   COMMISSIONER DAVIS: What is 169 again?

23                   JUDGE WOODRUFF: It's the data request.

24                   COMMISSIONER DAVIS: Oh, it's the data  
25 request. I'm sorry.

1 BY MR. LOWERY:

2 Q. Mr. Rice, did you take a look at  
3 Mr. Selecky's surrebuttal testimony?

4 A. I'm sure I have.

5 Q. Do you have a copy of it there? Do you  
6 have it now, Mr. Rice?

7 A. Yes.

8 Q. Could you take a look at, I think it's  
9 the very last page, schedule JTS-15?

10 A. Okay. Well --

11 Q. Do -- do the totals that Mr. Selecky  
12 lists there in line 6 for the Staff and for the  
13 Company, to your knowledge, do those totals reflect  
14 the actual full depreciation expense recommendation  
15 of the Staff or the Company?

16 A. I'm sorry. I have 22 pages here.

17 Q. Well, it's schedule JTS-15. It's after  
18 the numbered pages, I believe.

19 A. Of the schedule?

20 Q. Yes.

21 A. All right. What schedule are you on?

22 Q. JTS-15.

23 A. All the way on the back page?

24 Q. Yeah, the very last page, sure.

25 A. Okay. Yes.

1           Q.       And my question was, in line 6  
2 Mr. Selecky, he has -- he labels this "Comparison of  
3 Proposed Depreciation Expense," and on line 6 he  
4 lists some totals. And my question is, is the 298  
5 million, is -- that's not Staff's total depreciation  
6 recommendation in this case, is it?

7           A.       No.

8           Q.       Your -- your recommendation in this case  
9 is in Exhibit 230 which was entered into evidence  
10 when you first took the witness stand, and that's 329  
11 million six -- or 300 -- yeah, \$329,620,831, right?

12          A.       Correct. There's obviously -- oh, I  
13 see. It looks like general plant's missing for one  
14 here.

15          Q.       It looks to me like that what  
16 Mr. Selecky did is he listed the depreciation expense  
17 being recommended by the various parties on issues  
18 where he had an adjustment. Does that make sense to  
19 you?

20          A.       Yes.

21          Q.       We can't use line 6 as the total  
22 depreciation expense being recommended by at least  
23 AmerenUE and by the Staff in this case, can we?

24          A.       That's correct.

25          Q.       Mr. Rice, would you agree that the

1 Company has very low depreciation rates compared to  
2 other integrated electric utilities across the  
3 country?

4 A. I cannot answer that question.

5 Q. You just don't know?

6 A. Correct.

7 Q. Well, I think -- I think I know the  
8 answer to the next question. You didn't take that  
9 into account in developing your depreciation rates in  
10 this case, right?

11 A. That's correct.

12 Q. Wouldn't that be a valid policy  
13 consideration of the Commission to take into account  
14 in deciding the depreciation issues in this case?

15 A. My opinion, yes.

16 Q. Mr. Rice, isn't it -- am I correct that  
17 Mr. Dunkel who filed testimony, also filed testimony  
18 on behalf of MIEC, is proposing a \$5.8 million  
19 reduction to the accruals that the Staff included for  
20 future net salvage on the steam production plant?

21 A. That's correct.

22 Q. And you -- you address this issue at  
23 page 13 of your surrebuttal testimony; is that right?

24 A. I see addressing transmission and  
25 distribution net salvage on page --

1 Q. Issue 5 on page -- I think your  
2 pagination must be off on the exhibit that's been  
3 entered into the record.

4 A. Page 13. Yes.

5 Q. Can you -- you indicate that  
6 Mr. Dunkel's adjustment is not consistent with the  
7 traditional method of the net salvage under the  
8 Commission rules that directs the use of the Uniform  
9 System of Accounts, right?

10 A. Yes.

11 Q. Can you elaborate a little bit on why  
12 you think his -- his proposal contravenes the  
13 Commission's Uniform System of Accounts?

14 A. Because it does not systematically and  
15 rationally distribute the net salvage from that  
16 property over the life of the plant.

17 Q. Isn't it true that Mr. Dunkel's proposal  
18 would leave a portion the plant balance in each of  
19 the affected accounts with no accrual at all for net  
20 salvage?

21 A. At the current -- currently for net  
22 salvage in the steam plants, there is no excess, and  
23 I'm not sure what amount would be collected versus  
24 spent between now and when it -- when a plant  
25 retires, but it looks like there's none there.

1 There's an excess depreciation -- there's a  
2 difference between theoretical and book reserves, but  
3 in the evidence that's been provided by  
4 Mr. Wiedmayer, none of that excess is net salvage.

5 Q. All right. And make sure I understand  
6 your question. What that means is, that Mr. Dunkel's  
7 proposal would leave a portion of the plant balance,  
8 a portion of the investment in those steam production  
9 plant accounts, a portion of that plant balance would  
10 have no accrual at all for net salvage if you  
11 followed his recommendation, right?

12 A. Correct.

13 Q. Is that appropriate in your view?

14 A. No.

15 Q. Won't there be some kind of net salvage  
16 cost associated with all of the plant, whether it be  
17 through a final or interim retirement?

18 A. Correct.

19 Q. It isn't appropriate to leave some of  
20 the portion -- some portion of the account with no  
21 accrual for net salvage, is it?

22 A. In my opinion, no.

23 Q. My understanding of the Staff's view is  
24 that these accounts should be treated as mass  
25 property because the retirement date of the plan is

1 too uncertain. Is that essentially one of the  
2 reasons that you or the Staff takes this mass  
3 property approach? Right?

4 A. That's one of them, yes.

5 Q. Isn't Mr. Dunkel's exclusion of a  
6 portion of the net salvage cost inconsistent with  
7 that -- with that particular justification?

8 A. I didn't follow that somehow.

9 Q. Well, one of the reasons the Staff --  
10 and it may have been a lousy question. One of the  
11 reasons that the Staff believes -- or the Staff takes  
12 this -- has this opinion that you should treat steam  
13 production as mass property is because of a concern  
14 about the certainty of the retirement data's  
15 estimates, right?

16 A. Okay. Yes.

17 Q. When Mr. Dunkel excludes a portion of  
18 the net salvage cost, isn't -- isn't doing so  
19 inconsistent with that theory, the theory that the  
20 retirement dates are not -- are not certain enough to  
21 use?

22 A. Yes, it is.

23 Q. And why is that?

24 A. The same reason. The -- only the future  
25 will tell when those plants retire. It's an



1 estimated guess as to when they'll retire.

2 MR. LOWERY: Okay. Thank you, Mr. Rice.

3 I don't have any other questions, your Honor.

4 JUDGE WOODRUFF: Come up for questions

5 from the bench. Commissioner Davis?

6 QUESTIONS BY COMMISSIONER DAVIS:

7 Q. Good evening, Mr. Rice.

8 A. Good evening.

9 Q. I -- I just -- I just have a very few  
10 questions. You've been -- been a great witness and I  
11 appreciate your patience here. About 7:00 p.m.,  
12 Mr. Lowery was -- that's the only way I can remember.  
13 I'm starting -- keeping a time log here.

14 About 7:00 p.m., Mr. Lowery was asking  
15 you questions about -- about some of your testimony.  
16 And I apologize, I don't recall which -- whether it  
17 was your rebuttal or your surrebuttal. To the best  
18 of my recollection, you said something about -- there  
19 was something you said that you didn't write, that  
20 it -- that it must have been an edit; is that  
21 correct.

22 A. The caption on that graph. I adopted  
23 these graphs from Mr. Gilbert, and they went through  
24 the final editing.

25 Q. Page 10 and 11 of your surrebuttal?

1           A.       And captions were added to those graphs.

2           Q.       Okay.  So captions were added to those  
3 graphs and you didn't notice it, you didn't know it,  
4 you -- how does -- how does that work?

5           A.       I assumed that they -- I didn't read  
6 them close enough to see what they said, to tell you  
7 the truth.

8           Q.       So --

9           A.       It ended up being...

10          Q.       All right.  So Mr. -- Mr. Gilbert edited  
11 it.  Do you know, did anybody else edit it or just  
12 Mr. Gilbert or...

13          A.       I'm sure there was three or four  
14 persons.

15          Q.       Can you -- can you name the three or  
16 four persons?

17          A.       Mr. Gilbert, Ms. Kremer, Ms. Kliethermes  
18 and possibly Steve Rackers.  I know Steve Rackers  
19 didn't do it, but -- he didn't put that caption in  
20 there.

21          Q.       You know Mr. Rackers didn't put that  
22 caption -- caption in there.  And do you know if they  
23 changed anything else?

24          A.       I don't believe so.  I mean, I'm not  
25 saying they changed something.  I'm saying it

1 appeared there and I did not review it enough to see  
2 that maybe the words weren't proper.

3 Q. So is it -- is it -- is it routine  
4 for -- for editors to add things and not even consult  
5 the expert witness that something has been added?

6 A. No, it's not routine. I missed it.

7 Q. Okay. Mr. Rice, forgive me, I did not  
8 bring -- I brought my class cost of service report.  
9 I did not bring the index that -- that has the  
10 resumes in it. How long have you been employed at  
11 the PSC?

12 A. About one month short of two years.

13 Q. Okay. One month short of two years.  
14 Now, do you recall -- you read Mr. Wiedmayer's  
15 testimony, did you not?

16 A. Yes.

17 Q. Do you recall that I believe somewhere  
18 in his testimony he made reference to the earnings  
19 complaint case, EC-2002, I forget the number, and he  
20 said that in that case Staff took the lifespan  
21 approach instead of the mass property approach to  
22 plant? Do you recall that at all?

23 A. Okay. That would have been the  
24 2007-0002 case, the rate case.

25 Q. No.

1 A. No?

2 Q. No. Do you know anything about the  
3 earnings complaint from 2002?

4 A. I did not look at that case very well,  
5 no.

6 Q. You did not look at that case, so you  
7 don't know --

8 A. I mean, I didn't review the depreciation  
9 study for that case, no. I didn't realize the  
10 complaint case had one in it to begin with.

11 Q. Okay. All right. Are you aware at any  
12 time that the Staff subscribed to the -- the life  
13 method as opposed to the mass property method --  
14 lifespan?

15 A. Am I aware that the Staff recommended  
16 lifespan for steam production plant in the past?

17 Q. Uh-huh.

18 A. No.

19 Q. Okay. Now, earlier you testified that  
20 you were familiar with the public utility  
21 depreciation practices, the orange book; is that  
22 correct?

23 A. Yes.

24 Q. And you said that that was a -- an  
25 authoritative reference, did you not?

1           A.       Yes.

2           Q.       Okay. Do you have a copy of it there?

3           A.       Yes.

4           Q.       Can you open it up to the -- to the

5 introduction, just literally probably the -- I guess

6 it would be roman numeral page IV. So if you go to

7 the last paragraph on that page, it starts, "The

8 subcommittee on depreciation..." Could you -- could

9 you read that paragraph for me, please?

10          A.       "Finally the subcommittee" -- that's not

11 the one.

12          Q.       It says, "Now, the" -- oh, no, we'll

13 read that one next.

14          A.       Okay.

15          Q.       Let's go back one page to -- it would be

16 roman numeral IV. "The subcommittee on depreciation

17 wishes to acknowledge..."

18          A.       Okay. "The subcommittee on depreciation

19 wishes to acknowledge the following individuals who

20 authored the various chapters of the manual and its

21 appendices."

22          Q.       Okay. And would you read the name

23 that's fourth down on that list?

24          A.       "David M. Birnbaum [phonetic spelling],

25 Missouri."

1 Q. All right. And then now would you go to  
2 page -- roman numeral page V?

3 A. Yes.

4 Q. And read the last paragraph on that  
5 page, the "Finally, the subcommittee..."

6 A. "Finally, the subcommittee would like to  
7 acknowledge its debt of gratitude to the National  
8 Regulatory Research Institute for its invaluable  
9 assistance in editing the text and ensuring  
10 consistency of presentation and making publication  
11 possible."

12 Q. Okay. And then the next line is the  
13 list of the Staff's subcommittee on depreciation; is  
14 that correct?

15 A. Yes.

16 Q. And then four down -- or five down,  
17 you've got this David Birnbaum from Missouri again?

18 A. Yes.

19 Q. Have you ever heard the name David  
20 Birnbaum?

21 A. No.

22 Q. Okay. But over on page IV, it listed  
23 him as apparently an author of one of the chapters in  
24 this book in its appendices; is that -- is that  
25 correct?

1 A. Yes.

2 Q. Okay. So did you know that Mr. Birnbaum  
3 was apparently the -- his job title was utility  
4 regulatory engineer supervisor for the depreciation  
5 section here at the Missouri Public Service  
6 Commission, and apparently he was employed here from  
7 November 22nd, 1993 through May 22nd, 1998. Did you  
8 know that?

9 A. No.

10 COMMISSIONER DAVIS: Oh. I -- I don't  
11 have any further questions.

12 JUDGE WOODRUFF: Commissioner Kenney?  
13 QUESTIONS BY COMMISSIONER KENNEY:

14 Q. Mr. Rice, good evening. I won't take  
15 too terribly much of your time, and some of this may,  
16 frankly, be -- my questions may be obsolete at this  
17 point.

18 COMMISSIONER KENNEY: And I want to ask  
19 a question about this settlement document. I don't  
20 know if we need to go in-camera or not. I'm not  
21 going to address the specifics of it. Are the party  
22 names confidential?

23 MR. LOWERY: No.

24 BY COMMISSIONER KENNEY:

25 Q. Mr. Rice, did you have benefit of this

1 document -- and it's been marked Exhibit 438 -- at  
2 the time at which you prepared your testimony?

3 A. I'm not sure.

4 Q. This -- this is the document that we  
5 discussed --

6 COMMISSIONER KENNEY: Can I say what --

7 MR. LOWERY: Yes.

8 BY COMMISSIONER KENNEY:

9 Q. -- the \$10 million payment by  
10 Westinghouse to Ameren.

11 A. Yes.

12 Q. Do you know the document I'm talking  
13 about --

14 A. Yes.

15 Q. -- that's been marked Exhibit 438? Did  
16 you have the benefit of this document at the time  
17 that you were preparing your testimony?

18 A. My surrebuttal testimony, yes.

19 Q. Okay. And at the time that you had it,  
20 did you understand that it represented a settlement  
21 payment by Westinghouse to Ameren?

22 A. Yes.

23 COMMISSIONER KENNEY: All right.

24 That's -- that's -- that's the only question I have.

25 Thank you.



1                   JUDGE WOODRUFF: Okay. Any recross  
2 based on questions from the bench?

3                   (NO RESPONSE.)

4                   JUDGE WOODRUFF: Redirect?

5                   MR. DOWNEY: Wait -- wait a second.

6                   JUDGE WOODRUFF: I'm sorry. Did you  
7 have some recross?

8                   MR. DOWNEY: Are we allowed to ask  
9 recross based on the cross?

10                  JUDGE WOODRUFF: No. It's recross based  
11 on questions from the bench only.

12                  MR. DOWNEY: No.

13                  JUDGE WOODRUFF: No. Okay. Redirect?

14                  MS. KLIETHERMES: Thank you, Judge. I  
15 don't believe the manual has been marked as an  
16 exhibit; is that true?

17                  JUDGE WOODRUFF: That is true.

18 REDIRECT EXAMINATION BY MS. KLIETHERMES:

19                  Q.     Mr. Rice, you were questioned  
20 extensively about this manual?

21                  A.     Yes.

22                  MS. KLIETHERMES: Is there any objection  
23 to its admission into evidence?

24                  JUDGE WOODRUFF: We'll go ahead and mark  
25 it as 231, if you'd like.

1 MS. KLIETHERMES: I'd just move for its  
2 admission. I think sufficient foundation has already  
3 been laid, but I'd be happy to do so if need be.

4 THE COURT REPORTER: I have to mark it.  
5 Can I mark it first?

6 JUDGE WOODRUFF: Yes, we need to mark  
7 it.

8 COMMISSIONER DAVIS: Ms. Kliethermes,  
9 you can do it tomorrow, but if we could just get  
10 copies for all the Commissioners, that would be  
11 wonderful.

12 MS. KLIETHERMES: Certainly.

13 (EXHIBIT NO. 231 WAS MARKED FOR  
14 IDENTIFICATION BY THE COURT REPORTER.)

15 MS. KLIETHERMES: And I guess for  
16 clarification on that, as Mr. Lowery just pointed  
17 out, these are all marked "Draft." I don't think  
18 that on some of the copies the watermark showed up.

19 JUDGE WOODRUFF: Okay. Exhibit 231 has  
20 been offered. Any objection to its receipt?

21 MR. MILLS: Judge, I'd like to reserve  
22 until I have a chance to see it.

23 MR. LOWERY: So -- so would I, your  
24 Honor. I'm not sure that I think it's appropriate  
25 for Staff to just dump a 90-page document into the

1 record.

2 MS. KLIETHERMES: Judge, I would  
3 indicate that Mr. Lowery has picked and chosen  
4 certain areas of this manual. I'd offer it for the  
5 sake of saving the time of having to go through and  
6 offer all of the other similar areas of the manual.

7 JUDGE WOODRUFF: That's fine. And at  
8 this point, there is no actual objection, it's just  
9 they've asked me to reserve my ruling on it and I  
10 will do that until -- probably take a look at it  
11 tomorrow or whenever we get back to it. Hopefully it  
12 won't be after midnight. You can proceed.

13 BY MS. KLIETHERMES:

14 Q. All right. Mr. Rice, Mr. Downey, I  
15 believe, asked you about fuel types and former  
16 generation regarding Venice in particular. What fuel  
17 type is Venice -- or was Venice, I should say?

18 A. It's originally built as a coal-burning  
19 facility and it was switched to gas-fired boilers.

20 Q. Mr. Lowery asked you about the lifespan  
21 language that was in the draft manual. Did the  
22 language you read only apply to the depreciation  
23 procedure if you decide to do a lifespan study?

24 A. That's correct.

25 Q. And that would be the language referring

1 to whether or not it's necessary to have certain  
2 information?

3 A. Yes.

4 Q. Are there multiple methodologies  
5 discussed in the manual?

6 A. Many.

7 Q. Mr. Lowery discussed -- discussed your  
8 testimony that included some language along the lines  
9 of the Commission rejected the lifespan approach in  
10 the last case. Was it your testimony that the  
11 Commission forbid the use of lifespan?

12 A. It was not my intent.

13 Q. What is --

14 A. There are words on the -- my  
15 surrebuttal -- no, my rebuttal testimony that when I  
16 looked back at them, it appears that I was saying  
17 that lifespan had been rejected when -- the second  
18 and third sentences after that, following that, it's  
19 obvious that it's not what I was saying. It was a  
20 poor choice of words.

21 Q. You were asked about prefiling  
22 discussions with Mr. Gilbert. Are you aware of any  
23 new generation technology on the horizon to supplant  
24 coal?

25 MR. LOWERY: Your Honor, I'm just going

1 to lodge an objection that she's leading the witness.  
2 If the bench wants to allow her to lead the witness,  
3 that's fine, but she is leading the witness. These  
4 are all pretty much yes-and-no questions.

5 MS. KLIETHERMES: Frankly, I'm  
6 attempting to expedite this. I can be more general  
7 if that's preferable.

8 JUDGE WOODRUFF: I would prefer to  
9 expedite it with -- within reason.

10 MR. LOWERY: Fair -- fair enough.

11 THE WITNESS: Say again?

12 BY MS. KLIETHERMES:

13 Q. Regarding the prefiling discussions with  
14 Mr. Gilbert, were those premised on certain  
15 assumptions?

16 A. Yes.

17 Q. What were some of those assumptions?

18 A. Well, the main one that I remember is  
19 lifespan basically assumes that the plant is going to  
20 be green-fielded, and that's not what happens.

21 Q. And are there other assumptions?

22 A. Offhand I can't state one, no.

23 Q. Well, if there were other assumptions  
24 and the assumption you just discussed that didn't  
25 hold true, would you have been obligated to use a

1 mass property analysis in your opinion?

2 A. Say that again, please.

3 Q. If the discussions prefiling --  
4 preAmeren's filing about whether or not lifespan was  
5 appropriate, if those assumptions didn't actually  
6 hold true and the filing came in, would you have felt  
7 obliged to have -- to have gone ahead and used mass  
8 property?

9 A. With my experience and not having done  
10 it before, taking direction from what I heard, I  
11 would probably have used mass property, yes.

12 Q. You were asked if no matter how good of  
13 points Wiedmayer made, Staff was still going to use  
14 mass property. Were there flaws that Wiedmayer  
15 overlooked with lifespan?

16 A. Well, the major flaw is regardless of  
17 whether -- which process we're using, we're still  
18 estimating future -- in both -- in both cases they  
19 have lost.

20 Q. Were there any particular areas the  
21 Company didn't even bother to estimate?

22 A. Well, I was concerned that the reason  
23 that the plants are going to be shut down are going  
24 to be an economic reason, and we don't have that  
25 definition of what the condition -- the economic

1 conditions are going to be at any given point in time  
2 in the future.

3 Q. You were asked if your rates are no  
4 better than UE's retirement dates. Are they any  
5 worse?

6 A. No.

7 Q. If you had to err one way or the other,  
8 which way would you go?

9 A. Truthfully, I'd take an average.

10 Q. What elements would you look at in  
11 deciding -- in reaching that conclusion?

12 A. That we'd have two methods, they have  
13 two different answers, trying to predict the future.  
14 Average of the two was probably going to be closer  
15 than either one of them. That's it.

16 Q. Does the size of the reserve go for or  
17 against use of lifespan?

18 A. In my mind, the mass property approach  
19 has been used in the past, all the plants have been  
20 considered to be one large production facility. It  
21 has an excess reserve which will take care of the  
22 near future, and until we have a plant such as  
23 Meramec that shuts down, we really -- I don't believe  
24 either case has sufficient history to make a large  
25 change in rates.

1           Q.       You were asked to refer to several  
2       authoritative sources. Do you know whether any of  
3       those authoritative sources cite Mr. Gilbert as an  
4       expert?

5           A.       No.

6           Q.       You were asked if you considered the  
7       Black & Veatch study to be well done. Did it leave  
8       anything out?

9           A.       Other than what I just stated?

10          Q.       And what was that again?

11          A.       Some attempt to do an economic analysis  
12       at least for Meramec.

13          Q.       You were asked about what happens if the  
14       lives are too long, whether customers in the future  
15       will have to pay for a plant they didn't use. Would  
16       you like to elaborate on what happens if the lives  
17       are too short?

18          A.       If the lives that they've estimated are  
19       too short, then the plant retires at a later date and  
20       the current ratepayers end up paying more than they  
21       should have.

22          Q.       Mr. Lowery was asking you about the  
23       sufficiency of the retirement history, and I think he  
24       implied or stated that we don't know whether those  
25       were too long or too short relative to today's



1 plants. Which of those is more likely, that they're  
2 too long or too short? That probably was a  
3 nonsensical question.

4 A. The lifespan that I have estimated?

5 Q. No, no, I'm sorry.

6 A. I mean, average service lifespan?

7 Q. Mr. Lowery was discussing the -- the  
8 plants -- the Mound and Venice, and there's another  
9 one whose name I can't recall, and the relative  
10 length of those lives to today's plants. Do you know  
11 whether those would be too long or too short?

12 A. Well, the plants that have been shut  
13 down and retired, their lifespans are generally  
14 expected to be shorter than the current plans.

15 Q. And why is that?

16 A. Well, simply because of the technol --  
17 the rapidly changing technology over the course of  
18 any technology, those plants were at early stages and  
19 they're going to be -- become economical just through  
20 the fact that they're not built as well as the later  
21 plants.

22 Q. Commissioner Davis was asking you about  
23 the caption on a -- of a graph. Do you recall that?

24 A. Yes.

25 Q. Do you recall if there was discussion

1 about the fact that the caption was part of a JPEG or  
2 BMP file and wasn't editable in Word?

3 A. That was correct. I -- I couldn't edit  
4 it.

5 MS. KLIETHERMES: That's all I have.  
6 Thanks.

7 JUDGE WOODRUFF: Mr. Rice, you can step  
8 down.

9 THE WITNESS: Okay.

10 JUDGE WOODRUFF: We're done with you.

11 MR. DOWNEY: Judge?

12 JUDGE WOODRUFF: Yes.

13 MR. DOWNEY: I had withheld whether I'd  
14 had objections on Exhibit 168. I have no objection.

15 JUDGE WOODRUFF: Okay. Let's go back to  
16 168, then. That was the e-mail to Mr. Gilbert.  
17 Hearing no objection, then it will be received.

18 (EXHIBIT NO. 168 WAS RECEIVED INTO  
19 EVIDENCE AND MADE A PART OF THE RECORD.)

20 JUDGE WOODRUFF: We're due for a break.  
21 We'll take a break and come back at eight o'clock  
22 with Mr. Dunkel.

23 (EXHIBIT NO. 439 WAS MARKED FOR  
24 IDENTIFICATION BY THE COURT REPORTER.)

25 JUDGE WOODRUFF: Let's come to order,

1 please. While we were on break, the next witness,  
2 Mr. Dunkel for MIEC, has taken the stand. Please  
3 raise your right hand.

4 (The witness was sworn.)

5 JUDGE WOODRUFF: And you heard my little  
6 speech earlier about just answering the questions  
7 that are asked --

8 THE WITNESS: Yes.

9 JUDGE WOODRUFF: -- and then we'll  
10 hopefully get you out of here a little bit sooner.

11 THE WITNESS: Sure.

12 JUDGE WOODRUFF: Thank you. You may  
13 inquire on direct.

14 DIRECT EXAMINATION BY MR. DOWNEY:

15 Q. Good evening, Mr. Dunkel, over here.

16 Please state your name.

17 A. William Dunkel.

18 Q. And by whom are you employed?

19 A. I am an independent consultant employed  
20 in this case by MIEC.

21 Q. All right. Are you the same person who  
22 prepared Exhibit 407 which I will represent to you is  
23 your rebuttal testimony in this case?

24 A. Yes.

25 Q. Okay. And are the answers -- the

1 answers that you provided therein to the questions  
2 true and correct, at least as of the time you  
3 submitted that testimony?

4 A. As of the time I submitted it, yes.

5 Q. Okay. If you were asked the same  
6 questions today, would your answers still be the same  
7 today?

8 A. There would be minor modifications  
9 because to the extent I referred to Staff's  
10 testimony, after I had filed my rebuttal, Staff filed  
11 surrebuttal in which it changed some of its  
12 recommended depreciation rates.

13 Q. Okay. You should have in front of you a  
14 document which I will tell you is Exhibit 349.

15 A. Yes.

16 Q. All right. What is that document?

17 A. This shows the -- essentially the  
18 changes or the updates to my testimony based upon the  
19 Staff's revised depreciation rates with -- which they  
20 revised after I had filed my rebuttal. These make no  
21 significant changes, but they're technically correct.  
22 For example, in my rebuttal, I recommended a 5.8  
23 million reduction. That's now a 5.7 million  
24 reduction.

25 MR. DOWNEY: Thank you. At this time,

1 your Honor, I would offer Exhibit 407 and also 439  
2 and tender the witness for cross.

3 JUDGE WOODRUFF: All right. Exhibits  
4 407 and 439 have been offered. Any objections to  
5 their receipt?

6 MR. BYRNE: No objection.

7 JUDGE WOODRUFF: Hearing none, they will  
8 be received.

9 (EXHIBIT NOS. 407 AND 439 WERE RECEIVED  
10 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

11 JUDGE WOODRUFF: And for  
12 cross-examination, we begin with Public Counsel.

13 MR. MILLS: Just a few, your Honor.

14 CROSS-EXAMINATION BY MR. MILLS:

15 Q. Good evening, Mr. Dunkel.

16 A. Hello.

17 Q. Are you familiar with the Uniform System  
18 of Accounts?

19 A. To the extent it applies to depreciation  
20 which is the area I specialize in.

21 Q. And as it applies to depreciation, is  
22 your removal of terminal net salvage value consistent  
23 with the Uniform System of Accounts?

24 A. Yes. There's -- there's wording in  
25 there that talks about actions that are known to be

1 occurring. What happens in this case is these are  
2 basically unknown future costs, and it certainly is  
3 consistent to exclude unknown future costs as opposed  
4 to guesstimating some number and including it.

5 Q. Now, with respect to removal of terminal  
6 net salvage, can I ask you to turn to schedule WWD-1  
7 in Exhibit 407?

8 A. Yes.

9 Q. Tell me when you're there.

10 A. Yes, I'm there.

11 Q. Oh. And can -- can you explain how that  
12 picture is relevant to the question of terminal net  
13 salvage?

14 A. Yes. UE is not proposing to collect  
15 from customers for future terminal net salvage for  
16 steam production plants. However, the Staff did --  
17 or is. The problem is, the Staff did not use any  
18 data as to what terminal net salvage costs are. They  
19 didn't use any data from past retirements or terminal  
20 net salvage retirements or any estimates of future.

21 As a matter of fact, I think we've heard  
22 today that there's some lack of data, historic data  
23 for some reason that's hard to find on past  
24 retirements. We've also heard there's only a few  
25 past actual retirements. Well, this is one of them.

1 This is the Cahokia site. Thirty years after it's  
2 retired, it's still standing. So if you -- even if  
3 you could find the records as to what they spent for  
4 demolition, it's not demolished. So presumably, what  
5 they spent for demolition was minimal.

6           UE no longer owns this plant, nor does  
7 any affiliate of UE own the plant, so they haven't  
8 paid to demolish it other than perhaps some minor  
9 things. They probably drained the gasoline out of  
10 the tanks or that type of thing or diesel fuel of  
11 tanks, but as far as major expense, it apparently has  
12 not happened. And since they no longer own the  
13 plant, it's not reasonable to expect that it ever  
14 will happen.

15           So when you're talking about charging --  
16 let me put it this way: Had we collected money over  
17 the life of this plant from customers, millions or  
18 tens of millions or hundreds of millions of dollars  
19 for UE to demolish it, that money would have been  
20 improperly collected.

21           Now, when we're working on the future,  
22 we should use what we know from the past as a basis.  
23 What we know from the past is this plant was not  
24 demolished.

25           Q. Thank you. Now, with respect to the

1 lifespan approach, have you testified in cases in  
2 which production plant was not depreciated by the  
3 lifespan approach?

4           A.       Yes, many cases. Two categories come to  
5 mind; companies that are financed -- we used to call  
6 it REA, now it's called RUS -- very often come up  
7 with the depreciation rates for their production  
8 plant not based on a lifespan analysis. They have  
9 other methods they use. They don't have to select a  
10 specific retirement date or even a specific life, a  
11 final retirement life.

12                    Another category is what is called other  
13 production combustion turbines. They very commonly  
14 are treated as a mass account, including UE in this  
15 case. UE in this case is treating its 46 combustion  
16 turbines as mass accounts.

17                    Now, let's go to hydro. Hydro, there's  
18 25 hydro units. UE alleges that can't be a mass  
19 account, that has to be a lifespan account. There's  
20 no valid reason for that distinction. The only  
21 reason you can treat 46 units as mass and 25 units as  
22 not mass is because UE -- UE says so. There's no  
23 rule that says below 50 you use lifespan, above 50  
24 you use mass. It's judgment.

25                    So basically, you have Staff had made



1 one judgment, UE made another. It's hard to say  
2 either one is right or either one is wrong. There's  
3 two different ways to do it.

4 MR. MILLS: Thank you. That's all the  
5 questions I have.

6 THE WITNESS: That's all?

7 JUDGE WOODRUFF: Staff?

8 MS. KLIETHERMES: Just briefly.

9 CROSS-EXAMINATION BY MS. KLIETHERMES:

10 Q. Do -- does life -- the lifespan approach  
11 necessarily result in higher depreciation rates than  
12 the mass property approach?

13 A. No.

14 Q. Does it necessarily result in lower  
15 depreciation rates than mass property approach?

16 A. No. Probably the key to both of those  
17 is how -- how much your past data reflected your  
18 future data or how -- how good your guesses were. If  
19 something retired earlier than you thought it was,  
20 you'll be short under either method. If something  
21 retires later than you thought it would, you'll be  
22 long under either method.

23 Q. So is it inherent under the mass  
24 property approach that the plant value will not be  
25 recovered over the life of that plant?

1           A.       No.  If -- you know, if -- if what is --  
2 occurs in the future is approximately what you  
3 thought was going to occur, you'll be right on track.  
4 If your -- you missed one way, you'll be short.  If  
5 you miss the other way, you'll be long.

6           MS. KLIETHERMES:  That's all I have.  
7 Thank you.

8           JUDGE WOODRUFF:  All right.  AmerenUE?

9           MR. BYRNE:  No questions, your Honor.

10          JUDGE WOODRUFF:  All right.  Come up for  
11 questions from the bench, then.  Commissioner Davis?

12 QUESTIONS BY COMMISSIONER DAVIS:

13          Q.       Mr. Dunkel, if we don't expect our hydro  
14 plants to ever close, then what should the  
15 depreciation rate on those plants be?

16          A.       Well, first of all, I'm not going to say  
17 I -- you know, I haven't said I expect they'll ever  
18 close.

19          Q.       I know, but hypothetically speaking.  I  
20 mean --

21          A.       All right.  Even with that, you will  
22 have machinery that will wear out, turbines that will  
23 have to be replaced, bearings that will have to be  
24 replaced.  You will have leaks, you know -- depends  
25 what -- what your standard is, what's maintenance and

1 what's retirement, but you will have continuing  
2 expense.

3           As far as the dam itself goes, the Staff  
4 raised the question will it really retire in 40  
5 years. Well, you know, 40 years from now, will they  
6 blow up the dam and drain the Lake of the Ozarks?  
7 And the Staff doesn't think that's likely and UE  
8 basically assumes that will happen. It's up to you  
9 which is the most likely. I'd be surprised myself to  
10 see the Lake of the Ozarks go away, though.

11           Q.       Uh-huh. Would it -- would it surprise  
12 you -- would it surprise you to know that I'm  
13 personally ready to tell the Southwestern Power  
14 Administration that if they choose to -- to not  
15 relicense a dam, then that's fine with me, that I  
16 would expect a utility to -- at that point to tear  
17 the dam down?

18           A.       I'm -- I certainly respect your personal  
19 view. I'm not sure that guarantees that's what will  
20 happen.

21           Q.       No, I don't think I have -- I don't  
22 think I have any control over the Southwestern Power  
23 Administration. Now, AmerenUE is not asking for any  
24 terminal net salvage?

25           A.       For steam production, that's correct.

1 Q. For steam production; is that correct?

2 A. Yes, that's correct.

3 Q. Okay. So they're not asking for money  
4 to tear down the plants?

5 A. Correct.

6 Q. Anything wrong with that approach?

7 A. No. As a matter of fact, that's  
8 consistent with this Commission's past policy.

9 Q. Okay.

10 A. What -- what this Commission has done in  
11 the past, and it's reflected in this case, if you  
12 remember the Venice plant, there is a 300, \$400,000  
13 adjustment proposed because it wasn't -- the  
14 demolition of it wasn't fully covered --

15 Q. Right.

16 A. -- by precollection. So now that you  
17 know how much it's going to cost, they were going to  
18 actually collect that now.

19 Q. Right.

20 A. And by the way, 400,000 is much cheaper  
21 than collecting 5.7 million in advance. Once you  
22 actually get to the point where you know what the  
23 bill is, it's a lot less than guesstimating high in  
24 advance which is what we're -- which is the other  
25 choice.

1                   COMMISSIONER DAVIS: Okay. I'm going to  
2 pass right now.

3                   THE WITNESS: Okay.

4                   JUDGE WOODRUFF: Okay. Commissioner  
5 Kenney?

6                   COMMISSIONER KENNEY: I don't have any  
7 questions. Thank you.

8                   THE WITNESS: Oh, thank you.

9 QUESTIONS BY JUDGE WOODRUFF:

10            Q.       That \$400,000 for the Venice plant,  
11 that's what AmerenUE withdrew earlier?

12            A.       They withdrew it, but -- in fact, our --  
13 our group has supported it because that's consistent  
14 with what this Commission has done. You've not  
15 really charged in advance when you don't know what  
16 the number is. But as the number becomes clearer and  
17 more of a real number, then you start collecting.

18            JUDGE WOODRUFF: I don't have anything  
19 else. Any recross based on questions from the bench?  
20 Yes.

21 RE-CROSS-EXAMINATION BY MR. BYRNE:

22            Q.       Mr. Dunkel, you really don't think  
23 three -- \$300,000 is how much it costs to tear down  
24 the Venice plant, do you?

25            A.       Those are your numbers as amortized, I

1 think, over five years, if I remember --

2 Q. Isn't that only a small piece that  
3 occurred in the test year?

4 A. No. It's spread over five years.

5 Q. No, no.

6 A. Okay.

7 Q. Isn't the \$300,000 only the small piece  
8 that occurred during the test year?

9 A. That right now -- even with your filing,  
10 that's the only thing customers would be paying for  
11 terminal net salvage for steam production as opposed  
12 to paying 5.7 million under the Staff proposal.  
13 That's a bargain.

14 Q. Let's -- let me go back and say do you  
15 really think \$300,000 is what the terminal salvage  
16 value for the Venice plant is?

17 A. I don't know what it is. Per year?

18 MR. BYRNE: Okay. Fair enough. Thank  
19 you.

20 THE WITNESS: Okay. Thank you.

21 JUDGE WOODRUFF: All right. Any other  
22 recross?

23 MS. KLIETHERMES: Real quickly.

24 RE-CROSS-EXAMINATION BY MS. KLIETHERMES:

25 Q. Commissioner Davis was asking you about

1 the terminal net salvage approaches of the three  
2 parties that have prepared depreciation studies.

3 A. Okay.

4 Q. Is it fair to say that what you were  
5 indicating to him is that you believe Staff's  
6 approach results in rates that are too high?

7 A. You mean because of the terminal net  
8 salvage?

9 Q. We'll start with that.

10 A. Yes, for steam it does, because Staff  
11 had no basis for estimating the number they used for  
12 the 5.7 million. They really -- they picked a number  
13 from interim retirements. And interim retirements  
14 are much more expensive per dollar retired than  
15 terminal.

16 The reason is, when you do an interim  
17 retirement, if you're removing a piece of equipment,  
18 you have to be gentle. You have to disconnect the  
19 pipes carefully because you're going to connect  
20 something else up again, disconnect the wires.  
21 Equipment around it, you can't damage with heavy  
22 equipment because you want to use the plant again.

23 Final retirement, you come in with  
24 explosives, bulldozers, huge machines and you just  
25 destroy it and get it out of there. You can do it

1 much more efficiently per dollar removed in a  
2 terminal retirement than you can the final  
3 retirement. And that's even assuming you do it.  
4 Your other choice is to get rid of the plant and  
5 not demolish it at all. That's another possibility.

6 Q. And also regarding terminal net  
7 salvage, will all those dollars associated with a  
8 given plant site, will all of those units at that  
9 plant site necessarily be retired at the same point  
10 in time?

11 A. No. Historically that has not always  
12 occurred. I think in the filing UE proposed that,  
13 but it's very typical to see one unit retire at a --  
14 at a site for some reason, but unit 2 continue  
15 operating for several more years.

16 Q. What about items at that site other than  
17 the actual production units?

18 A. It depends. If there's common  
19 facilities, coal-handling facilities, for example,  
20 they typically would keep those in service until the  
21 last coal unit went out of service.

22 MS. KLIETHERMES: That's all I have.

23 Thank you.

24 JUDGE WOODRUFF: Thank you. Redirect?

25 MR. DOWNEY: Yes, your Honor.



1 REDIRECT EXAMINATION BY MR. DOWNEY:

2 Q. Mr. Dunkel, this terminal net salvage  
3 adjustment that you proposed, was it originally  
4 \$5.8 million?

5 A. Yes. It's now 5.7 because the Staff  
6 changed their rates in their surrebuttal.

7 Q. Okay. And was this an adjustment that  
8 you proposed to the Ameren calculations?

9 A. No, it wasn't needed. The Ameren  
10 calculations had left that -- that cost out.

11 Q. Okay. So was this an adjustment, then,  
12 just to the Staff's calculation?

13 A. Yes.

14 Q. Okay. And someone was asking you about  
15 judgment. It may have been Mr. Mills.

16 A. Okay.

17 Q. Is there judgment involved in  
18 determining the retirement dates of the various plant  
19 as Mr. Loos did?

20 MR. BYRNE: I'm going to object to the  
21 question. I don't think anyone did ask him about  
22 judgment.

23 JUDGE WOODRUFF: I remember hearing the  
24 word mentioned, but I don't recall the question about  
25 it, so I'll sustain the objection.

1 BY MR. DOWNEY:

2 Q. Okay. Do you have a copy of Ameren's  
3 Exhibit 168 in front of you?

4 A. Can you tell me what that is?

5 Q. I think it's an e-mail.

6 A. My -- my answer is no.

7 MR. BYRNE: I'm going to object to the  
8 question. No one asked him about Exhibit 168.

9 JUDGE WOODRUFF: Well, he hasn't asked  
10 the question yet. He asked whether there's a  
11 document in front of him, so we'll wait until he asks  
12 a question.

13 MR. BYRNE: Okay.

14 BY MR. DOWNEY:

15 Q. All right. There's some discussion on  
16 that e-mail about the average size of the plants  
17 Mr. Loos studied in his study, and I believe Mr. Rice  
18 had some criticism in that e-mail. With regard to  
19 setting the rates under the -- the mass property  
20 approach versus setting the rates under the lifespan  
21 approach, are judgments and decisions needed to be  
22 made by both sides?

23 MR. BYRNE: I'm going to object, your  
24 Honor. Nobody asked him about that.

25 JUDGE WOODRUFF: I'm going to have to

1 sustain it again.

2 MR. DOWNEY: Nothing else, your Honor.

3 JUDGE WOODRUFF: All right. Then  
4 Mr. Dunkel, you can step down. Thank you very much.  
5 And you can drive back to Illinois.

6 THE WITNESS: Thank you.

7 JUDGE WOODRUFF: Next witness, then, is  
8 Mr. Selecky.

9 (The witness was sworn.)

10 JUDGE WOODRUFF: You also heard my  
11 speech before about answering the questions that are  
12 asked of you and we'll move along a lot faster?

13 THE WITNESS: Yes, sir.

14 JUDGE WOODRUFF: Thank you. You may  
15 inquire.

16 DIRECT EXAMINATION BY MR. DOWNEY:

17 Q. Good evening, Mr. Selecky. It's been a  
18 long day, hasn't it?

19 A. Yes, it has.

20 Q. Please state your name for the record.

21 A. My name is James Selecky.

22 Q. And by whom are you employed?

23 A. I'm employed by Brubaker & Associates,  
24 Inc. In this case I'm representing MIEC.

25 Q. Thank you. And are you the same person

1 who prepared direct, rebuttal and surrebuttal  
2 testimony? And I'll represent to you that those are  
3 Exhibits 403 through 406.

4 A. Yes.

5 Q. And there's two versions of your direct  
6 testimony, highly confidential and NP. I forget what  
7 that stands for.

8 A. Yeah, there's a public version and a  
9 highly confidential version.

10 Q. And those are included in -- in those  
11 exhibit numbers that I gave you?

12 A. Yes.

13 Q. Okay. And at the time you prepared  
14 those testimonies, were your answers to the questions  
15 posed true and correct to the best of your knowledge  
16 at that time?

17 A. Yes.

18 Q. And if you were asked those questions  
19 today knowing what you know today, would your answers  
20 be the same?

21 A. Yes, they would. I've just got a few  
22 minor changes.

23 Q. Okay. Please tell the Commission what  
24 those are.

25 A. The first one is on page 22, and I --

1 I -- that's my direct testimony.

2 MR. LOWERY: I was just getting ready to  
3 ask that.

4 THE WITNESS: Thank you. On my direct  
5 testimony, page 22, line 9, I have "Black & Veatch,"  
6 and that should be "Burns & McDonnell." And then on  
7 a schedule, J -- my direct testimony, JTS-5, column  
8 4, I have "lifespan proposed" in the title, and I  
9 would take the word "span" out on both pages. So  
10 it's "life proposed." And that's all the changes I  
11 have.

12 MR. DOWNEY: Thank you. At this time I  
13 would offer Exhibits 403 through 406 and tender the  
14 witness for cross.

15 JUDGE WOODRUFF: All right. 403, 404,  
16 405 and 406 have been offered. Any objection to  
17 their receipt?

18 (NO RESPONSE.)

19 JUDGE WOODRUFF: Hearing none, they will  
20 be received.

21 (EXHIBIT NOS. 403, 404, 405 AND 406 WERE  
22 RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
23 RECORD.)

24 JUDGE WOODRUFF: For cross-examination,  
25 begin with Public Counsel.

1 MR. MILLS: No questions.

2 JUDGE WOODRUFF: Staff?

3 MS. KLIETHERMES: No questions.

4 JUDGE WOODRUFF: AmerenUE?

5 MR. LOWERY: Thank you, your Honor.

6 CROSS-EXAMINATION BY MR. LOWERY:

7 Q. Good evening, Mr. Selecky.

8 A. Good evening.

9 Q. Just a few preliminary things to get out  
10 of the way. You're familiar with both the NARUC  
11 manual and the Wolf and Fitch text that I discussed  
12 with Mr. Rice, correct?

13 A. Yes, I am.

14 Q. You agree that they're both  
15 authoritative sources of information regarding  
16 depreciation accounting, correct?

17 A. Yes.

18 Q. You agree also that the Uniform System  
19 of Accounts binds utilities and others in utility  
20 rate cases in terms of what is required for  
21 depreciation accounting?

22 A. "Binds" is a strong word. I think it  
23 provides guidance.

24 Q. Do you have a copy of your deposition  
25 with you, Mr. Selecky?

1 A. Yes, I do.

2 Q. Would you please turn to page 16?

3 A. Yes, sir. I got it.

4 Q. I'm going to direct your attention to  
5 line 19. I'm going to ask you if I asked you the  
6 following question, if you gave the following answer.

7 "Question: Do you -- do you agree that  
8 those are -- those definitions bind what utilities  
9 and others in utility rate cases need to be trying to  
10 do with depreciation accounting; is that fair to say?

11 "Answer: Yes, it is."

12 Did I read that accurately?

13 A. Yes.

14 Q. And we were talking about the Uniform  
15 System of Accounts in that context, were we not?

16 A. Yes.

17 Q. You agree that the Uniform System of  
18 Accounts requires that the method of depreciation  
19 used to -- used, allocates in a systemic and rational  
20 manner the service value of the property over its  
21 service life? Do you agree with that?

22 A. Yes.

23 Q. You agree that the Uniform System of  
24 Accounts requires -- requires accrual accounting?

25 A. Yes.

1 Q. You were here earlier when I asked  
2 Mr. Rice about your schedule JTS-15 to your  
3 surrebuttal testimony?

4 A. Yes, I was.

5 Q. Did he properly characterize what your  
6 row 6 actually is; it is not -- it is not intended by  
7 you to represent either the Staff's or AmerenUE's  
8 total depreciation expense recommendation; is that  
9 fair to say?

10 A. That is correct.

11 Q. You left out hydro and some other things  
12 that you just aren't taking a position on, right?

13 A. That's correct.

14 Q. Your steam production plant accounts,  
15 you left out any depreciation for coal cars, correct?

16 A. Yes, I did.

17 Q. So we couldn't even use the total  
18 depreciation that you list for MIEC in either of the  
19 last two columns. That would not be the right amount  
20 of depreciation expense even if the -- even if the  
21 Commission adopted your positions in total, would it?

22 A. That would not be the total amount of  
23 depreciation expense, and I never implied that it  
24 would.

25 Q. Sure. It just confused me and I just



1 want to make sure nobody else was confused by it.

2 A. Sure.

3 Q. But it -- it does say, does it not, it  
4 says, "AmerenUE depreciation expense," and it doesn't  
5 have any qualifier that that's only part of the  
6 expense?

7 A. Exactly. But by looking at the table,  
8 you can see there's no hydro, there's no -- there's  
9 no --

10 Q. General?

11 A. -- general, and then the footnote below  
12 there says that the steam production excludes the  
13 aluminum coal cars.

14 Q. Now, your schedule JTS-5 [sic] was also  
15 prepared before Mr. Rice made some minor corrections  
16 tonight, correct --

17 A. Yes.

18 Q. -- in an exhibit that was entered?

19 A. 15, correct? Did you say JTS-5 or 15?

20 Q. I meant to say 15, but I might have said  
21 5.

22 A. And I -- I may have misunderstood you.  
23 That was prepared before Mr. Rice made any -- made  
24 his corrections.

25 Q. Mr. Selecky, you calculated in this case

1 some whole life rates for steam production. And  
2 by -- by that I mean you used the mass property  
3 approach, the same method that Staff used to  
4 calculate one set of rates for UE steam production  
5 plants, right?

6 A. Yes, sir.

7 Q. And if I say whole life rates or I say  
8 mass property, you understand that at least I'm  
9 talking about the same thing tonight?

10 A. I'm -- that's fine, yes.

11 Q. For the steam production?

12 A. For the steam production.

13 Q. Okay. And all you're saying is that the  
14 Commission -- that if the Commission thought the mass  
15 property approach was the right approach to use, then  
16 you would want them to use your mass property rates,  
17 not the Staff's, right? You're not -- you're not  
18 endorsing mass property rates versus lifespan rates,  
19 you've just put an alternative set of rates out  
20 there; is that right?

21 A. I am endorsing the lifespan -- or I'm  
22 sorry -- the whole life rates. If the Commission  
23 determines that the conditions that existed in the  
24 2007-002 case still exists today.

25 Q. You don't have a primary versus a

1 secondary recommendation, you just have two  
2 recommendations, right?

3 A. I believe in my deposition, I believe I  
4 refer to that as my primary, "that" being the whole  
5 life rates.

6 Q. Could I ask you to turn to page 33 of  
7 your deposition?

8 A. Yes.

9 Q. Direct your attention to line 14.

10 A. Okay. Hold on. Line -- I mean page 33,  
11 line 14.

12 Q. Line -- line 14.

13 A. Yes.

14 Q. Did I ask you the following question and  
15 did you give the following answer?

16 "Question: Okay. But you would not  
17 characterize your whole life rates as being your  
18 primary recommendation for the steam plants; is that  
19 fair to say?

20 "Answer: I think that's fair to say. I  
21 have problems with the word primary."

22 Did I read that accurately?

23 A. Yes, but if you go further on to the  
24 next page -- sorry.

25 Q. I -- I read the -- read the question and

1 answer correctly?

2 A. Yes, you did. Yes, you did, sir.

3 Q. You took the average service lives and  
4 the interim survivor curves developed by  
5 Mr. Wiedmayer in his examination of the retirement  
6 for the -- for the -- for the steam plants with -- in  
7 terms of the -- the average service lives and the net  
8 salvage percentage you used in your mass property  
9 rates, correct?

10 A. I'm confused by the life --

11 Q. Well, it probably wasn't a very good  
12 question. Let's talk about your mass property rates.  
13 You used average service lives and you used net  
14 salvage percentages, right?

15 A. Yes.

16 Q. And you took the average service lives  
17 from the interim survivor curves that Mr. Wiedmayer  
18 had developed in his examination as the retirement  
19 history for the steam plants, right?

20 A. Yes.

21 Q. Better question. There are no final  
22 retirements of a plant in the history that  
23 Mr. Wiedmayer used, are there?

24 A. That's correct.

25 Q. His curves depict interim retirements

1 only, right?

2 A. That's correct.

3 Q. And that -- and that makes sense since  
4 he's using the lifespan approach and has estimated an  
5 interim survivor curve in connection with the final  
6 retirement date, correct?

7 A. That makes sense -- that's -- that's  
8 what he did, yes, sir.

9 Q. It makes -- what he did makes sense for  
10 the lifespan approach, doesn't it?

11 A. For the lifespan approach it makes  
12 sense, yes.

13 Q. So when Mr. Wiedmayer developed a --  
14 developed a survivor curve, let's say an R1.5 curve  
15 with a 115-year average service life, he's not  
16 suggesting that the lifespan of the plant is going to  
17 be 115 years, is he?

18 A. I -- he is not suggesting that.

19 Q. Now, you've bowed out of the hydro  
20 argument completely, right?

21 A. Yes, I have.

22 Q. You're ambivalent about what the  
23 Commission does about hydro depreciation rates,  
24 correct?

25 A. That's correct. I didn't address that

1 issue.

2 Q. You'd agree, would -- would you not,  
3 that if you are going to use a Nuclear Regulatory  
4 Commission license expiration date to depreciate a  
5 nuclear plant, that it makes just as much sense to  
6 use a FERC license expiration date to depreciate a  
7 hydro plant?

8 A. In -- in general, yes, but not in this  
9 case.

10 Q. Would you turn to page 98 of your  
11 deposition?

12 A. 98. Yes, sir.

13 Q. Line 18 -- or excuse me, line 8.

14 MR. DOWNEY: What page?

15 MR. LOWERY: Page 98.

16 THE WITNESS: 98.

17 BY MR. LOWERY:

18 Q. Line 8.

19 A. Yes, sir.

20 Q. Let me ask you if I -- if -- confirm  
21 that I'm reading these questions and answers  
22 correctly.

23 "Question: If you're going to use an  
24 NRC license expiration date, doesn't it make sense to  
25 use a FERC license expiration date in the same way

1 and use the lifespan approach for the hydro plants?

2 "Answer: That's what I have done in the  
3 past. I've used that same type of approach where  
4 I've used the FERC license expiration dates.

5 "Question: That's a pretty standard  
6 convention, isn't it, to use the expiration date of a  
7 FERC or NRC license for hydro or nuclear, depending  
8 on the kind of plant?

9 "Answer: Right."

10 Did I read that correctly?

11 A. But you didn't read the right -- the  
12 whole answer.

13 Q. The rest of the answer says, "Unless you  
14 believe they're like with Callaway where you're  
15 relatively confident that there will be an adjustment  
16 to extend that life."

17 A. Yes.

18 Q. But all you mean there is, is instead of  
19 using the current NRC license expiration date of  
20 2024, you're pretty confident they're going to get  
21 another license, then you'd -- for 20 more years,  
22 you'd extend Callaway by 20 years, right?

23 A. Correct.

24 Q. That's what you were referring to, you  
25 were referring to the new NRC license for Callaway,

1 right?

2 A. Correct.

3 Q. That hasn't even been applied for,  
4 correct?

5 A. I don't know that for a fact, but  
6 I've -- I've heard that said in these hearings. I  
7 don't know that for a fact.

8 MR. LOWERY: Your Honor, I need to mark  
9 another exhibit.

10 JUDGE WOODRUFF: All right. I believe  
11 it will be 170.

12 MR. LOWERY: I believe it will be 170.

13 JUDGE WOODRUFF: That's correct.

14 (EXHIBIT NO. 170 WAS MARKED FOR  
15 IDENTIFICATION BY THE COURT REPORTER.)

16 BY MR. LOWERY:

17 Q. Mr. Selecky, I've handed you what's been  
18 marked for identification as Exhibit 170. Do you  
19 recognize that document?

20 A. Yes, I do.

21 Q. It's your response to the Company's DR  
22 No. UE-MIEC-29, correct?

23 A. Yes.

24 Q. Am I correct that that question in that  
25 DR basically asks you to list all the cases in the



1 past ten years where you used the lifespan approach  
2 for steam production?

3 A. Yes.

4 Q. And you list the ten cases where you've  
5 done so?

6 A. Yes.

7 Q. And it also asks you whether in the past  
8 ten years you've used the mass property approach for  
9 steam production, and your answer was that you have  
10 not, correct?

11 A. Yes.

12 Q. And in fact, since at least as far back  
13 as 1984 when you started working at what is now  
14 Brubaker & Associates, you have never done what you  
15 did in this case; that is, propose a set of mass  
16 property rates for steam production; isn't that fair  
17 to say?

18 A. Yes.

19 MR. LOWERY: Your Honor, I'd offer  
20 Exhibit 170 into the record, please.

21 JUDGE WOODRUFF: 170 has been offered.  
22 Any objection to its receipt?

23 (NO RESPONSE.)

24 JUDGE WOODRUFF: Hearing none, it will  
25 be received.

1 (EXHIBIT NO. 170 WAS RECEIVED INTO  
2 EVIDENCE AND MADE A PART OF THE RECORD.)

3 BY MR. LOWERY:

4 Q. And Mr. Dunkel [sic], I asked you  
5 whether you had any other cases going on, and you  
6 indicated that if you have other cases involving  
7 steam production, it's your intention to use the  
8 lifespan approach, not the mass property approach  
9 there as well, correct?

10 A. I got lost in the question when you  
11 called me Mr. Dunkel.

12 Q. I'm sorry. Strike Mr. Dunkel and change  
13 the question to Mr. Selecky.

14 A. Can you repeat it?

15 Q. I'll try --

16 A. I'm sorry.

17 Q. -- Mr. Selecky, and I apologize.

18 A. No, that's okay.

19 Q. It's been a long day.

20 A. I know it has.

21 Q. You indicated to me that if you have  
22 other cases involving steam production, that you are  
23 going to be using the lifespan approach, not the mass  
24 property approach that you've used in this case for  
25 one of your recommendations, correct?

1           A.       Yes.  If that's what the commissions are  
2 using, lifespan approach.

3           Q.       So this case will stand alone as the  
4 only one in at least 25-plus years where you have  
5 given the Commission the choice you've given them in  
6 this case, right?

7           A.       Yes.

8           Q.       Now, in your direct testimony, I believe  
9 you pointed at some language in the Commission's  
10 Order in ER-2007-0002.  Do you remember that?

11          A.       Yes, I do.  I believe that's on -- yes,  
12 on page 11.

13          Q.       On line 9 you indicated, "In the  
14 Order in Case No. ER-2007-0002, the Commission  
15 rejected the lifespan method."  Is that your  
16 testimony?

17          A.       That's what it says, yes, sir.

18          Q.       The Commission, in fact, never rejected  
19 the lifespan approach, did it?

20          A.       It -- it only rejected it in that case  
21 for the reasons that are stated, I believe, in the --  
22 that are stated in the quote on lines 12 through 27.

23          Q.       Would you turn to page 53 of your  
24 deposition, please?

25          A.       Sure.  Hold on here.  Yes, sir.

1           Q.       Starting on line 11, did I ask you the  
2 following question and did you -- did you give the  
3 following answer?

4                    "Question:  In other words, the  
5 Commission did not reject the lifespan approach as  
6 whether it was or was not an appropriate approach --  
7 approach to depreciating steam production plants, did  
8 they?

9                    "Answer:  Correct."

10          A.       Yes, that's what it says.

11          Q.       You agree that some -- at some point  
12 these big -- these four big coal-fired plants are  
13 going to retire, right?

14          A.       I would think so, yes.

15          Q.       We don't know exactly when, but that's  
16 been true of all the steam plants you've studied in  
17 all the other cases over 25 years when you've used  
18 the lifespan approach, isn't it -- hasn't it?

19          A.       Yeah, I think that's a common  
20 assumption.

21          Q.       In fact, Mr. Selecky, a steam production  
22 plant is unlike what we traditionally would  
23 characterize as mass property, isn't it?  In fact,  
24 they're different animals, aren't they?

25          A.       Yes, they are.

1 Q. Now, I think you told me that over the  
2 30 depreciation studies you've done, the typical  
3 lifespan you see today is around 60 years?

4 A. I don't know if the number was 30,  
5 but --

6 Q. Well --

7 A. -- whatever it is.

8 Q. -- you were estimating.

9 A. Yeah.

10 Q. You said something, maybe 30, I think.  
11 Does that sound about right?

12 A. Thirty -- I don't know if I've done 30  
13 studies, that's -- that's what I'm getting at, but --

14 Q. Regardless --

15 A. Right.

16 Q. -- however many studies you've done,  
17 which has been quite a few, you indicated that the  
18 typical lifespan you're seeing, I guess sort of now,  
19 contemporaneously, is about 60 years --

20 A. Correct.

21 Q. -- is that about right?

22 A. That's what I said, yes.

23 Q. And you would agree that if the lifespan  
24 is typically 60 years, the average service life for  
25 all the power plant components would be significantly

1 less, given interim additions and retirements, right?

2 A. They would be less, yes.

3 Q. And the estimates AmerenUE is proposing  
4 to use to set depreciation using the lifespan  
5 approach in this case are 62 to 73 years; isn't that  
6 right?

7 A. Can I verify that?

8 Q. Sure.

9 A. I had 61 to 72 years, but whatever.

10 Q. 61 to 72 is what you think the number  
11 is?

12 A. Yes, that's what I have in my testimony  
13 on page 9.

14 Q. All right. And that makes them  
15 conservative in the sense that they result in less  
16 depreciation expense -- well, strike that. That 61  
17 to 73 years, that's on the high end of what you've  
18 typically been seeing used for other utilities that  
19 are using the lifespan approach in the rate cases to  
20 set the depreciation rates, right?

21 A. I would say yes.

22 Q. And since those -- those estimates are  
23 on the high end, that makes them conservative in the  
24 sense that they will result in less depreciation  
25 expense than if they were on the low side, right?

1           A.       One of those all other things being  
2 equal, I would agree with that.

3           Q.       And the other -- other than the life  
4 estimate for the Meramec plant which we'll talk about  
5 in a moment, you have no criticism of the dates and  
6 you have no problem with using them to set  
7 depreciation for AmerenUE steam plants, do you?

8           A.       That's correct. That's what I used to  
9 develop my lifespan rates.

10          Q.       And in fact, the manner in which  
11 Mr. Loos and Black & Veatch went about in -- in  
12 developing those dates, that's essentially what you  
13 yourself have done in the past, isn't it?

14          A.       Something similar, yes.

15          Q.       You agree that the Black & Veatch  
16 analysis was reasonable and logical, wasn't it?

17          A.       It seems his approach was reasonable and  
18 logical, yes.

19          Q.       And the manner in which Black & Veatch  
20 went about estimating lifespans of the steam plants  
21 in this case is substantially better than the manner  
22 UE went about doing so in ER-2007-0002, isn't it?

23          A.       I would agree with that, yes.

24          Q.       And in fact, in that case, the ER-00 --  
25 or 2007-0002 case, in that case, UE's position on its

1 estimates, particularly its first positions, was  
2 arbitrary, wasn't it?

3 A. I would say so, yes. And then all the  
4 years basically retired in the same year.

5 Q. And not only were the first set of dates  
6 arbitrary, but the second set of dates that UE  
7 proposed in that case had all of the plants retiring  
8 within a 16-year period; do you recall that?

9 A. Let me verify that. Yes, that's  
10 correct. I address that on page 12 of my direct  
11 testimony.

12 Q. But by contrast in this case, Black &  
13 Veatch analyzed and took into account an orderly  
14 staging of replacement capacity where there wouldn't  
15 really be much overlapping construction to replace  
16 the retired capacity, correct?

17 A. That was the intent of the Black &  
18 Veatch study, yes.

19 Q. That's what --

20 A. And that's what they did.

21 Q. -- what they did, right?

22 A. That's what they did, right.

23 Q. And that was a reasonable thing to do,  
24 wasn't it?

25 A. Well, it -- it -- it seemed -- it was



1 much more reasonable than the last case, there's no  
2 doubt about that.

3 Q. And in fact, there is a better study, to  
4 use your words, by far in this case respecting the  
5 proposed retirement dates than there was in that  
6 ER-2007-0002 case, isn't there?

7 A. Yes, it's a better study by far.

8 Q. Now, you've cleared up one thing that  
9 had confused me before, and that's on your schedule  
10 JTS-5.

11 A. Yes.

12 Q. At least you've partially cleared it up.

13 A. Okay. Well, I'm sorry I didn't do it  
14 all.

15 MR. DOWNEY: Which testimony is it?

16 BY MR. LOWERY:

17 Q. In your direct testimony?

18 A. That's correct, correct.

19 Q. That's the only place there is a JTS-5,  
20 isn't there?

21 A. Correct.

22 Q. Okay. Now, when you took the stand this  
23 evening, you indicated that the column 4 that says,  
24 "lifespan proposed" on pages 1 and 2 of JTS-5, it  
25 shouldn't have said "lifespan proposed," it should

1 have said "life proposed," right?

2 A. Correct.

3 Q. Just so we make sure that we don't get  
4 confused about the terminology, the numbers listed in  
5 column 4 are, in fact, average service lives,  
6 correct?

7 A. Uh-huh. That is correct. And -- and if  
8 I can just for the -- for clarification, turn the  
9 page, that for the nuclear plant, that's not an  
10 average service life, that's the retirement date.

11 Q. Right. Or the estimated lifespan you  
12 could call --

13 A. Yes.

14 Q. -- the end of the estimated lifespan,  
15 right?

16 A. Yes, exactly.

17 Q. Now, we talked about earlier that  
18 Mr. Wiedmayer had that the average service lives  
19 implied by the interim survivor curves that were  
20 truncated by Mr. Wiedmayer, do you remember our  
21 discussion about that?

22 A. Yes, I do.

23 Q. Now, you did use, for example, an R-1.5  
24 curve with a -- curve was an implied average service  
25 life of 115 years for your mass property rates,

1 right, for that particular account?

2 A. Yes, for account 311, that's what I --  
3 that's what I utilized.

4 Q. If my average is 115 and some plant  
5 components will live longer than 115 years and some  
6 will live less, correct?

7 A. That is correct.

8 Q. The average service lives that you're  
9 using in this case, they are not exactly the same as  
10 the average service lives used by the Staff in  
11 ER-2007-0002, but they're very close, right?

12 A. I -- I -- I believe they are. I don't  
13 know -- I believe they are, but yes. I think they're  
14 somewhat -- they're close. I just don't remember the  
15 exact numbers.

16 Q. You agree that you indicated to me they  
17 were very close?

18 A. Yeah.

19 Q. Do you -- do you -- do you --

20 A. I -- I -- I --

21 Q. Do you think that's right?

22 A. I think it's correct. I just don't have  
23 the data here is what I'm saying.

24 Q. For account 312, which is the largest  
25 steam production -- sorry. For -- account 312 is the

1 largest steam production plant account of all of  
2 them, right?

3 A. Yes.

4 Q. Has the big -- most investment in it,  
5 right?

6 A. I would say it's probably got two-thirds  
7 of it.

8 Q. And for account 312 you used an L0.5  
9 curve with an average service life of 60 years,  
10 correct?

11 A. Correct.

12 Q. And we previously looked at some tables  
13 relating to the various curves. Do you remember  
14 doing that?

15 A. I remember us going through that.

16 Q. And we looked in Wolf and Fitch, right,  
17 the textbook we've all been talking about tonight,  
18 right?

19 A. Right, and I don't remember if we looked  
20 in Wolf and Fitch or the NARUC manual. I think I had  
21 problems with some numbers in the Wolf and Fitch --

22 Q. Maybe we looked in the NARUC manual.

23 A. Yes, that's all I wanted to clarify.

24 Q. All right. And it's true, is it not,  
25 that the tail of that particular curve goes out well

1 north of 200 percent of the average service life,  
2 right?

3 A. Yes, sir.

4 Q. 200 percent of 60 years is 120 years,  
5 right?

6 A. Correct.

7 Q. And you would certainly think that all  
8 of these plants would be retired well before we get  
9 to 120 years, wouldn't you? You would -- you would  
10 think that, wouldn't you?

11 A. I would think that would be a safe bet.

12 Q. And Mr. Selecky, if within the next 25,  
13 30, 35 years, if we depreciate these plants using an  
14 average service life of 60, 70, 80, 150 -- 115 years  
15 like the ones you're using, there's a pretty strong  
16 potential that when these plants do get retired, we  
17 will have an undepreciated balance that's then going  
18 to have to be recovered after they go out of service;  
19 isn't that a pretty fair potential?

20 A. That is if we never update the  
21 depreciation study, I would agree with that.

22 Q. And my question assumes we would be  
23 using those service lives for the next 15, 20, 25, 30  
24 years, right?

25 A. If that's what we're doing, I would

1 agree with that.

2 Q. And the balance we will have -- that  
3 will have to be recovered from customers under those  
4 circumstances will have to be recovered from  
5 customers who will not be getting service from the  
6 retired plants, right?

7 A. Yes, sir.

8 Q. And that's one of the potential problems  
9 with the mass property approach for this lifespan  
10 property, isn't it? Ratepayers serve -- being served  
11 by these plants over the next 30 to 40 years, they  
12 may not pay the entire service value of the plants  
13 over the plants' service lives, right?

14 A. Yes, if those are the lives that are  
15 held in constant. If you updated the studies -- you  
16 know, periodically like since 2002, the Company's  
17 done three studies -- if you updated the studies  
18 periodically, the lives would logically change and I  
19 believe they would get shorter.

20 Q. You haven't done any study to verify  
21 that, have you?

22 A. I have not done any study.

23 Q. You don't know what the Staff might  
24 recommend with their mass property if they continue  
25 to take the mass property approach in the future, do

1 you?

2 A. I -- I couldn't begin to guess what the  
3 Staff would recommend.

4 Q. And the problem we just talked about,  
5 that can be a fairly significant problem with the  
6 mass property approach, can't it?

7 A. Depending on what the end results are,  
8 it -- it could be a problem, it may not be a problem.

9 Q. Would you turn to page 95 of your  
10 deposition, please?

11 A. Uh-huh.

12 Q. Page 94, actually, starting on line 16.

13 A. Okay. Yes, sir.

14 Q. Would you verify, please, that I'm  
15 reading these questions and answers correctly?

16 "Question: But if in the next 25 or 30,  
17 35 years, 40 years, we retire all four of them, we've  
18 been depreciating them using average service lives of  
19 60, 70, 80, 115 years depending on the components,  
20 we're going to have an undepreciated balance related  
21 to those four plants that's going to have to be  
22 recovered, right?

23 "Answer: That -- there is a potential  
24 for that, yes.

25 "Question: A pretty strong potential,

1 isn't there?

2 "Answer: Yes.

3 "And it's going to have to be recovered  
4 from ratepayers after those plants are retired from  
5 whom -- from whom -- and those ratepayers are not  
6 going to be taking any service from those plants,  
7 right?

8 "Answer: Correct.

9 "Question: And the ratepayers being  
10 served by those plants from today until my 30-, 35-,  
11 40-year date, whichever, whatever you want to pick,  
12 whatever your pleasure, they will not have paid the  
13 entire service value of those power plants over the  
14 service lives of those power plants, will they?

15 "Answer: That is a potential  
16 property -- problem with the whole life rates,  
17 definitely.

18 "Question: And it's a fairly  
19 significant problem with the whole life rates, isn't  
20 it?

21 "Answer: It can be, yes."

22 Did I read that accurately?

23 A. You read that accurately.

24 Q. In your opinion, in fact, it's more  
25 equitable to estimate a date when each plant is going



1 to be retired and depreciate it based on that date,  
2 and as you point out, every three to five years  
3 update your depreciation study as opposed to using a  
4 115-year average service life which assumes that at  
5 least one of these plants will last 230 years,  
6 correct?

7 A. That is the method I've used the most,  
8 yes, sir.

9 Q. And that's the method that you think is  
10 more equitable; isn't that right?

11 A. Generally, yes.

12 Q. Now, you ignored the final retirements  
13 in the retirement history for UE's steam plants in  
14 developing your life and net salvage estimates for  
15 steam production for your mass property rates, right?

16 A. Yes.

17 Q. Let's talk about your lifespan rates a  
18 bit.

19 A. Sure.

20 Q. If the Commission agrees with Mr. Rice,  
21 that is, that the Black & Veatch study was well done,  
22 it's reasonable and accepts the life -- use of the  
23 lifespan approach, you still have some issues with  
24 UE's proposed lifespan depreciation rates, correct?

25 A. Yes, sir.

1 Q. And you take issue with them on a couple  
2 of fronts; is that right?

3 A. Yes, sir.

4 Q. You first recommend that the Commission  
5 lengthen the life used in Mr. Wiedmayer's lifespan  
6 analysis for the Meramec plant by five years,  
7 correct?

8 A. Yes, sir.

9 Q. And you -- second, you recommend that  
10 the Commission use a different net salvage percentage  
11 for that largest account, the boiler account, account  
12 312, right?

13 A. Yes.

14 Q. Let's talk about Meramec first. On  
15 page 12 of your direct testimony, lines 1 to 19 --

16 A. Turn to page what, 12?

17 Q. I'm sorry. Yeah, page 12 of your  
18 direct, line 1 to 19.

19 A. Uh-huh. Yes.

20 Q. You are criticizing the estimated  
21 retirement dates which fall between twenty -- 2022  
22 and 2036, right? And in doing so --

23 A. No --

24 Q. I'm sorry.

25 A. You've got the dates wrong.

1 Q. I've got the dates wrong. 2022 and  
2 2046, you're criticizing those dates -- well, let me  
3 back up. I -- I --

4 A. That's not right either.

5 Q. -- apologize. The retirement dates  
6 estimated by the companies fall within 2022 and 2046,  
7 correct?

8 A. Correct.

9 Q. And you note that the 2022 estimated  
10 retirement date for the Meramec plant is driven by  
11 AmerenUE's, and you used the word "claim" that it  
12 will not install scrubbers at Meramec, right?

13 A. Yes, that's correct. That's what it  
14 says.

15 Q. You don't have any information that  
16 suggests that scrubbers will be installed at Meramec,  
17 do you?

18 A. I have not.

19 Q. Meramec is the oldest UE plant, correct?

20 A. Yes.

21 Q. Mr. Downey had an exhibit earlier this  
22 evening, Meramec has the highest heat rate among all  
23 four of UE's coal plants; isn't that right?

24 A. Is that Mr. Loos?

25 Q. Mr. Downey had an exhibit earlier this

1 evening that --

2 A. Okay.

3 Q. -- he may have talked to Mr. Loos  
4 about --

5 A. Oh, yes, yes.

6 Q. Do you remember that exhibit?

7 A. Yes, I do. Yes, I do.

8 Q. Meramec has the highest heat rate among  
9 the four steam plants in the UE system, does it not?

10 A. That's correct.

11 Q. It's the least efficient plant, isn't  
12 it?

13 A. Yes, it is.

14 Q. And Mr. Downey asked -- actually, asked  
15 Mr. Rice some questions. Asked him whether or not it  
16 was true that the less efficient plants, the Mound  
17 and the Cahokia and the Venice plants have been  
18 retired plants, whether it was true that because they  
19 were less efficient plants, it might be expected that  
20 they were -- would retire sooner. Do you remember  
21 those questions?

22 A. Those were the questions directed about  
23 Mound, Cahokia, yes, with the 20,000 heat rates.  
24 Yes, I do.

25 Q. The point is, it's reasonable to expect

1 less efficient plants to be retired sooner than more  
2 efficient plants; isn't that true?

3 A. I think the economic conditions would be  
4 there to retire less efficient plants before more  
5 efficient plants. Yes, I agree with that.

6 Q. Do you recall the questions of Mr. Rice  
7 about the general premise that if you have plants  
8 that have been operated in a cycling mode versus in a  
9 base load mode, that you might expect those plants  
10 operated in a cycling mode to be retired sooner?

11 A. Yes, I remember those questions. I  
12 believe Mr. Rice responded that you may have to make  
13 additional capital additions or do more maintenance  
14 to keep them running.

15 Q. But isn't it true that if you have a  
16 plant that has been operated in a cycling mode  
17 vis-à-vis other plants that have been operated in a  
18 base load mode, as a general proposition, you might  
19 expect that plant operated in the cycling mode to be  
20 retired sooner; isn't that true?

21 A. Again, that's one of those all-things-  
22 being-equal. You've got to look at the economic  
23 alternatives. In other words, even if the plant is  
24 operating in a cycling mode, are you better off with  
25 that plant or replacing it with new capacity.

1                   Because if you need the energy or you  
2 need the capacity, when a plant is operating that  
3 way, you normally need the capacity. So you've got  
4 to look at the economic alternatives. Are you better  
5 off upgrading that plant or are you better off  
6 retiring the plant.

7           Q.       Mr. Birk testified that the Meramec  
8 plant has been cycled a lot more than the other three  
9 plants. You don't know about that yourself, but  
10 that's what Mr. Birk said, right?

11          A.       Yes, he does.

12          Q.       As an engineer, you understand that  
13 cycling operation of that type would tend to cause  
14 more stress and fatigue and wear on the plant  
15 components than operating it in a base load mode,  
16 correct?

17          A.       I would agree with that.

18          Q.       And that will tend to require you to  
19 either spend a lot more money or to shorten the life  
20 of the plant; is that true?

21          A.       I would agree with that.

22          Q.       And if I have a -- I have Meramec with a  
23 higher heat rate, I have units that have -- maybe  
24 have had more wear, I have units that are older,  
25 unless I do something, I spend a lot of money on that

1 plant to bring that heat rate down, then I'm not  
2 going to dispatch it as much as the other three  
3 plants, am I?

4 A. You're not going to dispatch it much  
5 because it's got a poorer heat rate.

6 Q. And -- and that means that if I spend a  
7 dollar on the Meramec plant versus spending a dollar  
8 on one of the other plants, a more efficient plant,  
9 my margin, my return on that dollar spent on the  
10 Meramec plant is going to be less than the margin or  
11 return that I can get on the same dollar in the -- in  
12 another plant that's more efficient; isn't that  
13 right?

14 A. If you're Ameren, if you spend a dollar,  
15 the dollar appears in your rate base. I think --  
16 don't understand the dollar return. And I guess the  
17 other issue that I don't quite understand is if you  
18 need to plan for capacity, you need a plant. You  
19 just can't have people going --

20 Q. Can you turn to page 19 -- 109 of your  
21 deposition?

22 A. Sure.

23 Q. Line 17.

24 A. Yes.

25 Q. You see just a few lines up in line 9

1 that the context in which I'm asking you the question  
2 starts on line 17 deals with the Meramec plant?

3 A. Yes, I do.

4 Q. Starting on line 17, "Question: So if I  
5 spend a dollar on that plant versus a dollar on a  
6 more efficient plant, my margin is going to be less,  
7 my return on the investment in the Meramec plant is  
8 going to be a lot less or somewhat less than the  
9 other plant, right?

10 "Answer: That is correct."

11 Did I read that correctly?

12 A. Correct. Addressing a margin error, I  
13 agree with that.

14 Q. Mr. Selecky, another point that you  
15 try -- that you make in support of your contention  
16 that five years should be added to the Meramec life  
17 is that, "Capacity for the Meramec unit may be needed  
18 to meet UE's capacity needs in the future." And  
19 that's in your surrebuttal testimony. Do you  
20 remember making that statement?

21 A. Yes, sir.

22 Q. You were only a little bit familiar with  
23 UE's generating system; is that fair to say?

24 A. Yeah, I mean, I -- just from what I, you  
25 know, pick up from looking at various information in



1 the rate case.

2 Q. But you are aware, are you not, that  
3 AmerenUE in just the last three to four years has  
4 added thousands of megawatts of gas-fired peaking in  
5 inter -- in intermediate capacity plants?

6 A. Yes.

7 Q. UE is pretty long on capacity right now,  
8 are you aware of that?

9 A. Today they are, yes, sir.

10 Q. Including peaking and intermediate  
11 capacity; isn't that right?

12 A. Yes, they are.

13 Q. You don't really have any basis for the  
14 conclusion that AmerenUE after 2022 would use or  
15 would need the capacity from the Meramec plant, do  
16 you?

17 A. Yes, I do, and that's the Burns &  
18 McDonnell study. That supported a longer life.

19 Q. Burns & Mac study didn't -- didn't  
20 analyze whether UE would need the capacity for  
21 Meramec past 2022, did it?

22 A. It -- it proposed the plant to live a  
23 lot longer than that, 19 years longer.

24 Q. Did it analyze whether AmerenUE needed  
25 capacity for Meramec past 2022? Did it analyze UE's

1 capacity needs past 2022?

2 A. I -- I really don't recall all the  
3 pieces that were in the Burns & McDonnell report.  
4 It's been a while since I read it. It's a number of  
5 pages, so I -- I can't say with confidence that  
6 there's not a reference as -- one way or the other to  
7 capacity needs. But -- but it is --

8 Q. But you don't recall that -- as you sit  
9 here tonight, you don't recall the subject of the  
10 Burns & Mac study being UE's capacity needs in 2022  
11 and beyond; is that true?

12 A. No. It does talk about --

13 Q. That -- that wasn't my question,  
14 Mr. Selecky. Do you have a recollection that the  
15 Burns & Mac study, in fact, analyzed the capacity  
16 needs of UE from 2022 beyond? Do you have any  
17 recollection of that?

18 A. I don't have a recollection if there's a  
19 capacity study beyond that.

20 Q. In your surrebuttal testimony you quote  
21 Mr. Wiedmayer's rebuttal testimony and you claim he,  
22 quote, agrees with you with regard to your criticism  
23 of Mr. Rice for including the final retirements of  
24 the Cahokia, Mound and Venice plants in Mr. Rice's  
25 life analysis for calculating Mr. Rice's steam

1 production rates. That's your claim. Do you  
2 remember that?

3 A. Do you have a page number, sir?

4 Q. It's on page 8.

5 A. Page 8. And this is in my --

6 Q. In your surrebuttal testimony.

7 A. -- surrebuttal. Yes.

8 Q. You say that Mr. Wiedmayer agrees with  
9 you, is that right, on line 2 or --

10 A. Yeah, yeah, yeah, I'm -- I'm reading it.  
11 Yeah, I'm saying that he agrees with me that they're  
12 not representative of the current plants that are in  
13 service.

14 Q. Isn't it true that you took  
15 Mr. Wiedmayer's quote -- quote out of context?

16 A. I don't think I did. I --

17 Q. You said -- you said that in fairness to  
18 Mr. -- you said -- you quoted Mr. Wiedmayer and he  
19 had said, "In fairness to Mr. Selecky, the reason why  
20 I excluded Venice, Mound and Cahokia is that they  
21 were older and smaller plants whose service lives he  
22 claims were not representative of the current  
23 plants-in-service. This is a valid reason." That's  
24 the quote you included from Mr. Wiedmayer's rebuttal,  
25 right?

1           A.       Yes, that's the way I read it.

2           Q.       You left off the rest of the paragraph,  
3 however, that Mr. Wiedmayer wrote where Mr. Wiedmayer  
4 indicates that neither of you should use the  
5 historical data to estimate service lives at all,  
6 didn't you? You left out the rest of his -- his  
7 statement, did you not?

8           A.       I didn't put that quote in there, but I  
9 did say on line 1 he does not support the whole life  
10 approach. Rather than put that piece of quote in  
11 there, if you look on my page 8, line 1, I do say  
12 that.

13          Q.       He doesn't agree with you, though, does  
14 he?

15          A.       No, I say he doesn't. All I'm saying is  
16 that -- all I was saying is that he provides support  
17 as to -- as to why those units aren't comparable to  
18 the existing coal fleet that Ameren currently has in  
19 service for its steam production plant.

20          Q.       You said, "It should be noted that  
21 Mr. Wiedmayer, parenthetical, agrees with me," and  
22 then you quoted his testimony; isn't that right?

23          A.       But his -- the part that's --

24                    COMMISSIONER DAVIS: Judge, I'm going to  
25 object here and ask that the witness answer the

1 question, or if they want to argue, you know, then  
2 let them go argue somewhere where I can go home.

3 JUDGE WOODRUFF: Yes, it is getting  
4 argumentative here.

5 THE WITNESS: Okay. I'm sorry. What's  
6 the question?

7 JUDGE WOODRUFF: Restrict -- restrict  
8 yourself to answering the question.

9 THE WITNESS: Yes.

10 BY MR. LOWERY:

11 Q. You left out the part of his testimony  
12 right below that where it says, "In this instance,  
13 Mr. Selecky and Mr. Rice should have elected not to  
14 use the historical data for the purpose of estimating  
15 service lives." You did not include that in your  
16 testimony that you filed with the Commission; is that  
17 true?

18 A. Yes.

19 Q. And you understand, do you not, that  
20 Mr. Wiedmayer's point in making that statement is  
21 that if you have a database that has little final  
22 retirement data for production plants and then if you  
23 then try to use that little bit of data to predict  
24 the service life of newer, larger and more expensive  
25 production units, you understand that what

1 Mr. Wiedmayer is saying is that you simply cannot  
2 validly use the mass property circumstances under  
3 that approach; that's his position, is it not?

4 A. Yes.

5 Q. He certainly does not agree with your  
6 use of the mass property approach for the steam  
7 production plants, correct?

8 A. Yes.

9 Q. And he doesn't agree with your failure  
10 to include any consideration in your analysis of the  
11 final retirement data for the steam production plants  
12 that have been retired, does he? He doesn't agree  
13 with that, does he?

14 A. I don't understand the question at all.  
15 You really lost me on that one.

16 Q. That was a bad question. You understand  
17 that Mr. Wiedmayer disagrees with your failure to  
18 consider the final retirements in the steam  
19 production plants that do exist, correct?

20 A. I don't know if I agree with that.

21 Q. All right. When you said he agreed with  
22 you, you didn't ask him whether he agreed with you or  
23 not, right?

24 A. I never asked him specifically, no, sir.

25 Q. Going back to your direct testimony,

1 just so you can get the right document.

2 A. Sure.

3 Q. In your direct testimony, you made a  
4 proposal to reduce the transmission of the  
5 distribution and depreciation rates proposed by  
6 AmerenUE by \$35 million. That was your proposal at  
7 that time, right?

8 A. Yes.

9 Q. And since -- and in your surrebuttal  
10 testimony, you changed that proposal from a  
11 \$35 million reduction to a \$25 million reduction,  
12 correct?

13 A. Yes.

14 Q. And you make the proposal to reduce the  
15 Company's proposed T&D rates -- I'm going to  
16 shorthand transmission and distribution to T&D --

17 A. Uh-huh.

18 Q. -- based on your contention that the net  
19 salvage portion of the depreciation expense, what you  
20 depreciation guys call the depreciation and accrual,  
21 is too high compared to the, quote, level of net  
22 salvage expense that AmerenUE actually incurs.  
23 That's why you propose that -- that offset, correct?

24 A. That's one of the reasons, yes.

25 Q. And the level that AmerenUE actually

1 incurs, what you're talking about there is net  
2 salvage expense levels in the past, right?

3 A. Yes.

4 Q. And you propose to spread your new  
5 \$25 million offset among the accounts that are listed  
6 on schedule JTS-11 for the transmission and  
7 distribution, right?

8 A. JTS-14.

9 Q. Is there a JTS-14 to your direct  
10 testimony in...

11 A. I'm sorry. I thought we were in my -- I  
12 thought -- I'm sorry.

13 Q. I apologize. I think I said direct a  
14 few minutes ago, but you probably didn't -- and I  
15 might not have. I'm talking about your direct  
16 testimony.

17 A. Oh, I'm sorry. Yes. In my direct  
18 testimony there was a \$35 million --

19 Q. I guess -- I guess JTS-14 is similar to  
20 JTS-11 and -- and you've now changed it to 25 million  
21 and that's what you were thinking of, right?

22 A. Yes, sir.

23 Q. Fair enough. The net salvage expense is  
24 part of the depreciation calculation designed to  
25 recover the service value of the T&D assets over



1 their service lives, right?

2 A. That's the definition.

3 Q. Service value is two things; it's the  
4 original cost and it's the net salvage. That's what  
5 those -- the sum of those two things is the service  
6 value, right?

7 A. Correct.

8 Q. Now, you had an example in your direct  
9 testimony where if the Company installs a pole in  
10 1960 for \$1,000, then it removes it in 2010 at a cost  
11 of 1,500, the service value of the pole is 2,500,  
12 right?

13 A. Let me look up here, please. Yes, on  
14 page 33 of my direct testimony.

15 Q. In that example, the service life was 50  
16 years, right?

17 A. I think it's 45, isn't it, on page 33?

18 Q. Well, 1960 to 2010, did I get your  
19 example wrong? Well --

20 A. I'm -- I'm sorry. See, I'm looking  
21 at --

22 Q. Oh, 45 years. You're right, it's 45  
23 years. My -- my mistake.

24 A. Okay.

25 Q. We'd have to divide 2,500 by 45 to

1 figure out how much we should be recovering each year  
2 from customers, right?

3 A. Yes, sir.

4 Q. You note on page 26 of your direct  
5 testimony that the net salvage estimates used by  
6 AmerenUE include estimates of future inflation,  
7 right?

8 A. Yes, yes.

9 Q. You agree that there likely will be  
10 inflation in the future, correct?

11 A. Yes.

12 Q. It's going to cost a lot more to remove  
13 a pole, a conductor, a transformer, 10, 20, 30 years  
14 from now than it did three, five, seven years ago,  
15 isn't it?

16 A. Yes.

17 Q. Now, you argue in this case that the  
18 traditional method or the procedure used by the  
19 Company and the Staff in this case which projects  
20 past inflation rates into the future, you say that  
21 that may not be a reasonable assumption; is that your  
22 testimony?

23 A. What page are you on?

24 Q. Direct testimony, page 34, lines --  
25 lines 14 and 15.

1 A. Yes, I say that.

2 Q. The Commission rejected that same  
3 contention in ER-2007-002, didn't they?

4 A. Yes.

5 Q. And specifically, they said on -- in  
6 their Order that, "MIEC and Public Counsel have  
7 failed to demonstrate any reason to believe their  
8 estimates of future inflation are a more reliable  
9 predictor of future inflation than past history." Do  
10 you recall that?

11 A. I will in a minute. Yes.

12 Q. In fact, the Commission's affirmatively  
13 stated that, quote, The Commission finds past history  
14 to be a better predictor of future inflation for  
15 ratemaking purposes, end quote. Do you recall that?

16 A. That's what it says.

17 Q. In your direct testimony on page 34, all  
18 you say is that using past inflation to project  
19 inflation into the future may not be a reasonable  
20 assumption. You didn't say that it isn't a  
21 reasonable assumption, right?

22 A. Correct.

23 Q. Mr. Selecky, your initial recommendation  
24 back when you had this \$35 million offset was that  
25 AmerenUE be allowed to accrue approximately

1 41 million annually for net salvage, right?

2 A. Yes.

3 Q. And how we get to that number is, if we  
4 look at the five-year average of past net salvage  
5 expenses that you looked at, that's about 17 million,  
6 right?

7 A. Isn't it easier to take the \$76 million  
8 less the \$35 million to get to the -- I'm just trying  
9 to get --

10 Q. Sure.

11 A. -- to the chase quicker to get to the  
12 41 --

13 Q. Sure, except the \$76 million number is  
14 wrong --

15 A. Right. And that's --

16 Q. -- as we now know, right?

17 A. Right. And that was my initial  
18 testimony --

19 Q. Right.

20 A. -- and that's correct.

21 Q. But you were recommending a \$41 million  
22 accrual even though the past expense had been about  
23 17 million based upon a historical average of plant  
24 that's already retired, right?

25 A. Something like that, yes, sir.

1 Q. Now, in the ER-2007-002 case, you  
2 supported the expense method, not the traditional  
3 method, and your reasoning at that time was that the  
4 net salvage accrual greatly exceeded the recent  
5 historical levels of net salvage expense. That was  
6 your reasoning, right?

7 A. That was one of my reasons, yes, sir.

8 Q. And that's the same -- that's a --  
9 that's a contention that you're making in this case  
10 as well, right?

11 A. That's part of my reasoning.

12 Q. Now, I mentioned a minute ago, you had  
13 at one time thought -- earlier in direct -- your  
14 direct testimony, you thought that AmerenUE's  
15 proposed depreciation rates would be accruing about  
16 \$76 million a year for net salvage, and you since  
17 have figured out that that was not correct, true?

18 A. That's correct.

19 Q. Mr. Wiedmayer says in his rebuttal  
20 testimony the correct number is about \$53 million,  
21 right?

22 A. That's -- I believe that's a correct  
23 number.

24 Q. You do believe that's a correct number?

25 A. Yes, yes, it is. I believe that's what

1 he says is the correct number.

2 Q. You didn't take any issue with that  
3 number in your surrebuttal testimony, correct?

4 A. No, I -- I think in my surrebuttal  
5 testimony I do state that I thought it was a little  
6 bit higher than that.

7 Q. It's pretty -- it's fairly close?

8 A. But it's close and I use \$55 million.

9 Q. You took no issue with it, right?

10 A. I -- I took no major issue with it, no,  
11 sir.

12 Q. You didn't even -- you didn't take any  
13 issue with it, did you?

14 A. Right. I just -- yes, I did take a  
15 slight issue. I believe I said I thought it was  
16 higher than that.

17 Q. Slightly higher?

18 A. That's what I said, yes, sir.

19 Q. All right.

20 THE COURT REPORTER: Could you talk into  
21 your microphone, please? I'm sorry.

22 THE WITNESS: I'm sorry. Drifted away.

23 BY MR. LOWERY:

24 Q. Now, you previously believe -- based  
25 upon your mistaken \$76 million assumption, you

1 previously believed that -- the proposed depreciation  
2 expense, you previously believed that UE was accruing  
3 about 25 million too much depreciation expense,  
4 right?

5 A. Something like that, yes, sir.

6 Q. Because the recent five-year average of  
7 past experience associated with that plant that's  
8 already been retired was about 17 to 18 million --

9 A. Uh-huh.

10 Q. -- you thought UE was proposing to  
11 accrue 76 million, you were proposing to offset the  
12 76 million by 35, right?

13 A. Correct.

14 Q. And if I did my math right, 76 minus 35  
15 is 41. That's a number we talked about before,  
16 right?

17 A. Yes, sir.

18 Q. And 41 minus 17 is -- I guess that's 24,  
19 but 24, 25 million, you thought the over-accrual was  
20 about 25 million, right?

21 A. Correct.

22 Q. If we looked at it another way, if you  
23 previously believed that accruing about 25 million  
24 more than recent historical expense levels was  
25 appropriate when you thought the depreciation expense

1 proposed by the Company was allowing 76 million of  
2 net salvage, then to keep everything the same, you  
3 would only propose an offset of about 12 million,  
4 right?

5 A. Something in that range, yes, sir.

6 Q. But in your surrebuttal testimony, you  
7 didn't keep everything the same, did you?

8 A. No, I did not.

9 Q. You're proposing 25 million, not  
10 12 million, right?

11 A. Correct.

12 Q. And I guess as I understand it, the  
13 reason that you didn't stick with your 41 million is  
14 that the \$35 million offset you used was something  
15 that was just a running-the-number-up-the-flagpole,  
16 is how you described it, right?

17 A. Well, yes, it was looking at some way to  
18 reduce the amount of accrual that's in the rates and  
19 to stop the growth in the accrual for net salvage.

20 Q. Did you or did you not characterize the  
21 \$35 million that you proposed in your direct  
22 testimony as running something up the flagpole?

23 A. I believe that's what I did say, yes,  
24 sir, in my deposition.

25 Q. Now, you agree that the net salvage



1 expenses incurred in the last five years or so were  
2 primarily related to retirements of the universe of  
3 plant put into service probably 20, 30, 40, 50 years  
4 ago, right?

5 A. It was years ago. I never did a life  
6 analysis to determine how -- how old they were, but  
7 yes, it's older plants.

8 Q. Would you turn to your deposition on  
9 page 148, please?

10 A. Sure.

11 Q. Line 18.

12 A. I'll be there in a second.

13 Q. All right.

14 A. Yes:

15 Q. "Question: You agree, do you not, that  
16 the net salvage expenses incurred in the last five or  
17 years [sic]" -- left out a word -- "were primarily  
18 related to retirements of a universe of plants put in  
19 probably 20, 30, 40, 50 years ago in the T&D  
20 accounts?

21 "Answer: Yes, that's my opinion" --  
22 excuse me -- "Answer: That's my opinion."

23 Did I read that correctly?

24 A. Yes, you did.

25 Q. UE's T&D system was a lot smaller 30,

1 40, 50 years ago, correct?

2 A. Yes.

3 Q. It's not at all surprising, then, is it,  
4 that in the last five to ten years when the Company  
5 was predominantly retiring plant that's many years --  
6 many years old, whatever the number is, it's not  
7 all -- at all surprising when the Company's retiring  
8 that older plant from a smaller universe of plant  
9 that the net salvage expense from the recent past is  
10 going to be a lot less than the net salvage expense  
11 that we're going to incur 30, 40, 50 years in the  
12 future, that doesn't surprise you a bit, does it?

13 A. Right, that does not surprise me.

14 Q. And conceptually, the fact that a  
15 utility has accrued more net salvage expense than it  
16 has historically been spending on net salvage does  
17 not mean that it's accruing too much, right?

18 A. Not -- correct, it not necessarily means  
19 that it's accruing too much.

20 Q. And net salvage percentages tend to get  
21 more and more negative over time, don't they?

22 A. That's correct.

23 Q. You claim at page 34 of your direct  
24 testimony that net salvage is often determined quite  
25 arbitrarily, right?

1           A.       Yes, that's what I say in line 9, and  
2 that judgment is used to develop net salvage ratios.  
3 That's what I meant.

4           Q.       You testify that net salvage ratios are  
5 often determined quite arbitrarily, you -- I mean --

6           A.       Right.

7           Q.       -- that was your testimony, right?

8           A.       Right. Yes, it was.

9           Q.       Mr. Wiedmayer analyzed some data and did  
10 apply some judgment, and he determined the  
11 appropriate net salvage percentages to include in the  
12 depreciation rates; is that right, that's what he  
13 did?

14          A.       That's what he did.

15          Q.       And you supported those net salvage  
16 percentages, so you must have thought they were  
17 reasonable, didn't you?

18          A.       Yes. I --

19          Q.       You haven't even contended that the net  
20 salvage percentages used by the Company in this case  
21 were determined arbitrarily, have you?

22          A.       No. I took no issue with that --

23          Q.       All right.

24          A.       -- and I believe I said I didn't do a  
25 detailed study of the net salvage ratios.

1 Q. So when you say that net salvage  
2 percentages are often determined quite arbitrarily,  
3 that -- that statement doesn't apply to the net  
4 salvage percentages being used in this case by  
5 Mr. Wiedmayer, does it?

6 A. That probably doesn't apply to a lot of  
7 them. Again, I didn't do an analysis of all of  
8 Mr. Wiedmayer's proposed net salvage ratios.

9 Q. You used them, right?

10 A. And I used them. I took no issue with  
11 them.

12 Q. All right. Fair enough. Just so the  
13 Commissioners have a little bit better understanding,  
14 and maybe -- maybe this has been covered today, but  
15 the book reserve is the sum of all the depreciation  
16 expense dollars collected by the Company over time,  
17 right? That's what the book reserve represents?

18 A. Except -- collected over time, but then  
19 you pull up retirements and net salvage.

20 Q. Fair enough. Less retirements and net  
21 salvage, that's what the book reserve is?

22 A. Correct.

23 Q. Part of the book reserve recovers the  
24 original cost of investment, right?

25 A. Yes, sir.

1 Q. Part of the book reserve recovers  
2 accruals for net salvage, right?

3 A. Yes, sir.

4 Q. Now, the book reserve in this case for  
5 transmission and distribution plant is about  
6 \$582 million. Do you remember that number?

7 A. Real quick, let me look here, please.

8 Q. Sure.

9 A. Oh, yes, for -- for net salvage. I'm  
10 sorry.

11 Q. I'm -- I'm -- I'm --

12 A. I'm sorry.

13 Q. I remember I said that but -- but --

14 A. I made --

15 Q. -- that's fine.

16 A. Yes, it's 582 --

17 Q. But a portion of the book reserve for  
18 T&D that reflects net salvage approvals is  
19 582 million, right?

20 A. Yes, sir.

21 Q. Fair enough. The book reserve's a  
22 reduction of rate base, right?

23 A. Yes, it is.

24 Q. Which means the customer rates are lower  
25 by something in the range of at least \$50 million due

1 to the reduction in rate base of the \$582 million in  
2 the book reserve related to net salvage, right?

3 A. That's right. And when you have a rate  
4 case, that will be the consequences of that, yes.

5 Q. Well, we're having a rate case now,  
6 right?

7 A. Right. Exactly right.

8 Q. I mean, there's a \$582 million reduction  
9 in the book reserve in this rate case related to net  
10 salvage, right?

11 A. Correct.

12 Q. And in fact, Mr. Meyer the other day  
13 used a rule of thumb of 15 percent of the reduction  
14 to account for return in taxes, and if that rule of  
15 thumb is right, then a \$582 million reduction in the  
16 book reserve for net salvage would lower customer  
17 rates by about \$87 million per year, would it not?

18 A. If Mr. Meyer's 15 percent is correct. I  
19 don't know where he got his 15 percent from. I don't  
20 know if that was a revenue requirement number that  
21 may have included a return of, or return on  
22 investment. I have no feeling for where the  
23 15 percent came from. It strikes me as being high.

24 Q. If Mr. Meyer's 15 percent was correct,  
25 then the number would be an \$87.3 million annual

1 reduction, right?

2 A. If his number was correct, yes. That's  
3 what the math would show.

4 MR. LOWERY: Thank you, your Honor. I  
5 have no further questions. Thank you, Mr. Selecky.

6 JUDGE WOODRUFF: We'll come up for  
7 questions from the bench. Commissioner Davis?

8 QUESTIONS BY COMMISSIONER DAVIS:

9 Q. I'm trying to reconcile here, Mr. --  
10 Mr. Selecky, in terms of the -- of the big, round  
11 number, what -- what is the -- what is the financial  
12 impact of extending the -- the Meramec plant's  
13 termination date five years?

14 A. I believe it's about \$10 million. My  
15 number on my exhibit includes the impact of both the  
16 negative net salvage change I made in the Meramec.  
17 And I calculated the number one time, so I'm pulling  
18 it out of my brain. And maybe that's a little too  
19 rich.

20 Q. You know --

21 A. What I'm trying to say, your Honor, is  
22 if I look on schedule JTS-7 I've got a total number  
23 of 13 million for both of my changes and my changes  
24 are two changes.

25 Q. Okay. And that's -- and that's ten

1 million a year in depreciation?

2 A. Some number like that, yes, sir.

3 Q. Roughly?

4 A. Roughly. I could supply that.

5 Q. And Mr. Selecky, you work for Brubaker &  
6 Associates, correct?

7 A. Yes, I do.

8 Q. And do you talk to Mr. Brubaker  
9 frequently?

10 A. Yes, I do.

11 Q. Okay. Has -- has he ever espoused --  
12 well, let me get -- did you ever get the mental  
13 impression from him that, you know, if you wanted to  
14 give a company a little more cash flow, then you give  
15 it to them in depreciation? Did you ever get that  
16 impression from him?

17 A. I've never -- I've -- to my knowledge,  
18 I've never had that specific discussion with him. I  
19 know we've been involved in -- as a -- KCP&L cases  
20 where they have those metrics --

21 Q. Uh-huh.

22 A. -- for determining that, and I think  
23 that's one of the ways you meet those metrics. But  
24 I've never had that specific conversation with  
25 Mr. Brubaker.



1 Q. Okay. Were you here for opening  
2 statements?

3 A. No, I was not, sir.

4 Q. Okay. In your -- I believe it was your  
5 surrebuttal testimony, you talked about -- you  
6 responded to charges from Ameren about -- about  
7 having the -- some of the lowest depreciation rates  
8 for an investor-owned utility in the country. Do you  
9 recall that?

10 A. Yes, I do.

11 Q. Okay. Are you familiar with the term  
12 "economic development"?

13 A. Yes, I am. At least I think I am.

14 Q. And do you -- do you think having the  
15 lowest -- some of the lowest depreciation rates in  
16 the country, you know, would -- would further or  
17 hinder economic development as it -- as it relates to  
18 investor-owned utilities?

19 A. I think having low depreciation rates  
20 could help economic development because your electric  
21 rates would be lower and you'd be in a better  
22 position to attract industries.

23 Q. Okay. Well, what about its effect on  
24 the utility?

25 A. It would affect their cash flow, but if

1 you were -- if you had more customers and you had  
2 growth, it seems to me especially in these economic  
3 times, that would be a good thing.

4 Q. If you had more -- okay. But I mean --

5 A. And how you get more customers is  
6 through lower electric rates. If that was all -- one  
7 of those all-other-things-being-equal, Commissioner,  
8 and you had lower electric rates and you could  
9 attract industry that way.

10 Q. Do we have low electric rates?

11 A. There's -- there's a lot of rates in the  
12 country that are higher, a lot higher.

13 Q. Okay.

14 A. I -- I have not done a survey to see  
15 where we -- where AmerenUE actually sits.

16 COMMISSIONER DAVIS: Okay. Thank you,  
17 Mr. Selecky.

18 JUDGE WOODRUFF: Commissioner Kenney?

19 QUESTIONS BY COMMISSIONER KENNEY:

20 Q. Good evening.

21 A. Good evening, sir.

22 Q. I think we're in the home stretch. I  
23 want to -- I want to ask you some questions about the  
24 method of computing depreciation rates and the whole  
25 discussion about mass property versus the lifespan

1 approach --

2 A. Okay.

3 Q. -- you know. And I don't want to -- I'm  
4 not going to plow new ground, I just want to -- I  
5 mean, old ground. I just want to make sure I'm clear  
6 about this. And let's refer back to Exhibit 170. Do  
7 you still have that? I think Mr. Lowery probably  
8 gave it to you. That's the DR answer --

9 A. Oh, yes, yes, yes. I'm sorry. Thank  
10 you.

11 Q. You have to forgive my questions if they  
12 seem a bit elementary, so let me just first set this  
13 up. Whole life and mass property are synonymous  
14 terms, right?

15 A. Yes, we've used that.

16 Q. The -- and -- and according to this DR  
17 and according to what you testified to earlier, you  
18 said you've never used a mass property approach in  
19 any other case in the last two years; is that right?

20 A. That's correct. Mass property for  
21 calculating steam production.

22 Q. Steam production plants?

23 A. Yes, sir.

24 Q. And that's a \$42 million reduction for  
25 MIEC on this reconciliation, right?

1           A.       Yes, sir.

2           Q.       You've used the lifespan approach for  
3 every other opinion that you've given with respect to  
4 steam production plants, correct?

5           A.       Yes, sir.

6           Q.       Did you use the mass property approach  
7 in this case because you were under the impression  
8 that it was Commission policy to employ the mass  
9 property approach?

10          A.       That -- I never viewed it as Commission  
11 policy. I viewed it as the approach that the  
12 Commission used to develop the existing depreciation  
13 rates, and they gave the reasons why they did that.  
14 And if the Commission still believes those reasons  
15 are still valid reasons, I assumed they would develop  
16 the depreciation rates using the whole life or mass  
17 property account method for the steam production  
18 depreciation rates.

19          Q.       Did you believe it to be the correct  
20 analysis to use, though, separate and apart from what  
21 you read in our last Report and Order?

22          A.       I guess I would say I am a lifespan kind  
23 of a guy. But as I said, the Commission had the  
24 problems with the life -- I introduced the lifespan  
25 in the 2007-0002 case.

1 Q. Well, that was my next question because  
2 on that attachment, it said that you -- you advocated  
3 in the last case the lifespan approach. So I guess  
4 my question is when you were writing the report for  
5 this case for MIEC, did you believe what you were  
6 writing? Did you believe that you were employing the  
7 correct analysis?

8 A. Yes.

9 Q. You'd never used it before.

10 A. Yes, I did because I -- I provided two  
11 sets of rates. I -- I provided a set of rates that  
12 if the Commission did what they did in the past and  
13 utilized the whole life method, but if -- if -- as I  
14 put it, if Ameren won the day and lifespan was the  
15 way to go, I provided lifespan rates. That's why I  
16 did two sets of rates.

17 Q. So you were writing to your audience or  
18 your perceived audience?

19 A. Yes, and I -- I -- as I -- as I stated,  
20 in the last case, I did lifespan rates and whole life  
21 won the day and I felt like, you know, I didn't have  
22 a dog in that fight. I don't know what other term to  
23 use.

24 Q. But you do have one in this one?

25 A. I -- I feel I'm covered.

1                   COMMISSIONER KENNEY: I don't have any  
2 other questions. Thank you.

3 QUESTIONS BY JUDGE WOODRUFF:

4           Q.       Mr. Selecky, I have a couple of  
5 questions.

6           A.       Yes, sir.

7           Q.       Just to get a definition of terms that  
8 have been thrown around a lot. But when I write the  
9 Order, I want to be able to cite something in the  
10 record that explains exactly what they are.

11          A.       Yes.

12          Q.       The first one is "cycling mode." Can  
13 you explain to me what cycling mode is for --

14          A.       Yes, cycling mode is a -- is normally  
15 the operation of a power plant that, you know, comes  
16 up and down in loads or maybe off for a lot of the  
17 day, maybe just run during the peak periods, unlike  
18 the base load unit that basically runs, you know,  
19 24/7 if you can have it run that long. It runs all  
20 the time. A cycling mode is -- you know, could be  
21 following load, it could be just running during the  
22 peak load times of the day, things like that. So  
23 it's cycling up and down.

24          Q.       Okay. And second term is "heat rate."

25          A.       Heat rate -- heat rate is essentially a

1 measure of efficiency. The higher your heat rate,  
2 that -- it takes you more energy to make a kilowatt  
3 hour. So in other words, if a -- if a -- if -- one  
4 of these all-other-things-being-equal, a plant has a  
5 20,000 heat rate and a plant has a 10,000, the 20,000  
6 heat rate plant will burn twice as much fuel.

7 Q. So the lower heat rate is desirable?

8 A. A lower heat rate is desirable.

9 Q. And the third term that was used was the  
10 T&D which I assume is transmission and distribution?

11 A. Correct.

12 JUDGE WOODRUFF: Okay. That's all the  
13 questions I have.

14 THE WITNESS: Yes, sir.

15 JUDGE WOODRUFF: Recross based on  
16 questions from the bench?

17 (NO RESPONSE.)

18 JUDGE WOODRUFF: Redirect?

19 MR. DOWNEY: Yes, please.

20 REDIRECT EXAMINATION BY MR. DOWNEY:

21 Q. Okay. Mr. Selecky, do you have your  
22 deposition in front of you?

23 A. Yes, sir.

24 Q. And you were asked some questions about  
25 your testimony on page 33 --

1                   JUDGE WOODRUFF: You need to get a  
2 little bit closer to your microphone.

3                   MR. DOWNEY: All right. I'll turn it  
4 up.

5                   THE WITNESS: Yes. 33 of my deposition?

6 BY MR. DOWNEY:

7           Q.        Okay. And you were answering Mr. Lowery.  
8 He kind of cut you off. You wanted to finish a  
9 thought. You had been discussing a statement on page  
10 33 about whether -- whether you would call something  
11 a primary recommendation.

12           A.        Yes, I do.

13           Q.        And you wanted to read further on that  
14 page?

15           A.        Well -- and actually on the next page.

16           Q.        Okay. What -- what did you want to tell  
17 us?

18           A.        Well, on -- in the next --

19                   MR. LOWERY: Your Honor, I'm going to  
20 object. It's proper for me to impeach the witness  
21 when they've made a prior inconsistent statement of  
22 the deposition. It's not proper for a witness to use  
23 his own deposition to rehabilitate himself by reading  
24 the deposition into the record. That's not proper  
25 use of the deposition.



1                   I impeached him because he made a prior  
2 inconsistent statement. If Mr. Downey wants to ask  
3 him questions based upon cross-examination from the  
4 bench or on my -- on our cross-examination, he can do  
5 that, but he can't read his -- he can't read his own  
6 deposition into the record.

7                   MR. DOWNEY: Judge, may I?

8                   JUDGE WOODRUFF: Yes.

9                   MR. DOWNEY: A couple things. First, I  
10 don't agree that Mr. Lowery impeached my witness.  
11 What he quoted from the deposition did not conflict  
12 with what my witness -- what Mr. Selecky said.  
13 Second of all, I'm simply giving Mr. Selecky an  
14 opportunity to clarify his answer since he was trying  
15 to do it earlier and he was cut off.

16                   MR. MILLS: And Judge, if I may chime in  
17 on this, because I think this is probably going to be  
18 a more general question that we may see as the use of  
19 depositions continues. I think it's entirely  
20 inappropriate to allow a cross-examiner to  
21 selectively read portions of a witness's answer out  
22 of context or perhaps in context to try to impeach  
23 the witness and then not to allow the redirect  
24 examiner to say, but didn't -- didn't Mr. Lowery read  
25 that out of context and didn't you say something more

1 that clarifies that answer?

2 I don't think you can just simply take  
3 words -- otherwise, you know, a clever cross-examiner  
4 could create almost any answer out of a deposition  
5 and the redirect examiner would have no opportunity  
6 to point out that that supposed impeachment was taken  
7 out of context. So I think since we may be seeing  
8 more use of depositions, I think this is an important  
9 point to make here. That's why I'm chiming in at  
10 this point.

11 MS. KLIETHERMES: And Staff would join  
12 in that and go a step further and say that if that's  
13 going to be the approach, then it would probably be  
14 more appropriate to insert the entire deposition into  
15 evidence, and I don't think any of us want that.

16 JUDGE WOODRUFF: All right. I agree.  
17 It's not appropriate to insert all of -- the entire  
18 deposition into the record.

19 MR. LOWERY: Your Honor, may I respond  
20 briefly?

21 JUDGE WOODRUFF: Yes.

22 MR. LOWERY: Your Honor, if I ask the  
23 witness a question and if the witness gives a answer  
24 that's inconsistent with his deposition testimony,  
25 then I'm entitled to impeach that witness with the

1 prior inconsistent statements which is what I did.  
2 That does not give the witness license to read  
3 additional portions of his own deposition into the  
4 record. That's not the law in the state of Missouri.

5 JUDGE WOODRUFF: All right. It's late  
6 at night to try and decide this for all purposes  
7 here, but I believe Mr. Lowery is generally correct  
8 on the use of a deposition, but I'm not going to  
9 preclude the other parties from going a little bit  
10 further into the deposition to make sure that we're  
11 not taking anything out of -- out of context.

12 I don't think it's appropriate to read  
13 in entire sections of the deposition, and it's  
14 certainly not appropriate to try and bring in an  
15 entire deposition just to dump it in the record.

16 For this particular objection, I'm going  
17 to overrule the objection if -- if MIEC can explain  
18 more about what -- if there is anything -- in fact,  
19 anything that's being taken out of context in this  
20 case.

21 MR. DOWNEY: I believe it was, your  
22 Honor, and I believe that's what the witness was  
23 trying to tell Mr. Lowery, not just in this instance  
24 but numerous instances this evening where he was cut  
25 off.

1 MR. LOWERY: Then Mr. Downey can ask --

2 JUDGE WOODRUFF: Mr. Lowery has the  
3 right to ask the questions that he wants to ask.

4 MR. DOWNEY: I understand.

5 JUDGE WOODRUFF: All right. Again, I'm  
6 not going to try and set an overall precedent for  
7 future actions in this case, but for this particular  
8 question, I'm going to allow the witness to answer  
9 the question that was asked of him, to explain  
10 further from his deposition.

11 THE WITNESS: Okay. I referred to the  
12 whole life method as the primary method in my  
13 recommendations for steam production depreciation  
14 rates, and I put the tag on -- as I said in my  
15 deposition, on the whole life method as my primary  
16 method.

17 JUDGE WOODRUFF: All right. That seems  
18 to answer the question.

19 BY MR. DOWNEY:

20 Q. Technically, that -- that wasn't really  
21 an answer to the -- to the question, but I wanted you  
22 to read from the part of your deposition where you  
23 actually said that, but you know, this is fine.  
24 That's the way Mr. Lowery wanted me to ask you the  
25 question, and you did it that way, so obviously

1 you're a good student of the law.

2 A. I was married to a lawyer once.

3 MR. LOWERY: Didn't work out,  
4 apparently.

5 THE WITNESS: It didn't.

6 BY MR. DOWNEY:

7 Q. Okay. Now, you mentioned something a  
8 little earlier about hydro plants and FERC licenses  
9 and NRC licenses; is that right?

10 A. Yes, I did.

11 Q. Comparing hydro plants and nuclear  
12 plants, is that --

13 A. Right. I think the discussion was about  
14 the -- utilizing the termination of the license  
15 life -- the license to develop the depreciation rates  
16 and utilizing that for a lifespan approach.

17 Q. Okay.

18 A. That was the discussion.

19 Q. And -- and I believe your testimony was  
20 that you sometimes used those licenses to dictate a  
21 retirement date?

22 A. Right. And then sometimes I've gone  
23 beyond that much like I did in the 2007-0002 case  
24 where we recommended going 20 years beyond the  
25 license life for the Callaway nuclear plant.

1 Q. Okay. Are there any reasons why for the  
2 hydro plants you wouldn't use the -- I guess it would  
3 be the FERC license expiration date?

4 A. If there was reason that you could  
5 believe that the license would be extended, there  
6 was, you know, reason that you felt that the -- that  
7 the life could be extended beyond the license life  
8 and it was something that just was either going to  
9 happen near term or you had sufficient evidence to  
10 believe it would happen, and it's always happened,  
11 let's say.

12 Q. Okay. You had indicated -- and I think  
13 Commissioner Kenney asked you about this and you  
14 probably clarified it already, but you were asked  
15 some questions about positions you've taken in other  
16 cases on the lifespan versus the whole life approach?

17 A. Yes.

18 Q. Okay. And I think you gave a reason for  
19 why you've used the lifespan approach. Would you --

20 A. Sure.

21 Q. -- tell the Commission what the reason  
22 is?

23 A. Yeah. Normally I've used a lifespan  
24 approach in that that has been the approach that the  
25 Commission has elected to use. In other words, in --

1 in any number of my cases, it's either been  
2 determined in a previous case that the Commission  
3 prefers to utilize the lifespan approach to determine  
4 depreciation rates. In this case, I was looking back  
5 at the 2007-0002 case and determining that the whole  
6 life method is used to develop the steam production  
7 depreciation rates.

8 Q. Okay. Have you ever been involved in a  
9 case where you had this issue so clearly joined as  
10 you do in this case, whole life versus lifespan?

11 A. I have never been in a case in I know  
12 the last ten years except for the Missouri cases  
13 where this issue has come up for the treatment of  
14 steam production depreciation rates where there is  
15 some precedent for using the whole life rate method.

16 Q. Okay. And you were a expert witness in  
17 the last case involving this issue, 2007-0002?

18 A. Yes, I was.

19 Q. And you had some discussions with  
20 Mr. Lowery about the poor quality of the evidence  
21 Ameren presented in that last case, right?

22 A. Yes.

23 Q. And at the time of that last case, was  
24 Ameren, to your recollection, arguing to the  
25 Commission that its evidence was sufficient and fully

1 supported the lifespan approach similar to what it's  
2 doing today?

3 A. That was my -- yes, because what they  
4 did when they originally filed their case, they used  
5 a lifespan approach, they had every coal-fired unit  
6 retiring the same date. And I don't know, I'm going  
7 to guess four months after that they refiled their --  
8 probably in their rebuttal testimony. And what they  
9 did is they adjusted the lives but still supported  
10 the lifespan approach.

11 Q. Okay. And -- and you said in this case  
12 Ameren's done a much better job than it did in the  
13 2007 case.

14 A. Yes.

15 Q. In your opinion, has Ameren cleared the  
16 hurdle on this?

17 A. I -- I -- I still think there are --  
18 there are issues regarding what method should be  
19 utilized simply because, as -- as I indicated in my  
20 testimony, that for about 84 percent of their  
21 generation, they're proposing a -- that generation be  
22 retired over a 13-year period.

23 And in the last case, the 2007 case,  
24 they had 100 percent of it retiring over a 16-year  
25 period. And then we went through the Meramec issues



1 and the Meramec issue shows that if you look at the  
2 Burns & McDonnell study, there could be a lifespan  
3 change of up to 20 years.

4           So -- so there are still issues about  
5 the uncertainty of the retirement dates of the power  
6 plants, and it's that uncertainty that drove in my  
7 estimation the Commission in the 2007 case to utilize  
8 the whole life approach.

9           Q.     And do we still have that uncertainty?

10          A.     We still have that uncertainty.

11          Q.     I want to ask you a little bit about  
12 heat rates --

13          A.     Yes.

14          Q.     -- because you and Mr. Lowery had a  
15 discussion about Meramec's heat rate.

16          A.     Yes.

17          Q.     Do you happen to know if Meramec's heat  
18 rate was higher or lower than the average heat rate  
19 of the plants that were in Mr. Loos's study, those  
20 500-something plants?

21          A.     The -- the Meramec heat rate was lower  
22 than the heat rate of the 586 plants that Mr. Loos  
23 sampled.

24          Q.     The average?

25          A.     The average, yes.

1 Q. Okay. You're not saying all of those

2 586 --

3 A. No.

4 Q. Okay.

5 A. No, the average. The average heat rate  
6 in Mr. Loos's study was 12,300 and Meramec is high  
7 tens, high 10,000. I've got the number, I believe.

8 Q. You might want to double-check those  
9 numbers. Do you have them there?

10 A. Unfortunately, that's -- I'm doing this  
11 from memory, and you know what my memory's like some  
12 days. Hold on here. The -- yeah.

13 COMMISSIONER DAVIS: Would that be  
14 Exhibit 437?

15 THE WITNESS: Yes.

16 BY MR. DOWNEY:

17 Q. Okay. On that -- that's -- Exhibit 437,  
18 do you have that in front of you?

19 A. No, I do not. That's this exhibit, yes.

20 Q. And does that show that -- the various  
21 heat rates of the four units at Meramec?

22 A. Yes, it does.

23 Q. And do you recall what the average heat  
24 rate was for those plants studied by Mr. Loos? I --  
25 I'm not asking for an exact --

1 A. I -- it was over 12,000.

2 Q. All right.

3 A. I honestly don't remember what it is. I  
4 know it's an exhibit in the case.

5 Q. Okay.

6 A. And I -- I -- what I -- I just want to  
7 say one -- one last thing. I was -- I was mixing  
8 the -- when Mr. Birk's testimony was in my brain.  
9 And Mr. Birk only talked about the heat rates for  
10 Meramec 3 and 4 in his testimony, and that's why I  
11 had a lower heat rate for the Meramec units.

12 Q. Very good. I don't know if you were  
13 here at the time when Exhibit 434 was offered, but  
14 it's part of the Meramec condition assessment  
15 report?

16 A. Yes.

17 Q. Is that still up there?

18 A. That's -- that's not up here.

19 Q. I don't know what happened to it, but  
20 there is a copy of it.

21 A. Yes.

22 Q. And I believe you referenced this report  
23 when Mr. Selecky [sic] challenged you that you had no  
24 data to support your five-year increase in the  
25 retirement date for that plant?

1 MR. LOWERY: Mr. Lowery.

2 THE WITNESS: Yes, Mr. Lowery.

3 MR. DOWNEY: Who did I say?

4 THE WITNESS: Mr. Selecky.

5 MR. LOWERY: You said Mr. Selecky.

6 MR. DOWNEY: You know that is proof that  
7 it's quarter till 10:00.

8 THE WITNESS: Yes, Mr. Lowery did, yes.

9 BY MR. DOWNEY:

10 Q. And had you reviewed this report?

11 A. Yes, I had.

12 Q. And take a look at the last page of that  
13 document, if you would. And I'm not going to belabor  
14 the point because it's already been read into the  
15 record and the report is in evidence, but had you  
16 read section 5.3 of this report?

17 A. Yes, I had.

18 Q. Thank you. Now, you and Mr. Lowery had  
19 a discussion about there being a strong potential  
20 that there would be underdepreciated life at closure  
21 if you used the mass property approach?

22 A. Yes, we had that discussion.

23 Q. Okay. Is there a possibility of -- of  
24 that with the lifespan approach as well?

25 A. Yeah, if you don't adjust the lifespan.

1 I mean, it's -- the same thing could happen. In  
2 fact, if you don't adjust the lifespan, if you  
3 believe you got the lights right today, it could go  
4 either way. It could be underdepreciated or  
5 overdepreciated.

6 Q. So in other words, if the retirement  
7 date that's projected is too early, then the current  
8 ratepayers are overpaid because the Company's  
9 overaccruing?

10 A. Correct.

11 Q. Okay. Now, there was a discussion about  
12 the -- what I'm going to call your offset,  
13 \$35 million offset which is now a \$25 million offset?

14 A. Yes.

15 Q. Okay. Would you explain to the  
16 Commission why you reduced the offset by only ten  
17 million even though you -- you apparently admitted  
18 after Mr. Wiedmayer pointed out some -- some fact  
19 that there was a 20-something-thousand --  
20 20-something-million-dollar discrepancy?

21 A. Right. I basically had two concerns.  
22 My first concern was about the \$582 million that sits  
23 in the accrual pot today for the removal cost for  
24 future net salvage for T&D assets. I did not want to  
25 reduce that amount, but I thought that amount was

1 large enough. And -- and -- and given their history  
2 of retirements or net salvage costs over the last  
3 five years, I wanted to give them sufficient dollars  
4 so they would be able to still have that pot grow.  
5 And under my scenario, that pot would grow by -- by  
6 having a \$25 million offset.

7                   When I had originally calculated the  
8 number, the -- the \$76 million which was too large of  
9 a number, I basically used judgment or ran it up the  
10 flagpole of 35 million. I believed that was the most  
11 that I thought it could bear. I would -- I would  
12 have rather done something along the lines that I did  
13 with the 25 million which is allow that pot of money  
14 to continue to grow.

15                   Because under my proposal, the 25  
16 million is constant every year. But as it's been  
17 pointed out that their T&D plant will grow, as their  
18 T&D plant grows, they will be able to accrue more net  
19 salvage.

20           Q.       Okay. And when you were discussing this  
21 issue with Mr. Lowery, I actually think you used the  
22 term stop the growth?

23           A.       If I said stop the growth, that was --  
24 it's going to continue to grow.

25           Q.       Okay. Lessen the growth --

1           A.       Yeah, lessen the growth is what I meant,  
2 exactly.

3           Q.       Now, Mr. Lowery also -- and I confess  
4 that I don't quite follow this, but it seems to me he  
5 was making an argument that by -- by having this  
6 excess accrual -- which I'm going to call it an  
7 excess accrual, but perhaps Ameren would disagree  
8 with that -- this \$582 million accrual, that's a good  
9 thing for ratepayers because they're going to --  
10 we're going to lessen the rate base?

11          A.       Right.

12          Q.       Do you agree that that's a good thing  
13 for -- for the current ratepayers?

14          A.       No, I don't, and I'll tell you why. You  
15 give them a dollar and they -- and -- and if they  
16 have a rate case, they give you a dime back. If they  
17 don't have a rate case, you could give them a dollar  
18 for five years in a row and never really realize any  
19 return back whatsoever. Because the only time that  
20 they would file a rate case is either they got called  
21 in because they're overearning or they need another  
22 rate increase.

23                   MR. DOWNEY: Thank you very much. No  
24 further questions.

25                   JUDGE WOODRUFF: All right. Thank you.

1 Mr. Selecky, you can step down.

2 THE WITNESS: Thank you, sir.

3 JUDGE WOODRUFF: Anything else we need  
4 to bring up?

5 MR. LOWERY: I'm not going to be the one  
6 to keep us here any longer.

7 JUDGE WOODRUFF: What do you have?

8 MS. KLIETHERMES: I just have a stack of  
9 those copies of the manual, the requested bench  
10 copies.

11 JUDGE WOODRUFF: Which exhibit was that?

12 MS. KLIETHERMES: Oh, I marked it on  
13 there.

14 JUDGE WOODRUFF: We'll see you all at  
15 8:30 tomorrow morning, and we are adjourned.

16 (Whereupon, the hearing was adjourned  
17 until March 17, 2010, at 8:30 a.m.)

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| 7  |   |        |          |
| 8  |   |        |          |
| 9  | * Marked in a previous volume.  |        |          |
|    | ** Not yet received into evidence.  |        |          |
| 10 | *** No objection but not formally admitted into<br>evidence.                      |        |          |
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CERTIFICATE OF REPORTER

STATE OF MISSOURI            )  
  ) ss.  
COUNTY OF COLE            )

I, PAMELA FICK, RMR, RPR, MO CCR #447,  
do hereby certify that the foregoing proceedings were  
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 hearing  
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.

\_\_\_\_\_  
PAMELA FICK, RMR, RPR, CCR # 447