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1 P R O C E E D I N G S

2 COMMISSIONER CLAYTON: Why don't we go  
3 on the record, and we will unmute the system. And we  
4 now should be on the record. I want to go ahead  
5 and open this proceeding, this investigation in Case  
6 No. GW-2007-0397, investigation into natural gas  
7 capacity issues in the state of Missouri.

8 And I want to identify myself to  
9 everyone in the crowd. My name is Robert Clayton. I  
10 am one member of the Public Service Commission. Also  
11 attending today is Commissioner Steve Gaw.

12 At this point, I will go ahead and  
13 identify that requests for information were tendered to  
14 two different companies today, and it's my  
15 understanding that they are represented. We'll start  
16 with the natural gas company AmerenUE. I first want to  
17 ask, are there any attorneys representing Ameren that  
18 are here today?

19 MR. BYRNE: Yes, your Honor. Tome  
20 Byrne. Should I enter my appearance?

21 COMMISSIONER CLAYTON: Please do.

22 MR. BYRNE: Tom BYRNE, 1901 Chouteau  
23 Avenue, St. Louis, Missouri 63103, representing  
24 AmerenUE.

25 COMMISSIONER CLAYTON: Okay. And can

1     you go ahead and identify what witnesses are available  
2     from AmerenUE today?

3                     MR. BYRNE:   We have Scott Glaeser, who  
4     is our vice president of gas supply and transportation,  
5     and then Jim Massman, who works in that department as  
6     well, and Emma Cruthis, C-r-u-t-h-i-s, who also works  
7     for Scott.

8                     COMMISSIONER CLAYTON:  Spell that last  
9     name again?

10                    MR. BYRNE:  C-r-u-t-h-i-s.

11                    COMMISSIONER CLAYTON:  And from Atmos  
12     Energy, counsel?

13                    MR. FISCHER:  James M. Fischer, Fischer  
14     and Dority PC, 101 Madison Street, Suite 400, Jefferson  
15     City, Missouri 65101, appearing today on behalf of  
16     Atmos Energy.  And I have witnesses on the telephone,  
17     Judge, from Atmos:  Mark Martin, who would be familiar  
18     with the pipeline capacity situation; Mike Ellis is  
19     more familiar with economic development and can address  
20     some questions there; and Pat Childers is the  
21     regulatory person on the line.

22                    COMMISSIONER CLAYTON:  Okay.  I also  
23     want to ask if there are any Staff members here from  
24     the PSC today.  Could somebody identify them either in  
25     whole or in -- Lera, if you'd like to identify

1 everybody?

2 MS. SHEMWELL: Lera Shemwell,  
3 representing the Staff. Here is Mike Straub,  
4 S-t-r-a-u-b, and Janette Davidson, for the Staff.

5 COMMISSIONER CLAYTON: And both of those  
6 witnesses are available to answer questions should we  
7 have any questions for them?

8 MS. SHEMWELL: They are available. I'm  
9 thinking we may have to call Mr. Sommerer, if we can do  
10 that?

11 COMMISSIONER CLAYTON: Okay. You may  
12 want to see if Mr. Sommerer and Mr. Wood are available  
13 potentially. I'm not say for sure we'll have  
14 questions, but -- from the energy department, if they  
15 are available, we'd like to know that.

16 MS. SHEMWELL: They're on four in a CLE,  
17 so we can call them from there at any time.

18 COMMISSIONER CLAYTON: Okay.

19 MS. SHEMWELL: I'll double check on  
20 Mr. Wood.

21 COMMISSIONER CLAYTON: Okay. At this  
22 point, I think what we're going to do is we are going  
23 to have the -- well, eventually we are going to have  
24 the court reporter swear in the factual witnesses who  
25 are here, so we can take some testimony, answer some

1 questions.

2 I want to ask Commissioner Gaw if he has  
3 statements or anything that he wants to point out at  
4 this time.

5 COMMISSIONER GAW: I just want to say,  
6 first of all, I appreciate you all coming today. And  
7 this has come about in particular as a result of  
8 concerns that we had as a result of the recent Ameren  
9 Gas settlement, which generated some questions because  
10 of a particular provision in the settlement that also  
11 contemplated a tariff change or tariff language that  
12 would have allowed, if it had been incorporated, Ameren  
13 to turn down new, fairly large customers at its own  
14 discretion.

15 And we have gotten beyond, I think, that  
16 particular issue in regard to the tariff language, but  
17 what it raised was the question of whether or not there  
18 are issues about the ability of some of our LDCs to  
19 serve new customers in certain regions of the state  
20 because of issues that may exist on transmission or  
21 distribution systems. And what we are trying to do  
22 today is to get a better grasp of what it is that is  
23 the problem.

24 In particular, as I have said before,  
25 although it, of course, is not in this record, so I'll

1 say it here, I have significant concerns if we are --  
2 if our capacity issues, if that, indeed, it turns out  
3 to be what the problem is, has -- is in any way causing  
4 a negative effect on economic development in areas of  
5 the state.

6 And of particular concern to some of the  
7 rural areas of the state is the fact that one of the  
8 things that was particular mentioned by one of the  
9 Ameren representatives in the agenda room was that they  
10 may not be able to serve new ethanol plants because of  
11 some of these problems that are evidently out there.

12 So it is very difficult -- it's very  
13 difficult for me to see how we should be in a position  
14 of just saying that's something that should be allowed  
15 to continue. This issue in rural Missouri is a  
16 significant one, as I think probably all of you know.  
17 But it's not just related to ethanol plants, it has to  
18 do with other things, and other opportunities for  
19 economic development out in some of those regions.

20 So the purpose today is to at least  
21 initially get a better grasp of what it is that is  
22 causing this issue in some of the regions in the state  
23 and help us get a better grasp of it, so we can see  
24 where we need to go from today's hearing, in regard to  
25 further inquiry or further action.

1                   Again, I thank you very much for the  
2     time and I look forward to hearing from the witnesses  
3     that are here.

4                   Thank you, Commissioner.

5                   COMMISSIONER CLAYTON: Having said that,  
6     I also want to recognize we do have someone from Office  
7     of Public Counsel. Although we didn't send you a  
8     letter, of course, Public Counsel is always welcome at  
9     a proceeding such as this. Do you want to go ahead and  
10    recognize yourself?

11                  MR. POSTON: Sure. Marc Poston on  
12    behalf of Public Counsel and the public, P.O. Box 2230,  
13    Jefferson City, Missouri 65101.

14                  COMMISSIONER CLAYTON: Okay. Thank you  
15    very much. At this point, I will kind of ask for the  
16    attorneys to help me identify which folks will be  
17    participating. I'm not sure of the role of each of the  
18    people who are here, so if you like, we can go ahead  
19    and swear everybody and everybody can chime in. Or if  
20    you want to name a point person that we can start with,  
21    and then if they can't answer questions, we can move  
22    on. I'll leave that up to you all for the time being.

23                  MR. BYRNE: For Ameren, Scott Glaeser is  
24    the point person, but you may want to swear in  
25    everybody just in case.

1                   COMMISSIONER CLAYTON: Well, if  
2 everyone's comfortable with that. I mean, we ask for  
3 one person. If there are more that want to be sworn  
4 in, that's fine.

5                   Mr. Fischer?

6                   MR. FISCHER: Yeah, I will say all three  
7 of ours can be sworn in and then they can answer  
8 questions.

9                   COMMISSIONER CLAYTON: Okay. I want to  
10 ask the court reporter if it would be possible if we  
11 could swear all the witnesses in en masse, kind of like  
12 a Congressional hearing.

13                   (WITNESSES SWORN.)

14                   COMMISSIONER CLAYTON: Are they under  
15 oath?

16                   THE COURT REPORTER: They are.

17                   COMMISSIONER CLAYTON: They are. Thank  
18 you very much.

19                   MS. SHEMWELL: Commissioner Clayton?

20                   COMMISSIONER CLAYTON: Yes.

21                   MS. SHEMWELL: If you decide to call  
22 Staff, we'll have them sworn in.

23                   COMMISSIONER CLAYTON: We'll do that.  
24 That would be appropriate. Let's start with the  
25 industry and then we'll get to Staff if we need to.

1                   I think we should probably start first  
2   with AmerenUE, which really the discussion regarding  
3   the tariff issues in the natural gas rate case are  
4   really what led to this discussion and the concerns  
5   that have been raised. Would Ameren identify who will  
6   be the principle person?

7                   MR. BYRNE: Scott Glaeser.

8                   COMMISSIONER CLAYTON: Mr. Glaeser?

9   Okay. Do you want him up here?

10                  COMMISSIONER GAW: I don't think it's  
11   necessary.

12                  COMMISSIONER CLAYTON: Does it matter?

13                  COMMISSIONER GAW: I suspect that we'll  
14   need them to refer to a map that's in the room  
15   currently that shows transmission lines across the  
16   state, so --

17                  COMMISSIONER CLAYTON: Okay.

18                  COMMISSIONER GAW: -- whatever makes it  
19   easier from a --

20                  COMMISSIONER CLAYTON: Stay where you  
21   are for right now, and then if you feel like you need  
22   to come up, they've entrusted me with this remote  
23   control with the camera, and I'd ask that the audience  
24   be patient with me because it's a little more  
25   complicated than what I thought.

1                   Mr. Glaeser, first of all, can you help  
2 me understand from AmerenUE's position as a local  
3 distribution company where the problems are with regard  
4 to capacity? Can you start off and identify where  
5 those problems are and why Ameren felt the need to have  
6 the language in its tariff that was at issue in that  
7 other case?

8                   MR. GLAESER: Basically, the main  
9 concern we have in the future is interstate pipeline  
10 capacity coming into the state of Missouri. That's the  
11 capacity we rely upon to bring gas supplies from  
12 various production bases to our systems. And what we  
13 see is that many of the pipelines we operate on are  
14 becoming constrained. What I mean by that is that they  
15 are fully subscribed. All the available capacity is  
16 now under contract with various shippers in the system.  
17 There is no open capacity to handle new growth,  
18 especially large growth of new plants that can really  
19 step up your demand overnight.

20                  COMMISSIONER CLAYTON: Can you  
21 identify -- when you say there's no open capacity,  
22 could you help me understand whether -- who would be  
23 actually holding that capacity that Ameren would be  
24 competing for? Are they other LDCs, are they shippers,  
25 are they marketers, are they all of the above?

1                   MR. GLAESER: Yes. Systemwide on a  
2 pipeline like Panhandle Eastern you have LDCs, you have  
3 industrials, you have power generators, you have  
4 marketers, all these different shippers have firm  
5 capacity up and down the entire system.

6                   COMMISSIONER CLAYTON: Now, are you able  
7 to purchase capacity from a shipper or a marketer?

8                   MR. GLAESER: Well, that's referred to  
9 as a capacity release or secondary capacity market,  
10 which is more of interruptible type of market. My main  
11 concern is primary capacity, which is a primary  
12 contract for capacity directly with an interstate  
13 pipeline and that you are the primary shipper. The  
14 release capacity is still beholden to the primary  
15 shipper who can call it back, depending on how the  
16 release is structured.

17                  COMMISSIONER CLAYTON: So does Ameren  
18 try to address all of its needs -- is it a requirement  
19 that Ameren address all of its needs through this  
20 primary capacity that you've just suggested? Is that  
21 the right language to use?

22                  MR. GLAESER: It's not an absolute  
23 requirement, but part of our gas supplies strategies  
24 and our basic philosophy is that we want to hold  
25 primary transmission capacity back to production bases,

1 so that we can own and control that path and get direct  
2 access to gas supplies. We don't want any middle man  
3 caught in between there who can do different things to  
4 the capacity over time.

5 COMMISSIONER CLAYTON: Okay.

6 MR. GLAESER: We want to control that  
7 capacity.

8 COMMISSIONER CLAYTON: Now, how many  
9 communities -- and for those who are watching on -- if  
10 anyone is watching, we've got the natural gas pipeline  
11 graph that is up here, the map of the state of  
12 Missouri.

13 How many communities is AmerenUE serving  
14 off of the Panhandle Eastern pipeline?

15 MR. GLAESER: Well, a better way to  
16 describe that would be how many distribution systems we  
17 have off the pipeline.

18 COMMISSIONER CLAYTON: Okay. Sure.

19 MR. GLAESER: One distribution system  
20 may serve two or three small communities or towns.

21 COMMISSIONER CLAYTON: How many  
22 distribution systems would you have --

23 MR. GLAESER: We have 30 --

24 COMMISSIONER CLAYTON: -- off the  
25 Panhandle?

1 MR. GLAESER: -- systems off of  
2 Panhandle Eastern.

3 COMMISSIONER Glaeser: Thirty?

4 MR. GLAESER: Thirty. And these are all  
5 separate and unique distribution systems that go back  
6 to Panhandle Eastern, directly connected.

7 COMMISSIONER CLAYTON: How many systems  
8 would you have that would be characterized as being in,  
9 I guess, northeast Missouri, the northeast quadrant of  
10 the state?

11 MR. GLAESER: That is the 30. We have  
12 more systems out in southeastern Missouri, the Cape  
13 Girardeau area. We have basically, I consider, roughly  
14 about five different systems in southeast Missouri.

15 COMMISSIONER CLAYTON: Well, how many  
16 communities do you serve in northeast Missouri right  
17 now?

18 MR. GLAESER: Are you talking about way  
19 northeast?

20 COMMISSIONER CLAYTON: Well, I'm not  
21 sure about way northeast. Please come up and help me.  
22 You'll be on camera when you come up here.

23 MR. GLAESER: Basically look at  
24 AmerenUE's systems on Panhandle Eastern Pipeline. We  
25 have systems that stretch all the out here to like

1   nelson, Missouri. See these systems out here,  
2   Blackwater. And then we have distribution systems that  
3   go all the way back to basically the Mississippi River  
4   to our Louisiana, Clarksville system. So these are our  
5   30 systems we have directly connected to Panhandle. As  
6   you can see, they're spread out over more than half of  
7   the state of Missouri.

8                   COMMISSIONER CLAYTON: Okay. If you  
9   look at the line that is drawn up from Panhandle  
10   Eastern through part of Audrain County into Monroe  
11   County, I believe you offer natural gas service to the  
12   communities of Paris and the Monroe City; is that  
13   correct?

14                  MR. GLAESER: Let me take a look here.  
15   Actually, those are muni systems there.

16                  COMMISSIONER CLAYTON: Okay.

17                  MR. GLAESER: Paris and Madison are muni  
18   systems.

19                  COMMISSIONER CLAYTON: Okay. So those  
20   are not Ameren systems?

21                  MR. GLAESER: Those are not AmerenUE  
22   systems there.

23                  COMMISSIONER CLAYTON: Then tell me in  
24   northeast Missouri, do you serve any communities in  
25   northeast Missouri?

1                   MR. GLAESER: If you look at northeast  
2 Missouri, we have New London and Center, Missouri, in  
3 Ralls County, Missouri.

4                   COMMISSIONER CLAYTON: Okay.

5                   MR. GLAESER: And these are pretty small  
6 systems.

7                   COMMISSIONER CLAYTON: Is that one  
8 system together or is it two systems?

9                   MR. GLAESER: It's actually two separate  
10 systems, two small distribution systems into Panhandle,  
11 so Quincy lateral.

12                  COMMISSIONER CLAYTON: Okay. Well,  
13 we'll get to that in just a second. On the north side  
14 of Panhandle Eastern Pipeline from about Audrain County  
15 east, are there any other Ameren LDC systems --

16                  MR. GLAESER: Yes.

17                  COMMISSIONER CLAYTON: -- other than New  
18 London and Center?

19                  MR. Glaeser: Actually, quite a bit.  
20 There's Farber, Vandalia, Louisiana. Our biggest  
21 system actually is our Curryville/Wentzville system.  
22 That's actually one of our larger systems for the UE  
23 Missouri system on Panhandle Eastern. That system  
24 feeds from Curryville, Missouri all the way down  
25 towards Troy, Missouri, and then spreads out to Wright

1 City, Wentzville and other towns in this vicinity.

2 COMMISSIONER CLAYTON: Okay.

3 MR. GLAESER: That's actually a fairly  
4 large system.

5 COMMISSIONER CLAYTON: Okay. Okay.

6 Now, when you said that you had primary capacity and  
7 you have to establish primary capacity for each  
8 distribution system, what does that mean?

9 MR. GLAESER: Well, actually what we do  
10 on Panhandle Eastern and on other pipelines is that we  
11 have basically negotiated what's called a central  
12 delivery point for all of our systems, so we treat  
13 these 30 separate distribution systems and separate  
14 meter and citygate stations as one large system for  
15 Panhandle Eastern. It's called a central delivery  
16 point, CDP.

17 So when Panhandle is flowing gas to our  
18 systems, these 30 different systems, they treat it as  
19 one master delivery point, master meter point for the  
20 purposes of daily and hourly balancing of supply and  
21 demand.

22 COMMISSIONER CLAYTON: So even though  
23 you have primary capacity for 30 different systems, you  
24 actually have one system that is set up to address all  
25 of the needs --

1 MR. GLAESER: Yes.

2 COMMISSIONER CLAYTON: -- of --

3 MR. GLAESER: Yes.

4 COMMISSIONER CLAYTON: -- Ameren's --

5 MR. GLAESER: Correct.

6 COMMISSIONER CLAYTON: -- service

7 territories?

8 MR. GLAESER: Yes. And that's for

9 operational efficiencies, administrative efficiencies.

10 There's a whole host of efficiencies that brings into

11 play to have that CDP.

12 COMMISSIONER CLAYTON: Okay.

13 MR. Glaeser: If we had to balance all

14 these 30 systems each day, each hour, it becomes very

15 difficult.

16 COMMISSIONER CLAYTON: Now, if we focus

17 strictly on the Panhandle Eastern line, can you tell

18 me -- and it may be HC and if it is, I don't know if

19 we're going to get into highly confidential today. I

20 don't think we will, but we'll see. Can you give me an

21 idea of how much energy that Ameren has capacity for on

22 the Panhandle Eastern line? Is that an HC number?

23 MR. GLAESER: It's not HC. It's

24 actually published on the FERC's web site.

25 COMMISSIONER CLAYTON: Okay.

1 MR. GLAESER: It's public information.

2 And I guess when you refer to Ameren, are you talking  
3 about all of our Ameren companies or just AmerenUE?

4 COMMISSIONER CLAYTON: I guess, let's  
5 stay in Missouri, which would be AmerenUE, and let's  
6 stay on Panhandle.

7 MR. GLAESER: Okay.

8 COMMISSIONER CLAYTON: And frankly --  
9 well, let's just stay on Panhandle for right now, and  
10 just Missouri capacity.

11 MR. GLAESER: Okay. Yeah, if we look at  
12 just the Panhandle Eastern primary firm transportation  
13 capacity, we have approximately -- and these are  
14 rounded off numbers for ease of discussion -- about  
15 140,000 MMBtu per day of primary capacity. And  
16 embedded with that is also storage and deliverability,  
17 too. But total citygate deliverability is about  
18 140,000.

19 COMMISSIONER CLAYTON: Now, when you  
20 have -- and you need to help me understand --

21 MR. GLAESER: Sure.

22 COMMISSIONER CLAYTON: -- the language  
23 and how you assign certain energy to certain systems.  
24 But you say 140,000 MMBtu per day?

25 MR. GLAESER: Per day.

1                   COMMISSIONER CLAYTON: And that is  
2 capacity. Does that change between peak and off-peak  
3 times?

4                   MR. GLAESER: Yes, it does.

5                   COMMISSIONER CLAYTON: Now, is this a  
6 peak number or an off-peak number?

7                   MR. GLAESER: That's a peak -- a winter  
8 peak number. We actually negotiated a structure on  
9 ratcheted capacity levels for the summer on the  
10 shoulder months, so that as our demand for capacity  
11 drops, we have basically sculpted our capacity to  
12 follow that demand.

13                  COMMISSIONER CLAYTON: So you've got a  
14 curve that adjusts?

15                  MR. GLAESER: Yes.

16                  COMMISSIONER CLAYTON: It's not a strict  
17 140,000 and then a --

18                  MR. GLAESER: No.

19                  COMMISSIONER CLAYTON: And what is  
20 your -- what would be your, I guess, off season peak?

21                  MR. GLAESER: Summer peak is  
22 approximately --

23                  MS. CRUTHIS: 60,000.

24                  MR. GLAESER: -- 60,000, and our  
25 shoulder month capacity is --

1 MS. CRUTHIS: 75,000.

2 MR. GLAESER: -- 75,000. So you can see  
3 how we ratcheted our capacity down through the shoulder  
4 months into the summer months, and then back up on the  
5 shoulder month into the winter.

6 COMMISSIONER CLAYTON: Can you give me  
7 an idea of what the calendar looks like? When do you  
8 reach your winter peak?

9 MR. GLAESER: Basically, it's November  
10 through March, which matches the peak winter season,  
11 operating season for the pipelines.

12 COMMISSIONER CLAYTON: Okay.

13 MR. GLAESER: And then what we consider  
14 the shoulder months are April and October. And again,  
15 that's when you get some cold weather demand driven in  
16 those months. And then May through September is our  
17 summer months.

18 COMMISSIONER CLAYTON: Okay. Now, this  
19 is what -- this is the capacity that you have right  
20 now. Does that mean that you are obligated to buy that  
21 quantity of transportation service from the pipeline in  
22 addition to the actual commodity, the actual gas  
23 molecules? There's two different things that you're  
24 agreeing to buy, the capacity and the actual natural  
25 gas; is that correct?

3 COMMISSIONER CLAYTON: Okay.

5 environment. So we just basically release that  
6 pipeline capacity from our delivery points in Missouri  
7 all the back to the production zone in the  
8 Texas/Oklahoma panhandle region, and also part of that  
9 capacity is back haul capacity coming from the trunk  
10 line interconnect at Tuscola panhandle and moving back  
11 in the system towards our delivery. We basically have  
12 capacity on trunk line that goes down into the Gulf  
13 Coast region as well.

18 COMMISSIONER CLAYTON: So these  
19 quantities that you're talking about, it's purely  
20 transportation, it's purely buying a certain amount of  
21 space --

23 COMMISSIONER CLAYTON: -- within the  
24 pipe as they bring the gas to you?

1 no gas supply whatsoever.

2 COMMISSIONER CLAYTON: Okay. Okay.

3 Now, is -- that 140,000 MMBtu, is that -- that's based  
4 on a forecast of what your needs are going to be for a  
5 given year; is that correct?

6 MR. GLAESER: Correct. We basically run  
7 demand studies, where we analyze our historical demand  
8 profiles versus weather. We create fairly elaborate  
9 mathematical models to simulate our system load. We  
10 run it over historical weather patterns for basically  
11 the worst winter case scenario in the past 30 years  
12 plus, and from that we determine what we would consider  
13 our peak design day, which is our maximum expected load  
14 on that system for the most harshest winter conditions  
15 in the past 30 years. That gives us that peak design  
16 day that we want to cover to protect the system flow.

17 COMMISSIONER CLAYTON: Do you have an  
18 excess margin or a reserve margin built into that  
19 figure?

20 MR. GLAESER: Yes.

21 COMMISSIONER CLAYTON: Okay. And is  
22 that a public number or do we have a rule on that, or  
23 tell me how you --

24 MR. GLAESER: There is not a hard and  
25 fast rule on that. We typically shoot for three to

1 four to five percent of reserve margin on our system.  
2 And the purpose of that reserve margin is multi-fold.  
3 One, it allows basically allows us to handle growth,  
4 future growth on the system, so that when we negotiate  
5 capacity agreements with pipelines to either three  
6 years, six years, even nine years, or longer, so that  
7 we can handle that growth in those years the capacity  
8 agreements are in effect before we have a chance to  
9 increase or decrease.

10 COMMISSIONER CLAYTON: What is the term,  
11 in terms of time for 140,000 MMBtu winter peak day  
12 capacity? How long do you have that contract out into  
13 the future?

14 MR. GLAESER: We actually have it  
15 segmented into multiple-year agreements. It's not just  
16 one agreement.

17 COMMISSIONER CLAYTON: Okay.

18 MR. GLAESER: There's actually several  
19 different capacity agreements. And we set it up to  
20 stagger out every three to six years.

21 COMMISSIONER CLAYTON: You have  
22 three-year contracts and they stagger?

23 MR. GLAESER: We have a three-year  
24 contract and, I forget, the main contract is six years?  
25 So we try to stagger, like every three years we have an

1 opportunity to adjust our capacity to make changes in  
2 demand.

3 COMMISSIONER CLAYTON: And do you have  
4 that reserve or do you have that growth amount, that  
5 three to four to five percent growth built into those  
6 contracts as you move forward?

7 MR. GLAESER: Yeah, basically that  
8 reserve margin is the reserve margin today. So that  
9 gives us the growth potential in the future years.

10 COMMISSIONER CLAYTON: Okay.

11 MR. GLAESER: Basically, as our demand  
12 grows, it grows and eats away that reserve margin. And  
13 then once we get to three years and six years out, that  
14 gives us the opportunity to adjust capacity levels to  
15 meet that new growth. And that works for normal growth  
16 in the system, the typical residential/commercial  
17 growth that we see.

18 COMMISSIONER CLAYTON: Can you tell me  
19 what happens if you have a winter that becomes  
20 abnormally cold or colder than what you forecasted, and  
21 say you have a cold winter that lasts a solid three  
22 months, would that potentially eat up your reserve  
23 margin in terms of needs?

24 MR. GLAESER: No. Basically reserve  
25 margin is our peak day capacity or peak deliverability

1 per day. We actually can do that peak deliverability  
2 for all 151 days of winter, from November through  
3 March.

4 COMMISSIONER CLAYTON: Okay.

5 MR. GLAESER: So really you're getting  
6 into more issues of a seasonal demand versus a daily  
7 peak demand.

8 COMMISSIONER CLAYTON: Which is less of  
9 an issue in terms of transportation, more in terms of  
10 commodity meets the actual supply, is how you phrase  
11 it?

12 MR. GLAESER: Right.

13 COMMISSIONER CLAYTON: So is there any  
14 real threat of exceeding your reserve margin on your  
15 winter peak day in terms of transportation and  
16 capacity?

17 MR. GLAESER: It is statistically very  
18 small. In other words, we design that peak design day  
19 to reach -- and I forget the statistical analysis. Is  
20 it 99.1 percent certainty?

21 MS. CRUTHIS: Well, it's 95 percent, but  
22 that's at the very -- that's at the upper confidence  
23 interval, 95 percent of the upper confidence interval.

24 MR. GLAESER: We're taking the upper  
25 confidence intervals, statistical analysis to analyze,

1 and then we're at 95 percent of that, so the certainty  
2 of meeting a peak design day is very, very high  
3 statistically.

4 COMMISSIONER CLAYTON: Has there ever  
5 been occasion where there was insufficient capacity to  
6 address AmerenUE's needs?

7 MR. GLAESER: No. We've always been  
8 able to meet our peak design day even in the most  
9 extreme weather conditions.

10 COMMISSIONER CLAYTON: Okay.

11 MR. GLAESER: Now, we have gotten  
12 periods where we have gotten close to that peak design  
13 day, but it's been quite a few years.

14 COMMISSIONER CLAYTON: Okay. I have to  
15 ask my questions early or I won't get to. Do you have  
16 questions?

17 COMMISSIONER GAW: I'll do whatever --

18 COMMISSIONER CLAYTON: Do you want to  
19 wait? Do you want me to do a little more?

20 COMMISSIONER GAW: It doesn't matter,  
21 because I'll start whenever you want.

22 COMMISSIONER CLAYTON: Well, let me work  
23 through just a few more concepts in terms of  
24 background.

25 If you have, say, a new residential

1 subdivision, a new manufacturing plant, an ethanol  
2 plant, say somebody who comes in, give me an example of  
3 what an ethanol's usage of gas would be on any given  
4 day.

5 MR. GLAESER: Well, we've got a lot of  
6 experience with ethanol plants. Our Illinois  
7 utilities, we've been dealing with 40 different  
8 proposed ethanol plants over the past year and a half,  
9 two years. A huge boom in Illinois. Missouri is much  
10 less, but we are seeing some interest there. An  
11 ethanol plant that produces about 100 million gallons  
12 of ethanol per year would use approximately 10,000  
13 MMBtus of gas per day.

14 Now, the key to that figure is it is a  
15 base load figure. They would use that 10,000 a day  
16 350, 355 days a year. The only down time is for  
17 maintenance of the plant. So it's a very high base  
18 level demand; in other words, a demand that's right for  
19 transportation.

20 COMMISSIONER CLAYTON: So if you  
21 had an ethanol plant that come onto your system today  
22 at 10,000 MMBtu, your reserve margin at the outside, if  
23 it's even 5 percent would be -- you wouldn't be able to  
24 meet it. Is that what you're suggesting?

25 MR. GLAESER: There's a step before

1     that.  When a new customer comes into our system, they  
2     have to make a decision whether they want to be a sales  
3     customer or a transportation customer.

4                     COMMISSIONER CLAYTON:  Okay.

5                     MR. GLAESER:  If they're a  
6     transportation customer, we are simply a pipeline  
7     company to them and we will build the capacity on our  
8     system to support their load, and it's up to them to  
9     get capacity on the upstream interstate pipeline.

10                    COMMISSIONER CLAYTON:  Okay.

11                    MR. GLAESER:  And to handle all their  
12    own supplies.

13                    If they want to be a system sales  
14    customer, then that's when we look at what our reserve  
15    margin is, available gas supplies, pipeline capacity to  
16    support that load.

17                    COMMISSIONER CLAYTON:  Well, what is the  
18    difference whether they're going to be a transportation  
19    customer or an actual direct sales of custom in terms  
20    of capacity?

21                    MR. GLAESER:  In terms of interstate  
22    capacity, there is none.

23                    COMMISSIONER CLAYTON:  I mean, once you  
24    get off the pipeline and you get onto your portion of  
25    the pipeline, I mean, you have to have the capacity

1 regardless of whether they're a transportation  
2 customer --

3 MR. GLAESER: Yes.

4 COMMISSIONER CLAYTON: -- or they're a  
5 direct sales customer. Correct? Is there any  
6 difference in treatment?

7 MR. GLAESER: No. To our system, a  
8 transportation customer is just like a sales customer.  
9 We build and construct our system, our transmission  
10 lines, our feeder mains and so forth, to support that  
11 customer's load whether a sales customer or  
12 transportation customer.

13 COMMISSIONER CLAYTON: So regardless of  
14 whether they're transportation or a direct sales  
15 customer, if your reserve margin is 5 percent of  
16 147,000, it appears that, if I do my math correct, you  
17 only have 7,000 MMBtu.

18 MR. GLAESER: No, that reserve margin is  
19 for the sales function.

20 COMMISSIONER CLAYTON: It's only for  
21 sales?

22 MR. GLAESER: That reserve is only for  
23 the sales function, our merchant function. Yeah. Our  
24 distribution system itself, the capacity of our  
25 distribution system is significantly larger. If you

1    were to add up all the capacity of all these different  
2    laterals and transmission facilities that we own and  
3    operate, they'll be far larger than 140,000. So that's  
4    not the real strength in terms of that interstate  
5    pipeline capacity in our sales function.

6                   COMMISSIONER CLAYTON: So this -- so  
7    where would you find the capacity for transportation if  
8    you -- what would you have to do for transportation  
9    if -- what do you have to do if a transportation  
10   customer comes in?

11                  MR. GLAESER: If we have a new large  
12   industrial come to our system, whether it be  
13   transportation or sales, we would look at where they  
14   want to locate on our distribution system. And then  
15   our engineers would basically run stoner models to  
16   determine what the physical capacity of our  
17   transmission distribution system was. And when I say  
18   transmission, I'm speaking of AmerenUE's transmission  
19   facilities, which go from Panhandle Eastern to our  
20   various feeders mains to support that distribution.

21                  Once they understood what kind of new  
22   demand would be created with that new industrial plant,  
23   they would either say, we can handle that with our  
24   existing facilities, or they would say, we have to add  
25   and expand our existing system to handle this new

1 customer.

2 COMMISSIONER CLAYTON: How would you do  
3 that? When you say expand your system, give me some  
4 alternatives of what you would do.

5 MR. GLAESER: Well, basically they would  
6 look at, let's say -- let me just grab an example. One  
7 of our systems here. If we would look at our  
8 Curryville to Troy, or what we call our Wentzville  
9 system, which is one of our large systems, and we had a  
10 large industrial plant that wanted to site to Troy,  
11 Missouri area, we can bring in gas in that system in  
12 three different ways: From Panhandle Eastern to the  
13 Curryville interconnect, from Missouri Pipeline at the  
14 Windfield interconnect, and from Missouri Pipeline at  
15 the routing interconnect.

16 Our engineers would model how we  
17 would flow that gas to that new customer from those  
18 three interconnects to that new plant site. Once  
19 they understood the constraints of flowing gas to  
20 that point on an hourly basis, they would then make  
21 recommendations and design enhanced pipeline facilities  
22 to handle that load. That could be pipeline looping,  
23 basically where they lay another pipe parallel to the  
24 existing transmission system, it could be enhancements  
25 to regular stations and different valve stations to get

1 more flow through those constraints.

2 COMMISSIONER CLAYTON: That's  
3 compression?

4 MR. GLAESER: Possibly compression. We  
5 don't typically use compression on our transmission  
6 distribution system. We typically use compression at  
7 our on-system storage fields, which in Missouri, we  
8 don't have on-system storage. It's all in Illinois,  
9 and we have 12 different storage fields. So we don't  
10 typically design with compression. We drive our  
11 systems off the pressures of the interstate pipelines.  
12 That's our primary driver of our systems.

13 COMMISSIONER CLAYTON: Why don't you --

14 COMMISSIONER GAW: You want me to go?

15 COMMISSIONER CLAYTON: Yeah, why don't  
16 you go for a little bit?

17 COMMISSIONER GAW: Okay. Let's see if I  
18 can see this better.

19 When you all filed your settlement case,  
20 you had a concern about the ability to serve a customer  
21 of, I think, was it 40,000 CCF a year?

22 MR. GLAESER: Yeah. That was our cutoff  
23 point, our demarcation point between a small and a  
24 large customer.

25 COMMISSIONER GAW: Okay. And what were

1 the factors that caused you to have that concern?

2 MR. GLAESER: Our main factor, and  
3 again, this is a future concern, a forward-looking  
4 concern.

5 COMMISSIONER GAW: Okay.

6 MR. GLAESER: We wanted to get this into  
7 our rate case, into our tariffs, so that, I guess, the  
8 Commission Staff, OPC and others would be aware of our  
9 constraints coming down in the future, and we wanted to  
10 have the tools to deal with them. The main issues that  
11 causes us our biggest concern was when the various  
12 pipelines that we operate on, the interstate pipelines  
13 became fully subscribed and sold out.

14 COMMISSIONER GAW: Okay.

15 MR. GLAESER: For example, Panhandle  
16 Eastern, forward haul capacity on Panhandle Eastern is  
17 fully subscribed right now.

18 COMMISSIONER GAW: I want you to tell me  
19 what forward haul means.

20 MR. GLAESER: Basically, it's  
21 haul -- or basically it's primary capacity from the  
22 production areas of Panhandle Eastern's system and the  
23 Texas/Oklahoma/southwestern Kansas region. That's  
24 where the major production fields like --

25 (CELL PHONE RINGING.)

1                   COMMISSIONER GAW: I'll turn this off so  
2 it doesn't bother us. Go ahead.

3                   MR. GLAESER: So basically it's the  
4 natural flow of capacity on their system from the  
5 production basins all the way eastward to their market  
6 zones, which terminate up in Michigan at the Canadian  
7 border.

8                   COMMISSIONER GAW: Okay.

9                   MR. GLAESER: That's what we refer to as  
10 forward haul capacity, the flow of capacity eastward on  
11 their system.

12                  COMMISSIONER GAW: Okay.

13                  MR. GLAESER: Now, back haul capacity is  
14 basically when we bring gas up a trunk line or NGPL --

15                  COMMISSIONER GAW: Right.

16                  MR. GLAESER: -- and actually dump gas  
17 into Panhandle Eastern at Tuscola, Illinois or Multree,  
18 Illinois, actually helps their system.

19                  COMMISSIONER GAW: Sure.

20                  MR. GLAESER: So they're reinforcing  
21 their system, bringing in new supply supports pressure  
22 and supply. That's referred to as back haul, so that  
23 capacity actually adds backwards to our system, even  
24 though physically the molecules do not move backwards,  
25 they go downstream.

1                   COMMISSIONER GAW: Yeah. In essence, it  
2 allows you to use some of the gas that would have been  
3 coming from the west.

4                   MR. GLAESER: Yes.

5                   COMMISSIONER GAW: Because you're  
6 replacing it with gas coming from the Gulf.

7                   MR. GLAESER: Yes.

8                   COMMISSIONER GAW: But the price that's  
9 being paid by the customers is as though it were being  
10 back hauled, as you put it, rather than it coming from  
11 the west.

12                  MR. GLAESER: Yeah. We basically just  
13 pay for capacity, pay a lease for these two market  
14 zones going back.

15                  COMMISSIONER GAW: Yeah.

16                  MR. GLAESER: Now, we do pay for  
17 long-haul capacity on trunk line, to have a firm  
18 capacity path all the way back to production basins in  
19 the Gulf Coast region.

20                  COMMISSIONER GAW: Okay.

21                  MR. GLAESER: So we can get that gas  
22 directly from the production area, move it up the trunk  
23 line and put it into Panhandle.

24                  COMMISSIONER GAW: Now, I need to  
25 understand a little better the notion that Panhandle is

1 fully subscribed.

2 MR. GLAESER: Uh-huh.

3 COMMISSIONER GAW: And you said -- I've  
4 got to get this terminology down, forward --

5 MR. GLAESER: Forward haul.

6 COMMISSIONER GAW: Forward haul.

7 MR. GLAESER: Yes.

8 COMMISSIONER GAW: Let's not -- just for  
9 a moment, I'm going to avoid the discussion about  
10 larger customers coming online.

11 MR. GLAESER: Okay.

12 COMMISSIONER GAW: Just in anticipated  
13 growth, what kind of growth is anticipated to occur on  
14 your systems that feed off the Panhandle for the next  
15 several years?

16 MR. GLAESER: We basically plan design  
17 for one to two percent annual growth rate.

18 COMMISSIONER GAW: Okay.

19 MR. GLAESER: And that covers our normal  
20 residential customers hooking on the system, commercial  
21 customers that we see typically see year to year.

22 COMMISSIONER GAW: All right. Now, if  
23 we assume that level of growth and Panhandle is fully  
24 subscribed, without other options such as back haul and  
25 other things, what would be the possibilities of

1 dealing with the fully constrained transmission system  
2 on Panhandle on forward haul for you? What would be  
3 the possibilities?

4 MR. GLAESER: What do you mean by  
5 possibilities?

6 COMMISSIONER GAW: Let me back up and  
7 ask another question first. First of all, if Panhandle  
8 is fully subscribed --

9 MR. GLAESER: Yes.

10 COMMISSIONER GAW: -- and you've got a  
11 growth of one to 2 percent every year, does that not  
12 indicate that you've got a problem in accessing enough  
13 capacity off of that line to meet your anticipated  
14 growth within the next few years?

15 MR. GLAESER: I think over the next  
16 couple of years, we should be good. I think we're  
17 looking at the 2010 and beyond time frame, 2011 and  
18 beyond when things start getting tight. What happens  
19 when I say things get tight, our reserve margin goes  
20 down to close to zero. We can still meet our peak  
21 design date, but there is no cushion for growth or any  
22 other type of aberration in the load.

23 COMMISSIONER GAW: Yeah.

24 MR. GLAESER: Then we go to a negative  
25 reserve margin, which means we have basically

1     endangered our ability to meet a peak design date.

2                   COMMISSIONER GAW:   Yes.  Now, I want to  
3     understand why it's 2010 and out, I guess, before I  
4     move on.  You've got -- you anticipate one to one and a  
5     half percent per year growth.

6                   MR. GLAESER:   Approximately.

7                   COMMISSIONER GAW:   You've got 3 percent  
8     or 3 to 5 percent margin?

9                   MR. GLAESER:   Our current reserve margin  
10    is roughly about 4.2 percent or something.

11                  COMMISSIONER GAW:   Okay.  So is it just  
12    the fact that if I make the assumption of one to one  
13    and a half percent per year that that is incrementally  
14    eating into that 3 to 5 percent --

15                  MR. GLAESER:   Yes.

16                  COMMISSIONER GAW:   -- as we move  
17    forward?

18                  MR. GLAESER:   Yes.  Correct.

19                  COMMISSIONER GAW:   Okay.  Now, as you  
20    look at that possibility, it's not more -- well, that  
21    prediction --

22                  MR. GLAESER:   Or modeling, forward  
23    modeling.

24                  COMMISSIONER GAW:   Yes.  What are the  
25    possible solutions --

1 MR. GLAESER: Okay.

2 COMMISSIONER GAW: -- to that capacity  
3 constraint?

4 MR. GLAESER: There's many different  
5 avenues we look at, and this is a constant basis.  
6 We're continually looking at capacity with all the  
7 pipelines. For example, Panhandle Eastern, just in the  
8 past year to 18 months, was looking into expansion of  
9 their main line system.

10 COMMISSIONER GAW: All right.

11 MR. GLAESER: And we were in negotiation  
12 with Panhandle to basically take so much future new  
13 capacity off this expansion project to enable them to  
14 expand the main line system all the way up to Michigan.

15 COMMISSIONER GAW: Okay.

16 MR. GLAESER: Now, unfortunately, they  
17 couldn't get enough shipper interest from other  
18 shippers down the system in Indiana, Ohio, Michigan, to  
19 sustain enough committed capacity to build that  
20 expansion project. So there's an example of a project  
21 that didn't come to fruition.

22 COMMISSIONER GAW: But that was the  
23 reason that you were exploring that option --

24 MR. GLAESER: Yes.

25 COMMISSIONER GAW: -- was because of

1     this modeling that showed that you're going to run into  
2     an issue in regard to capacity access.

3                     MR. GLAESER:   Correct.

4                     COMMISSIONER GAW:   Okay.

5                     MR. GLAESER:   We're also looking at new  
6     pipeline projects.   The Rockies Express is a prime  
7     example.   We've been in discussions with the Rockies  
8     Express since its inception --

9                     COMMISSIONER GAW:   Okay.

10                    MR. GLAESER:   -- about new available  
11     capacity on that system.

12                    COMMISSIONER GAW:   All right.   Tom, are  
13     we getting into HC?

14                    MR. BYRNE:   No, I was just going to  
15     mention something you might want to talk about, because  
16     I think to get a full picture of this, you ought to  
17     know.   We did have a capacity issue in one of our  
18     recent ACA cases where we ended up basically getting  
19     capacity costs disallowed and we basically ended up  
20     reducing our capacity.

21                    MR. GLAESER:   A reserve margin via  
22     reduced capacity.

23                    MR. BYRNE:   You might want to know about  
24     that, at least.

25                    COMMISSIONER GAW:   I want to develop

1     that too, in a moment. And so if we could come back to  
2     that, Tom.

3                     MR. BYRNE: Sure, that's fine.

4                     COMMISSIONER GAW: While we're on this  
5     subject, I think it will allow me to think through  
6     these questions as I'm going.

7                     MR. GLAESER: So we have the avenue  
8     of --

9                     COMMISSIONER GAW: In any event, go  
10    ahead.

11                    MR. GLAESER: So we have -- we've got  
12    the avenue of new pipeline, Rockies Express being the  
13    primary one to basically negotiate possible new  
14    capacity to serve our system in Missouri.

15                    COMMISSIONER GAW: Yes.

16                    MR. GLAESER: And even our other systems  
17    in Illinois. Our third avenue is actually -- because  
18    we own and operate three gas utilities in Illinois --

19                    COMMISSIONER GAW: Yes.

20                    MR. GLAESER: Is a way to optimize  
21    capacity between them.

22                    COMMISSIONER GAW: Okay.

23                    MR. GLAESER: To enable more capacity to  
24    flow to Missouri and using other alternatives in  
25    Illinois to support those systems, kind of optimizing

1 our capacity portfolio Ameren-wide.

2 COMMISSIONER GAW: Is the capacity in  
3 Illinois also on the Panhandle system?

4 MR. GLAESER: Yes. We are a large  
5 shipper on -- actually Ameren is the second-largest  
6 shipper on the Panhandle entire system.

7 COMMISSIONER GAW: Oh. Okay.

8 MR. GLAESER: Because of all four of the  
9 utilities plus our gas-fired generation.

10 COMMISSIONER GAW: Yeah. Okay. What  
11 gas-fired generators are utilizing Panhandle capacity?

12 MR. GLAESER: Ameren's gas-fired  
13 generation?

14 COMMISSIONER GAW: Yes.

15 MR. GLAESER: We have the Columbia  
16 Energy Center, which is in, of course, Columbia,  
17 Missouri.

18 COMMISSIONER GAW: Yes. Uh-huh.

19 MR. GLAESER: We have the Pino Creek  
20 Energy Center which is --

21 COMMISSIONER GAW: Yes. Somewhere  
22 around Bowling Green?

23 MR. GLAESER: Yeah. Exactly. We have  
24 the Audrain Energy Center, which we just recently  
25 bought from NRG a little over a year ago.

1 COMMISSIONER GAW: Yes. That's in  
2 Vandalia?

3 MR. GLAESER: Yeah.

4 COMMISSIONER GAW: Okay.

5 MR. GLAESER: That's our three main  
6 generators on Panhandle.

7 COMMISSIONER GAW: Okay.

8 MR. GLAESER: We have other generation  
9 on NGPL, Horizon, MRT, other interstate pipelines.

10 COMMISSIONER GAW: Okay. How are you  
11 doing on your capacity in Illinois as far as  
12 anticipating growth is concerned over there? Is it a  
13 situation where you have larger margins in Illinois  
14 that could be rebalanced as a short-term solution?

15 MR. GLAESER: Actually, what we have in  
16 Illinois is considered a more complex picture.

17 COMMISSIONER GAW: Okay.

18 MR. GLAESER: We have 12 of our own  
19 storage fields in Illinois --

20 COMMISSIONER GAW: Oh. Okay.

21 MR. GLAESER: -- that we own and operate  
22 on system. And we could actually look at expansion and  
23 optimizing the storage fields to help relieve some  
24 interstate pipeline capacity. In Illinois, we also  
25 have more options for capacity. There's more

1 pipelines, especially Canadian pipelines up north that  
2 we're looking at to possibly relieve the situation as  
3 well.

4 COMMISSIONER GAW: What would you do,  
5 interconnect with those pipelines?

6 MR. GLAESER: Uh-huh. Correct.

7 COMMISSIONER GAW: And then run it back  
8 to Panhandle or what would occur?

9 MR. GLAESER: Well, if we do that, we  
10 can free up capacity that they're currently using on  
11 Panhandle back to the Missouri utility. So again,  
12 that's looking at our entire capacity resource  
13 portfolio, trying to optimize it for all the Ameren  
14 utilities together.

15 COMMISSIONER GAW: Okay. I see.

16 MR. GLAESER: That gives us a lot of  
17 flexibility and a lot of leverage.

18 COMMISSIONER GAW: Okay. Now, in  
19 looking at the Rockies Express line, that's a line that  
20 is currently being contemplated and I believe FERC has  
21 approved now that line. Correct?

22 MR. Glaeser: FERC has given the  
23 certificate -- has approved the certificate and  
24 approved all environmental permits as well.

25 COMMISSIONER GAW: So that means that

1 the construction process will be occurring at this  
2 point?

3 MR. GLAESER: Shortly. Yes. They've  
4 actually completed construction out in the western  
5 areas, in the Wyoming/Colorado areas as part of the  
6 integra system, which was certificated earlier.

7 COMMISSIONER GAW: All right.

8 MR. GLAESER: That construction is  
9 nearing completion, and now, with the FERC approving  
10 their recent certificate for what they call the Rockies  
11 Express, Rockies Express West is basically from Audrain  
12 County, Missouri at Panhandle all the way to Cheyenne,  
13 Wyoming. That's what the FERC just approved, and  
14 that's where the construction should start, I'm  
15 thinking, probably momentarily, very soon.

16 COMMISSIONER GAW: What happens, just as  
17 a side note, if you know or someone else knows, once  
18 that's approved, in regard to easement designation, is  
19 that -- what occurs on easements at that point, if you  
20 know?

21 MR. GLAESER: I believe that the FERC  
22 has given them eminent domain through the whole route  
23 through the pipeline. That's been approved.

24 COMMISSIONER GAW: I see.

25 MR. GLAESER: Now, with regard to

1 Rockies Express, they're using a lot of existing  
2 pipeline easement, which will make it --

3 COMMISSIONER GAW: Along the Platte  
4 system; is that correct?

5 MR. GLAESER: Uh-huh. I believe that's  
6 part of it.

7 COMMISSIONER GAW: Now, in regard to the  
8 Rockies Express, is there available capacity on that  
9 pipeline or do you know?

10 MR. GLAESER: To my knowledge, it is  
11 almost fully subscribed as well, primarily with  
12 producers.

13 COMMISSIONER GAW: Okay. I want to  
14 explore this a little bit --

15 MR. GLAESER: Okay.

16 COMMISSIONER GAW: -- so I can  
17 understand what that dynamic means. When you say  
18 producers, you're talking about whom, first of all?

19 MR. GLAESER: Major producers.

20 COMMISSIONER GAW: Such as?

21 You don't even have to name names. What  
22 do you mean by producer?

23 MR. GLAESER: A large integrated oil and  
24 gas producer.

25 COMMISSIONER GAW: So someone who would

1 own the wells themselves?

2 MR. GLAESER: Own the wells. Not just  
3 nationally, but globally.

4 COMMISSIONER GAW: Now, if they own the  
5 wells and they also basically own the capacity, what  
6 kind of a dynamic does that present to an LDC or an  
7 industrial customer in regard to negotiation for  
8 capacity on that --

9 MR. GLAESER: Well, the damage for us  
10 actually contradicts us, our philosophy or strategies.  
11 We want to control that primary capacity back to the  
12 production area, because back at the production area is  
13 where you have access to all the different producers.  
14 If you let the producers own all that capacity through  
15 the whole system, your choices, your options become  
16 more limited.

17 COMMISSIONER GAW: And when you say  
18 they're limited, what do you mean?

19 MR. GLAESER: Well, there's still  
20 multiple shippers, there's still multiple major  
21 producers shipping on -- or will ship on Rockies  
22 Express, so there will be competition there. What we  
23 are concerned about is that we don't control that  
24 pipeline capacity path. And what I mean by that is  
25 that once Rockies Express gets built beyond Audrain

1 County and moves towards the east, the markets out east  
2 in Indiana, Ohio, Pennsylvania, will be higher value  
3 markets, and the producers will obviously, in their own  
4 economic self interest, will want to move that gas past  
5 us into the East Coast area. That's the higher market.

6 COMMISSIONER GAW: Okay.

7 MR. GLAESER: Because if you don't  
8 control the capacity path, you don't control where that  
9 gas gets dropped off.

10 COMMISSIONER GAW: So I'm hearing two  
11 things, I think, but I need to make sure I am. First  
12 of all, on the Rockies Express line, there is an issue  
13 about whether it is attractive -- first of all, whether  
14 there's available capacity to you --

15 MR. GLAESER: Yes.

16 COMMISSIONER GAW: -- that would make  
17 economic sense to access, because -- in part because  
18 the value of that capacity and the commodity is higher  
19 to those who are east of Missouri.

20 MR. GLAESER: Yes.

21 COMMISSIONER GAW: And they're  
22 willing -- in other words, they're willing to pay more  
23 for it.

24 MR. GLAESER: They do pay more for it.

25 COMMISSIONER GAW: The other piece that

1 I'm trying to understand is, if the producers own the  
2 transmission --

3 MR. GLAESER: Or control the capacity.

4 COMMISSIONER GAW: Or control it, that's  
5 more accurate, thank you. Then do they also have added  
6 leverage to ensure that you purchase from their  
7 particular sources, or is that not an issue?

8 In other words, if they have the  
9 capacity, you're going to buy their -- if they agree to  
10 sell you some of their capacity, does that also mean  
11 that you're probably going to have to buy their  
12 commodity?

13 MR. GLAESER: Well, there's two issues  
14 there. One is the capacity release issue.

15 COMMISSIONER GAW: Okay.

16 MR. GLAESER: The producer may, as you  
17 indicate, release some of that capacity in the Rockies  
18 and let companies like Ameren to access the production  
19 area, the Rockies production area, but that's at their  
20 discretion.

21 COMMISSIONER GAW: Right.

22 MR. GLAESER: And many times, they'll  
23 put capacity release terms and conditions on that,  
24 especially recallable.

25 COMMISSIONER GAW: Right.

1                   MR. GLAESER: That means they can recall  
2 it upon a certain notice and you lose control of that  
3 capacity. In other words, you can't count on that to  
4 meet your peak design date because the producer can  
5 call the capacity back. So that's why we want to  
6 control that primary capacity path.

7                   COMMISSIONER GAW: Okay.

8                   MR. GLAESER: The second is the  
9 commodity. Obviously, if there's only so many  
10 producers that deliver gas, let's say, into Panhandle  
11 and Audrain, at the new Audrain interconnect, that's  
12 your only choice of gas supply at that point. You have  
13 to buy from those producers who are shipping that gas  
14 to that point.

15                  COMMISSIONER GAW: That's kind of what I  
16 was trying to get at.

17                  MR. GLAESER: Yeah. There is still  
18 competition. There's still multiple producers shipping  
19 and delivering to that point, but it's a more  
20 restricted universe.

21                  COMMISSIONER GAW: Well, would there be  
22 additional producers that might have access to that  
23 line except for the fact that they don't own any  
24 capacity on this line?

25                  MR. GLAESER: What you'll see in the

1 Rockies --

2 COMMISSIONER GAW: It's fully  
3 subscribed?

4 MR. GLAESER: Yes. It's fully -- or  
5 near fully subscribed. We don't know exactly right  
6 now, but there's a lot of producers in the Rockies  
7 basin.

8 COMMISSIONER GAW: And not all of them  
9 have capacity on this line?

10 MR. GLAESER: Correct. And so what  
11 you'll see happen is that those smaller producers,  
12 typically, will have to sell their gas to the larger  
13 producer and the large marketer, and that's their only  
14 option to move that gas out of the basin.

15 COMMISSIONER GAW: Did we just move to  
16 another country in Europe in this discussion? It's  
17 starting to sound familiar to me.

18 MR. GLAESER: Well, it basically is the  
19 company that has stepped up and committed to that  
20 capacity.

21 COMMISSIONER GAW: Why does FERC see  
22 that as advantageous to competition?

23 MR. GLAESER: Well, there's still --

24 COMMISSIONER GAW: I'm asking you an  
25 unfair question there --

1 MR. GLAESER: Yes, you are.

2 COMMISSIONER GAW: -- and I realize it,  
3 and you don't have to answer it.

4 MR. GLAESER: Well, I'd like to address  
5 it.

6 COMMISSIONER GAW: Go ahead.

7 MR. GLAESER: In our viewpoint, there's  
8 still competition there. There's still several major  
9 producers, and there's some big marketers in there.

10 COMMISSIONER GAW: But if the  
11 competition is limited --

12 MR. GLAESER: It's narrowed. It's  
13 narrowed.

14 COMMISSIONER GAW: It's more limited  
15 than it would otherwise be --

16 MR. GLAESER: Yes.

17 COMMISSIONER GAW: -- if producers  
18 didn't control the capacity on this line.

19 MR. GLAESER: Yes.

20 COMMISSIONER GAW: It's a limited world  
21 of --

22 MR. GLAESER: Yes. And on the other  
23 side of the equation, on the positive side of the  
24 equation, these producers by their long-term capacity  
25 commitments, enabled this pipeline to be built. And in

1 the long run, that will benefit all of us because  
2 you've got a new source of production moving across the  
3 country, a new pipeline moving gas across the country  
4 that will ultimately benefit all of us.

5 COMMISSIONER GAW: Well, let's think  
6 about this for a minute.

7 COMMISSIONER CLAYTON: Yeah, I want to  
8 know how that's the case. If it's not going to stop  
9 anywhere in Missouri, I want to know why that's going  
10 to benefit us in the long term or the short term. I  
11 don't mean to cut in front of you.

12 COMMISSIONER GAW: Well, that was my  
13 question, my next question, so go ahead.

14 MR. GLAESER: The more gas that moves to  
15 the east will then relieve the current gas demand in  
16 the east that's been put on the Gulf Coast pipelines.  
17 Right now, the northeast gets a vast majority of their  
18 gas supplies from the Gulf Coast region. Rockies  
19 Express moving new gas into that market will bring some  
20 pressure down, so to speak, on the Gulf Coast  
21 pipelines, which hopefully benefits the Gulf Coast  
22 region.

23 COMMISSIONER GAW: What benefit does it  
24 bring up to those in northeast Missouri, for instance?

25 MR. GLAESER: The benefits it will bring

1 us in the short term, when Rockies completes its first  
2 project, there will be a huge amount of gas basically  
3 being dumped into Panhandle Eastern in Audrain County  
4 that has no place to go.

5 COMMISSIONER GAW: Because they haven't  
6 extended it to Ohio?

7 MR. GLAESER: Yes.

8 COMMISSIONER GAW: That window of time  
9 is probably what?

10 MR. GLAESER: Two years.

11 COMMISSIONER GAW: Okay.

12 MR. GLAESER: So there'll be immense  
13 short-term benefits to us. As a matter of fact, we're  
14 in negotiations with some of these producers right now.  
15 I just a team down in Houston recently talking about  
16 this very issue, about picking up basically stranded  
17 gas from the Rockies coming in off Rockies Express in  
18 this interim period.

19 COMMISSIONER GAW: Well, I would assume  
20 that you would also have the ability to leverage  
21 contracts that last longer than two years to some  
22 degree. If they don't have anyplace to go with that  
23 excess gas until they connect up with Ohio, I would  
24 assume that you might have enough leverage to get  
25 contracts that extend beyond that so that they don't

1 have basically no market for that gas.

2 MR. GLAESER: We're using the best  
3 leverage that we have.

4 COMMISSIONER GAW: What is it then  
5 that -- and let's move beyond that to this question  
6 that we're really trying to deal with today and that  
7 is, after that two-year -- first of all -- I knocked  
8 Commissioner Clayton's name plate off -- period when  
9 you're back into this situation -- and maybe it's a  
10 little longer than that -- but at some point you  
11 anticipate being back into this situation where you  
12 have this capacity restraint, just for growth alone,  
13 what is going to be the fix to that that's more than  
14 just a piecemeal, let's try to bridge over for two or  
15 three years at a time until we finally don't have any  
16 place else to turn.

17 MR. GLAESER: The ultimate fix, the  
18 long-term fix is pipelines like Panhandle Eastern have  
19 to expand the main line system.

20 COMMISSIONER GAW: And how do we see  
21 that happen? You've already told me that there has  
22 been discussion --

23 MR. GLAESER: Yes.

24 COMMISSIONER GAW: -- about that, but  
25 that's immature because there wasn't enough interest --

1                   MR. GLAESER: There's quite a bit of  
2 activity. That's true.

3                   COMMISSIONER GAW: -- so what do you do  
4 next?

5                   MR. GLAESER: That pent-up demand for  
6 capacity basically along the whole system has to reach  
7 critical mass. And once it reaches that critical mass  
8 where enough shippers up and down the entire system are  
9 willing to commit to new capacity to support that  
10 construction of that expansion project, then Panhandle  
11 can run the economics, they can take that to FERC, they  
12 can get their certificate, they can expand the system.

13                  COMMISSIONER GAW: Let's talk about the  
14 potential to increase the back haul off of the Gulf  
15 line that you've got access to? What's that like?

16                  MR. GLAESER: That's actually limited  
17 too.

18                  COMMISSIONER GAW: I wondered, but go  
19 ahead and explain that.

20                  MR. GLAESER: And actually, back to my  
21 earlier conversation, when these warning signs were  
22 popping up, one of the big warning signs that hit me  
23 and hit me hard was this past winter, trunk line was  
24 fully subscribed for the first time in, I think,  
25 decades. Traditionally, trunk line had been an open

1 pipe; in other words, it had lots of spare capacity to  
2 sell. They'd never sold it out. It was always there  
3 for us as a buffer, as a back stop.

4 This past winter, trunk line was fully  
5 subscribed. That was a huge warning flare to me  
6 personally and to our group that the capacity markets  
7 are tightening quite a bit, that the paradigm we're in  
8 has changed. Now, that means --

9 COMMISSIONER GAW: Now, trunk line is  
10 the Gulf line that you were referring to earlier?

11 MR. GLAESER: Yes, Gulf Coast,  
12 Louisiana, offshore in the Gulf of Mexico.

13 COMMISSIONER GAW: And it interconnects  
14 with Panhandle?

15 MR. GLAESER: Yes, at Tuscola. Yes.  
16 Also NGPL at Multree. It comes in about 25 miles west  
17 of Tuscola into Panhandle's main line from NGPL.

18 COMMISSIONER GAW: What's the status of  
19 its capacity?

20 MR. GLAESER: That interconnect can only  
21 flow 150,000 MMBtu per day, and the latest I've heard,  
22 at that point is fully subscribed as well?

23 MR. BYRNE: At NGPL?

24 MR. GLAESER: NGPL at Multree into  
25 Panhandle's main line.

1 MR. BYRNE: This past winter it was.

2 MR. GLAESER: That point was fully  
3 subscribed as well. So what you're seeing is all these  
4 different paths that we can use to deliver gas into  
5 Missouri are becoming constrained.

6 Now, the trunk line still has, I  
7 think, for the summer approximately 80,000 MMBtu of  
8 unsubscribed firm capacity, and I believe for the  
9 following winter, the upcoming winter, there is 40,000  
10 of unsubscribed capacity. But that's -- when you look  
11 at that major interstate pipeline, it's not much.

12 COMMISSIONER GAW: Right. You already  
13 mentioned how much an ethanol plant takes.

14 MR. GLAESER: Yes.

15 COMMISSIONER GAW: It was significantly  
16 more than that by itself, wasn't it?

17 MR. GLAESER: Well, one ethanol plant of  
18 100,000,000 gallons is 10,000 a day.

19 COMMISSIONER GAW: 10,000?

20 MR. GLAESER: Yeah. In other words,  
21 trunk line, a major interstate pipeline traversing the  
22 country, only has room for four more ethanol plants for  
23 firm capacity.

24 COMMISSIONER GAW: Now, do you have  
25 anything that would give us some confidence that

1 Panhandle would reach a critical mass, as you put it,  
2 on demand for capacity within a certain period of time?

3 MR. GLAESER: No. That is driven by the  
4 market. That is driven by the entire market from Texas  
5 all the way up to the Canadian border. It takes that  
6 entire system, entire marketplace, all those shippers  
7 on that system basically have to come together to  
8 commit to enough capacity under long-term agreements to  
9 allow Panhandle, first of all, to finance that project,  
10 second of all, to get FERC to approve a certificate to  
11 get to build that project.

12 COMMISSIONER GAW: Now, in regard to  
13 Ameren's current position on larger customers coming  
14 onto the system. Give me an idea about how you all  
15 view handling four, five additional larger customers  
16 like ethanol plants or sites that use gas that's  
17 somewhere in that category.

18 MR. GLAESER: Large consumers?

19 COMMISSIONER GAW: Yes. How are you  
20 viewing that and how do you anticipate handling those  
21 requests?

22 MR. GLAESER: Okay. First of all, let  
23 me be clear. Our core business, natural gas business  
24 is delivering gas to customers. That's how our  
25 business operates, that's how we generate revenues,

6                   Then the second issue becomes, does this  
7   customer want to be a transportation customer or a  
8   sales customer.

10 MR. GLAESER: If they want to be a  
11 transportation customer, we will build and enhance our  
12 systems to serve that customer's load.

15 MR. GLAESER: Yes.

18 MR. GLAESER: Our own transmission  
19 system. We will enhance that, we'll expand it, build  
20 transmission looping, extend the laterals. We will do  
21 that.

24 MR. GLAESER: That's not the constraint.

1 the real issue is and how you would anticipate having  
2 to handle that question and what we're looking at in  
3 regard to time frames --

4 MR. GLAESER: Okay.

5 COMMISSIONER GAW: -- and potential  
6 critical mass that would cause this to become a real  
7 problem. Give me a perspective on that.

8 MR. GLAESER: Okay. Let me point to my  
9 biggest concern, my biggest fear.

10 COMMISSIONER GAW: Good. Go.

11 MR. GLAESER: We have a major plant,  
12 doesn't need to be an ethanol plant, any type of huge  
13 consumer of gas, comes and wants to build in our  
14 system, and they say they want to be a transportation  
15 customer, and we say, that's great, we will build our  
16 facilities, our pipeline facilities to support your  
17 load. We agree to do that.

18 Then that customer goes to Panhandle  
19 Eastern or even to Texas Eastern or an NGPL and says, I  
20 want firm capacity of 12,000 per day, and that pipeline  
21 says, we don't have it.

22 COMMISSIONER GAW: Right.

23 MR. GLAESER: We don't have it, you can  
24 use interruptible capacity, you can use maybe capacity  
25 release from some other shippers, we don't have primary

2                   That industrial then comes back to us  
3   and says, I can't get capacity.

5 MR. GLAESER: I want to be a sales  
6 customer now, you have to serve me, you've got to  
7 serve me. And now we have this huge new load in our  
8 system which basically destroys our reserve margin,  
9 makes it -- endangers our peak design day.

14 COMMISSIONER GAW: Well, No. 1, they're  
15 not likely to have much bargaining power on new  
16 capacity in a system that is already close to its  
17 margin.

22 COMMISSIONER GAW: That's a different  
23 kind of market power there.

25 COMMISSIONER GAW: So in regard to what

1   you all have, you may be able to handle some degree of  
2   increase, but as you've already said, that then creates  
3   an issue with regard to your cushion of margin --

4                   MR. GLAESER:   Yes.

5                   COMMISSIONER GAW:   And potentially  
6   shortens down the amount of time you have before you  
7   have to have additional capacity.

8                   MR. GLAESER:   Uh-huh.

9                   COMMISSIONER GAW:   Or if you have  
10  several of them, it could eclipse it?

11                  MR. GLAESER:   Yes, in one year.

12                  COMMISSIONER GAW:   Now, give me some  
13  idea about -- first of all, I need to know the  
14  feasibility on the Rockies Express line regarding --  
15  discount for a moment for me, don't take into account  
16  that it may be almost fully subscribed.

17                  MR. GLAESER:   Uh-huh.

18                  COMMISSIONER GAW:   Just tell me  
19  physically on the interconnection that there is an  
20  interconnection contemplated with Panhandle.

21                  MR. GLAESER:   Yes.   Audrain County, west  
22  of Curryville, Missouri.

23                  COMMISSIONER GAW:   All right.   When is  
24  that supposed to be -- first of all, when is Rockies  
25  supposed to be in through Missouri and be available?

1                   MR. GLAESER: They're supposed to get to  
2 this Audrain point, I believe, in the fall of 2008.

3                   COMMISSIONER GAW: That's pretty quick?

4                   MR. GLAESER: Yes. And that's a tight,  
5 tight construction schedule, and so I wouldn't be  
6 surprised if it comes back as a build across the  
7 different states.

8                   COMMISSIONER GAW: Okay. Now, once it's  
9 there --

10                  MR. GLAESER: Uh-huh.

11                  COMMISSIONER GAW: -- does that impact  
12 your distribution systems along Panhandle physically in  
13 the same way, whether it's on one side of the  
14 interconnection or the other, if it east or west, does  
15 it matter?

16                  MR. GLAESER: Well, it won't really  
17 change Panhandle's operating conditions. Panhandle  
18 will still operate their system, you know, at their  
19 typical operating pressures, with their compression and  
20 so forth. What it does do is bring in a new source of  
21 supply in Panhandle's market zone, that they could  
22 bring in gas, but that would simply kind of strand  
23 upstream gas on Panhandle. In other words, it doesn't  
24 create new capacity on Panhandle. It's just simply a  
25 new receipt point for gas supply. It doesn't really

1     boost Panhandle's capacity.

2                   COMMISSIONER GAW:  I'm not really  
3     following this right now.  What I'm looking for is, as  
4     far as to your distribution lines, to your customers on  
5     your distribution lines --

6                   MR. GLAESER:  Yes.

7                   COMMISSIONER GAW:  -- what's the  
8     difference between having additional capacity on  
9     Panhandle and having that interconnection with Rockie,  
10    is there a difference in what that does to those -- to  
11    your distribution size?

12                  MR. GLAESER:  No.  They will see no  
13    difference in their operating condition.

14                  COMMISSIONER GAS:  So, in essence, is it  
15    the same basically to that end-use customer and to your  
16    ability to serve that distribution as it would be to  
17    incrementally, if I add a certain amount of capacity  
18    off of the Rockies Express line and interconnect, is  
19    that the same as adding that much capacity to the  
20    Panhandle system?

21                  MR. GLAESER:  No, it doesn't really add  
22    capacity to Panhandle.  What we'd have to do if we  
23    wanted to put capacity on Rockies Express, we'd have to  
24    physically interconnect our distribution systems to  
25    Rockies Express to make that capacity appear as new

1 incremental capacity on our system. That is difficult  
2 because of how our system is spread out. We'd have to  
3 spend quite a bit to interconnect some of these  
4 systems.

5 COMMISSIONER GAW: So what does it do  
6 for you? I'm struggling with that part of it. What  
7 does it do for you to have that?

8 MR. GLAESER: It only gives us a new  
9 source of gas supply, not deliverability. Not  
10 deliverability. Just a new commodity source. That's  
11 all it does.

12 COMMISSIONER GAW: And if you don't have  
13 additional capacity on Panhandle, it doesn't really  
14 give you that source of supply either, does it?

15 MR. GLAESER: No. It just basically  
16 displaces supply we used to be acquiring out of the  
17 production basin of the Panhandle.

18 COMMISSIONER GAW: Let's talk about  
19 interconnection with that distribution system, just for  
20 a little bit. If you interconnected with a  
21 distribution system, one of the most obvious ones I see  
22 would be up there in Randolph County, because the lines  
23 of Rockies Express will cross that distribution system.

24 MR. GLAESER: We're not sure exactly  
25 where yet. Basically, Rockies is --

1                   COMMISSIONER GAW: Do you want me to  
2 tell you where?

3                   MR. GLAESER: Do you have the exact  
4 right-of-way?

5                   COMMISSIONER GAW: Well, if it's along  
6 the plat line, it'll go somewhere south of Moberly.

7                   MR. GLAESER: Okay. To this area?

8                   COMMISSIONER GAW: I believe.

9                   MR. GLAESER: Yeah. Because Rockies  
10 comes basically through this area, down to Audrain.

11                  COMMISSIONER GAW: Yeah, if the Rockies  
12 Express line were to follow this plat, it would go  
13 north to Keytesville, and I can't remember what side of  
14 Salisbury. It just gradually descends south as it goes  
15 east.

16                  MR. GLAESER: Keep in mind that lateral  
17 up to this point is Panhandle Eastern's lateral, so if  
18 it hits south of there, it's a Panhandle Eastern  
19 interconnect.

20                  Now, the one --

21                  COMMISSIONER GAW: Wait a minute. Tell  
22 me that again. I don't know that I understood that.

23                  MR. GLAESER: This lateral here is  
24 actually owned and operated by Panhandle Eastern up to  
25 this point right here.

1 COMMISSIONER GAW: Oh, it is?

2 MR. GLAESER: Yeah.

3 COMMISSIONER GAW: Now, what does that  
4 mean? Not --

5 MR. GLAESER: That's part of their  
6 interstate Pipeline system.

7 COMMISSIONER GAW: But what does that  
8 mean in regard to capacity?

9 MR. GLAESER: Well, if the Rockies  
10 Express traverses the Panhandle Eastern lateral, that's  
11 just a connection to Panhandle Eastern. It would make  
12 it more difficult for us to interconnect that -- with  
13 the Moberly system, AmerenUE Moberly system through  
14 Rockies Express.

15 COMMISSIONER GAW: Where does your  
16 distribution system start in that area?

17 MR. GLAESER: See that double line in  
18 there?

19 COMMISSIONER GAW: Yes.

20 MR. GLAESER: That's the denotation for  
21 a citygate station, where we take over control and  
22 ownership of facilities.

23 COMMISSIONER GAW: Right.

24 MR. GLAESER: So that's our system in  
25 here.

1                   COMMISSIONER GAW: Okay. So it's  
2 possible it could cross both lines, though?

3                   MR. GLAESER: Rockies could hit further  
4 south. That's Panhandle Eastern's facilities.

5                   COMMISSIONER GAW: I don't think it's  
6 that far south, but I don't know for sure.

7                   Now, what about when you go over into  
8 Audrain County?

9                   MR. GLAESER: From there, we're pretty  
10 thin. This is a muni system.

11                  COMMISSIONER GAW: Okay.

12                  MR. GLAESER: Paris and Madison. A lot  
13 of our systems are south of Panhandle --

14                  COMMISSIONER GAW: All right.

15                  MR. GLAESER: -- and Rockies should come  
16 in right through there. So it really only has one  
17 opportunity to traverse some of our systems. The down  
18 side is that's actually some of our smaller systems.  
19 There's not a lot of demand in that area.

20                  In other words, because Rockies operates  
21 at a 14, 15 MALP --

22                  COMMISSIONER GAW: Yes.

23                  MR. GLAESER: -- to build the facilities  
24 to step down that pressure to our distribution pressure  
25 will be pretty expensive, and given the demand size

1     there, it probably wouldn't make sense.

2                   COMMISSIONER GAW:   So there's no  
3     short -- you can't do a short haul on the Panhandle  
4     system?

5                   MR. GLAESER:   That takes capacity.   That  
6     capacity is almost fully subscribed.

7                   COMMISSIONER GAW:   Right.

8                   MR. GLAESER:   Forward haul fully  
9     subscribed, a little bit left back haul.

10                  COMMISSIONER GAW:   That's what I was  
11     asking about, whether or not it matters that it's a  
12     short distance on that line that --

13                  MR. GLAESER:   Yeah.

14                  COMMISSIONER GAW:   -- that shoots off  
15     the main line.

16                  MR. GLAESER:   Even if it's a short  
17     distance, 10 miles or 100 miles --

18                  COMMISSIONER GAW:   It doesn't matter.

19                  MR. GLAESER:   It still needs that  
20     physical capacity through the pipeline, through the  
21     main lines to flow that gas.

22                  COMMISSIONER GAW:   Okay.   All right.  
23     Now, if you look at your options here, the only option  
24     I hear you saying is, we have to wait on the Panhandle  
25     system.   That's all I'm hearing you say as an option.

1                   MR. GLAESER: Or our Ameren utilities  
2 basically optimizing all of our capacity resources, all  
3 of our storage resources and other possibilities of  
4 pipelines with other of our Ameren utilities, to  
5 essentially free up capacity.

6                   COMMISSIONER GAW: How much can that  
7 free up, potentially, have you done that study?

8                   MR. GLAESER: Well, I hesitate to talk,  
9 because I believe Panhandle Eastern might be listening  
10 on the webcast.

11                  COMMISSIONER GAW: Well, they may be,  
12 yeah, so I don't want you to talk about if that's an  
13 issue.

14                  MR. GLAESER: And Natural is probably  
15 listening, so...

16                  COMMISSIONER GAW: That is something you  
17 could supply to us as an HC?

18                  MR. GLAESER: Yeah, at a later time.

19                  COMMISSIONER GAW: Sure. Is that the  
20 easiest way to do it, Tom?

21                  MR. BYRNE: Sure. Something in a  
22 written document that you could mark HC and submit with  
23 this docket.

24                  COMMISSIONER GAW: Okay. Mr. Byrne, let  
25 me ask you a question. Is there anything that you're

4                   Is there nothing on it, Mr. Fischer?

5   Anybody that knows? Staff? Ms. Shemwell? Is there

6   anything there that would give cause to us looking at

7   what the impact of having a line that is so controlled

8   by suppliers?

15 COMMISSIONER GAW: I understand that  
16 concept. What I'm looking for is whether or not there  
17 are rules in effect at FERC that have any -- that will  
18 place any scrutiny over the monopolization of the  
19 capacity by suppliers? Is there just no review of  
20 that?

25 MR. FISCHER: Scott, could you give the

1 Commission an idea of what kind of commitments, what  
2 kind of a long-term commitment that interstate  
3 pipelines require? When they're talking to you about  
4 upgrading their system on a fully subscribed system,  
5 what kind of commitment do they want from either a  
6 transportation customer or an LDC?

7 MR. GLAESER: They're typically looking  
8 for a minimum of 10-year agreements and for sizable  
9 amounts of the capacity. They're not interested in  
10 little cats and dogs of 5,000 here, 2,000 here.

11 COMMISSIONER GAW: Right.

12 MR. GLAESER: They're looking for  
13 50,000, 100,000 MMBtu, 10 years, sizeable commitments  
14 on the part of an LDC.

15 Now, if it was Ameren in total, we could  
16 entertain such a thing, but AmerenUE by itself, very  
17 difficult.

18 COMMISSIONER GAW: What are the  
19 possibilities of-- and if we need to go into closed  
20 session, tell us --

21 COMMISSIONER CLAYTON: Keep in mind we  
22 have folks on the phone too. Do we have anyone up from  
23 Atmos? You all have been very patient.

24 MR. MARTIN: Yes, we're still here.

25 COMMISSIONER GAW: We can do this

1 afterwards, after they testify.

2 COMMISSIONER CLAYTON: Yeah, why don't  
3 we do that?

4 COMMISSIONER GAW: I'm just not sure  
5 where I get into this issue. That's what I'm concerned  
6 about. If I do, just tell me and we'll defer it, is  
7 the best way to handle that.

8 COMMISSIONER CLAYTON: Well, if you're  
9 going to do that in HC, maybe it would be best to have  
10 something like that submitted in writing or something.

11 COMMISSIONER GAW: What I'm looking for  
12 is I need to ask questions about -- and I can just  
13 generally tell you what it is.

14 MR. FISCHER: You could probably go off  
15 the record on the webcast and still have the folks on  
16 phone.

17 COMMISSIONER GAW: Yeah, as long as it  
18 doesn't -- as long as there's not a competitive issue  
19 about you all hearing one another's business --

20 MR. GLAESER: It's the webcast that I'm  
21 concerned about because some of the pipelines could be  
22 on watching.

23 COMMISSIONER GAW: Sure.

24 MR. GLAESER: Producers could be  
25 watching.

1                   COMMISSIONER GAW: I understand. Let me  
2 tell you what I was going to ask about and you tell me.  
3 What I'm wanting to ask about has to do with the  
4 possibility of other contracts for capacity on  
5 Panhandle coming up for expiration that are farther  
6 downstream.

7                   Aren't those on the -- aren't those  
8 posted?

9                   MR. GLAESER: Yeah, any contracts that  
10 are coming up are posted --

11                  COMMISSIONER GAW: Okay.

12                  MR. GLAESER: -- on Panhandle's bulletin  
13 board as FERC open knowledge --

14                  COMMISSIONER GAW: Okay.

15                  MR. GLAESER: -- but a lot of those  
16 capacities will have ROFR rights that's attached to  
17 them as original shipper.

18                  COMMISSIONER GAW: Now, what I'm looking  
19 for is, how much exploration has been done on some of  
20 those that -- whether there are some that don't have  
21 ROFR rights, whether you all have looked at that.

22                  MR. GLAESER: We constantly monitor the  
23 capacity markets on the pipelines we operate on. And  
24 actually, the pipelines are quite part of this, they've  
25 been locking up a lot of shippers for long terms

1 lately, because the markets are getting so constrained  
2 and tight.

3 MR. BYRNE: Scott, on the bulletin  
4 boards do they say whether they have ROFR rights on it  
5 or not?

6 MR. GLAESER: I believe does it have  
7 ROFR attached to it on both of them?

8 MS. CRUTHIS: When new capacity is  
9 posted, it does state whether it has ROFR rights on it  
10 or not.

11 COMMISSIONER CLAYTON: ROFR is R-O-F-R,  
12 right of first refusal.

13 COMMISSIONER GAW: So in other words,  
14 it's a right of first refusal in regard to, I guess,  
15 the FERC tariff price?

16 MR. GLAESER: Yes. Basically it gives  
17 the original shipper, original capacity holder the  
18 right, once their contract terminates naturally, that  
19 if there's any competing shippers bidding on that  
20 capacity, they have the right to match that capacity  
21 bid and keep the capacity. Basically keeps a string on  
22 the capacity; they can never lose it.

23 COMMISSIONER GAW: Okay. Do you know  
24 whether -- I missed some of that. There are some or  
25 there are not any, or do you know whether there are

1 any?

2 MS. CRUTHIS: When the capacity is  
3 posted, it says if it does have ROFR rights attached to  
4 it.

5 COMMISSIONER GAW: Okay.

6 MS. CRUTHIS: Right now there is some  
7 posted for NGPL and it's -- no, excuse me -- it was  
8 Texaco, and it stated that it was ROFR, so yes.

9 COMMISSIONER GAW: How far in advance  
10 are they posted?

11 MS. CRUTHIS: That was for capacity that  
12 was immediately available, but it had ROFR rights  
13 Attached to it, so any competing bidder, the original  
14 capacity holder has the right to retain that capacity.

15 COMMISSIONER GAW: I get that part. I'm  
16 trying to understand how you all look in advance to see  
17 whether there are -- How far out are those postings and  
18 how much examination --

19 MR. GLAESER: Is it 60 days prior to the  
20 termination date, Emma?

21 MS. CRUTHIS: I'm not for sure of the  
22 exact date.

23 MR. GLAESER: It's all government and  
24 FERC tariffs, and there's how much time in advance  
25 before the contract terminates, they have to post it

1 for bidding, bidding time, and then to close the bids,  
2 evaluation, right of first refusal process.

3 COMMISSIONER GAW: And I think this is  
4 what I was headed for. Can I go to that information  
5 and see what's going to expire a year from now? Two  
6 years from now? Three years from now?

7 MR. GLAESER: Yeah. That's through a  
8 different process. That's not the capacity bidding  
9 process. That's the contract listing area of the  
10 pipeline's website.

11 COMMISSIONER GAW: All right.

12 MR. GLAESER: They'll show the existing  
13 shippers and the contracts and the contract terms.

14 COMMISSIONER GAW: And then will it also  
15 show whether you have right of first refusal on those  
16 expiring contracts?

17 MS. CRUTHIS: I don't believe that has  
18 ROFR.

19 MR. GLAESER: In the contract listing  
20 area?

21 MS. CRUTHIS: I don't believe so.

22 MR. GLAESER: That doesn't have right of  
23 first refusal listed?

24 MS. CRUTHIS: No. But when the capacity  
25 is available it's listed whether it has ROFR rights or

1 not.

2 MR. MASSMAN: And in general, shippers  
3 recognize the value of that capacity. They demand  
4 ROFR. Finding some out there that do not have it might  
5 be a slight possibility.

6 COMMISSIONER GAW: That's why I needed  
7 to have the answer. I need to understand what you guys  
8 are contending with so we've got it in the record.  
9 What else is there then that's out there? Is there  
10 anything else that might done to increase this  
11 capacity?

12 MR. GLAESER: For Ameren specifically,  
13 or industry generic?

14 COMMISSIONER GAW: Well, I think that  
15 you all are telling me, if I'm not mistaken, if I'm not  
16 misunderstanding, that on the distribution side, first  
17 of all, that you all will take care of that --

18 MR. GLAESER: Yes.

19 COMMISSIONER GAW: -- if there's need  
20 for additional capacity on your distribution system?

21 MR. GLAESER: We will build and expand  
22 to handle the load.

23 COMMISSIONER GAW: What I'm trying to  
24 understand is, other than what we've talked about, with  
25 the access to these lines, and we've discussed at least

1 one at least one possibility that you're going to get  
2 us more information on -- are there other technologies  
3 or ways of transmitting -- transferring the capacity on  
4 Panhandle that would allow for that line to get more  
5 gas through without actually expanding the line itself?

6 MR. GLAESER: Well, there's compression.  
7 You can add compression.

8 COMMISSIONER GAW: Tell me about that.

9 MR. GLAESER: Basically, you can add  
10 more horsepower compression to move the gas through the  
11 lines. There's limitations in terms of the maximum  
12 allowable operating pressure of each of these lines.  
13 They can only pressurize them up so high with that new  
14 horsepower. They have to stay below the MAOP.

15 COMMISSIONER GAW: What's that mean?

16 MR. GLAESER: That's the maximum  
17 allowable operating pressure. It's the maximum  
18 pressure that the DOT will allow that pipeline to  
19 operate without endangering the physical properties of  
20 the steel pipeline.

21 COMMISSIONER GAW: Okay.

22 MR. GLAESER: If you get above the MAOP,  
23 you're putting extreme stresses on the pipeline that  
24 could cause future integrity problems.

25 COMMISSIONER GAW: Now, where is that,

1 if you know, with Panhandle?

2 MR. GLAESER: Their MAOPs?

3 COMMISSIONER GAW: Uh-huh.

4 MR. GLAESER: Well, they actually have  
5 four main lines for most of the Panhandle system. Each  
6 of the main lines has a different MAOP.

7 COMMISSIONER GAW: I see. Is there a  
8 potential for those lines to handle additional  
9 pressure, or any of them to handle additional pressure?

10 MR. GLAESER: That I'm not absolutely  
11 sure about.

12 COMMISSIONER GAW: Okay.

13 MR. GLAESER: I think they run a lot of  
14 their main lines closer to their MAOP now.

15 COMMISSIONER GAW: Okay. We have to ask  
16 Panhandle?

17 MR. GLAESER: You'd have to ask that to  
18 Panhandle, because that gets into pretty detailed  
19 engineering. Because when you look at a pipeline like  
20 Panhandle, you see a nice, neat line across the state.  
21 In actuality, it's four main lines and about every  
22 hundred miles, there's compression stations. So each  
23 of those segments is almost uniquely modeled and  
24 powered up and pressurized all the way down the system.  
25 They have to analyze each of these line

1 segments in each of the main lines for engineering, for  
2 MAOP, for hoop stresses, for frictional losses. It's  
3 very complex in terms of how much horsepower they can  
4 actually add to the system.

5 COMMISSIONER GAW: Now, earlier we  
6 broached a subject that we didn't get to go into, and  
7 that has to do with whether or not there was -- and I'm  
8 going to, I guess, ask more the ultimate question here:  
9 Was there at some point in time a reduction in the  
10 capacity that Ameren held as a result of any cases or  
11 discussions or anything else that went on here with  
12 Staff or Public Counsel? Can you give me some  
13 background on that?

14 MS. SHEMWELL: To the extent it might  
15 get into the current ACA case, I don't think it's  
16 reasonable to discuss anything having to do with the  
17 current ACA case.

18 COMMISSIONER GAW: I don't know what's  
19 in the current ACA case, so you all are going to have  
20 to give me the parameters of that.

21 MR. BYRNE: I was talking about history  
22 and, you know, Emma gave me the two docket numbers,  
23 GR-2000-0579 and GR-2002-0488. And I think maybe back  
24 then the numbers, you know, the exact numbers were  
25 probably HC, maybe they still would be, but my

1 recollection of those dockets was, you know, the Staff  
2 analyzed our reserve margin on Panhandle in particular  
3 and decided -- you know, we did studies and they did  
4 studies too and they decided the reserve margin was too  
5 high, and I believe in one of those cases, there was a  
6 monetary disallowance of 175,000.

7 COMMISSIONER GAW: 175,000?

8 MS. SHEMWELL: I'm going to object as to  
9 the extent that there's any attempt to influence the  
10 Commission decisions in any future cases.

11 COMMISSIONER GAW: I need to understand  
12 whether or not this is relevant to those cases.

13 MS. SHEMWELL: To what they did in those  
14 cases?

15 COMMISSIONER GAW: Yeah, if it's  
16 relevant to the cases you're concerned about,  
17 Ms. Shemwell.

18 MS. SHEMWELL: I believe the demand for  
19 ethanol plants was certainly unknown at that time in  
20 terms of planning for capacity.

21 COMMISSIONER GAW: That's not my  
22 question. My question is whether or not those cases  
23 are relevant in regard to issues you're concerned about  
24 in a current, pending ACA case.

25 MS. SHEMWELL: I don't know. We can ask

1 Mr. Sommerer.

2 MR. BYRNE: The other thing, I'm not  
3 trying to -- I am trying to give you a picture of what  
4 happened. I'm not trying to say there's any fault or  
5 anything, but this is the history of what has happened  
6 and how capacity has been looked at, and it seems like  
7 maybe it's kind of relevant to look at it now.

8 COMMISSIONER GAW: Well, was there --

9 MS. SHEMWELL: Except if we're getting  
10 into the current case, we just can't do that. We just  
11 can't get into the current case.

12 COMMISSIONER GAW: You're going to have  
13 to be more specific, Ms. Shemwell, about how this is  
14 relevant to the current case, and all you have told me  
15 is that you don't know. So if you wish to go find out,  
16 I'll defer these questions until you have an  
17 opportunity.

18 MS. SHEMWELL: I'm expecting  
19 Mr. Sommerer will be down here, but we can talk about  
20 it then, certainly. And I'll send someone to find him.

21 COMMISSIONER GAW: We'll wait then and  
22 we'll see.

23 MS. SHEMWELL: Because I just don't  
24 think we can --

25 COMMISSIONER GAW: Because I'm not

1     trying to get into anything dealing with that other  
2     case, but I do want to understand how we got to where  
3     we were on this capacity issue and whether or not  
4     there's anything that can be done to correct where we  
5     are today, including all the options that are on the  
6     table.

7                     COMMISSIONER CLAYTON: I want to say one  
8     thing about any objections. This is not a case, so  
9     there is no ruling on objections. I do want to add  
10    that this is going to be fully transcribed, and the  
11    reason we're doing that is so that there is a full  
12    record, and if there are issues in another case, this  
13    can certainly be -- or at least the portions of the  
14    transcript that are applicable can be filed in the  
15    other and the parties can have an opportunity to  
16    respond.

17                    So for today, I think since we're having  
18    full disclosure and we'll have an opportunity to  
19    respond, without clear -- without a clear example of  
20    some problem, I think we need to move forward.

21                    COMMISSIONER GAW: I disagree with  
22    that, but I will defer and allow you to have some  
23    consultation. And I guess then, in regard to -- I do  
24    want to know whether or not Ameren changed its capacity  
25    in the last three years, its capacity on Panhandle.

1                   MR. GLAESER: Well, the one thing we did  
2 do was our propane air plant for peaking, needle  
3 peaking was basically abandoned. We looked at our  
4 available capacity resources in the propane air plant,  
5 decided the propane air plant, which needed a great  
6 deal of rebuild, enhancements and safety issues, we  
7 basically let that plant expire to bring our reserve  
8 margin up.

9                   COMMISSIONER GAW: You really need to  
10 help me understand how that relates, because I'm not  
11 familiar with propane air.

12                  MR. GLAESER: Yeah. Propane air is a  
13 peaking plant. In other words, it's a plant that we  
14 used to supplement our deliverability from the  
15 pipelines just under extreme peak conditions.

16                  COMMISSIONER GAW: Okay.

17                  MR. GLAESER: We would utilize all of  
18 the resources available to us, what we call a needle  
19 peak.

20                  COMMISSIONER GAW: Right.

21                  MR. GLAESER: Put that last resource on.  
22 We had one in Jefferson City that provided  
23 approximately 5,000 MMBtu per day of deliverability on  
24 the system. That was deliverability we didn't need on  
25 Panhandle Eastern, it was on our system. It controlled

11 COMMISSIONER GAW: I see.

14 COMMISSIONER GAW: Okay. Now, you said,  
15 I thought, that it was a part of the reduction in  
16 reserve margin. Was there other --

19 MS. CRUTHIS: Yes, we did. To 4,000.

21 MS. CRUTHIS: April 1st of 2007 -- 2006.

23 COMMISSIONER GAW: April 1st of 2006?

25 MR. GLAESER: That would be two per day.

1 COMMISSIONER GAW: Per day?

2 MR. GLAESER: Uh-huh.

3 COMMISSIONER GAW: Does that relate back  
4 to the issue we were talking about a while ago with  
5 Ms. Shemwell?

6 MR. GLAESER: It gets back to the  
7 appropriate reserve margin to carry on the system.

8 COMMISSIONER GAW: Once you let that go,  
9 then it's gone?

10 MR. GLAESER: In this market, in this  
11 constrained market, yes.

12 COMMISSIONER GAW: I'm going to have a  
13 hard time understanding why that was done at this  
14 point, but perhaps I'll get a better explanation in a  
15 little while. But I'm having a difficult time  
16 understanding why that was a good idea right now.

17 Now, let me ask this, because I want to  
18 transfer this back to Commission Clayton. And in  
19 bridging that, when we're dealing with the issues that  
20 are problem on Panhandle -- and this is sort of jumping  
21 over you and your people -- but would it be your  
22 understanding that adding additional load, which might  
23 be a significant industrial customer, to the Atmos  
24 system has similar problems as far as capacity is  
25 concerned off Panhandle?

1                   MR. GLAESER: It will face the exact  
2 same conditions that we face.

3                   COMMISSIONER GAW: Well, I'm going to  
4 stop, because I know Commissioner Clayton wants to ask  
5 questions, and I think he wants to ask questions of  
6 Atmos.

7                   COMMISSIONER CLAYTON: Mr. Glaeser, why  
8 don't you take five, have a seat.

9                   MR. GLAESER: Okay. Thank you.

10                  COMMISSIONER CLAYTON: Who do we still  
11 have on the phone?

12                  MR. MARTIN: This is Mark Martin with  
13 Atmos.

14                  COMMISSIONER CLAYTON: Mr. Martin, thank  
15 you very much for your patience. It's not easy to be  
16 on the phone this long and listening in. Have you been  
17 able to hear all of the discussion that's been going  
18 on?

19                  MR. MARTIN: Yes, sir.

20                  COMMISSIONER CLAYTON: I was wondering  
21 if we could start off in talking about Atmos Energy  
22 about, if it is publicly available, the type of  
23 capacity that it has for its northeast region, which  
24 would include anything off of Panhandle, I would  
25 suggest really from Hannibal going north.

1                   MR. MARTIN: Okay. Sure. For the  
2 Hannibal, which covers the Hannibal, Canton, Palmyra  
3 historical rate areas we probably have firm capacity of  
4 a little over 18,000 a day. Also in the Bowling Green  
5 area, we have an additional 2,600 a day. Both of those  
6 systems are served off Panhandle. We have another  
7 system, which is Kirksville, Missouri, which is served  
8 off the A&R pipeline system.

9                   COMMISSIONER CLAYTON: Sure. Okay.  
10 Let's focus on Panhandle for the time being.

11                  MR. MARTIN: Sure.

12                  COMMISSIONER CLAYTON: Do you include  
13 the Bowling Green service area and the Hannibal service  
14 area as part of the same system or are they two  
15 completely different and distinct systems?

16                  MR. MARTIN: They are two separate and  
17 distinct systems.

18                  COMMISSIONER CLAYTON: Okay. And do  
19 they come off different portions of the pipeline?

20                  MR. MARTIN: Actually, they're served  
21 under different rate schedules on Panhandle. The  
22 Bowling Green system is on an SCT rate schedule, which  
23 stands for small customer transportation. That  
24 basically means it's a one-part rate. There is not any  
25 demand charges associated with it and we're only billed

1 as we use it, so that's almost like a sculpted service.

2                   Whereas, the Hannibal area that's all  
3 EFT, which is enhanced firm transportation service,  
4 which is a two-part rate, has demand and commodity  
5 charges associated with it, and we pay those demand  
6 charges year round.

7                   COMMISSIONER CLAYTON: Okay. And Atmos  
8 serves -- going north, it serves communities in Knox  
9 county, Lewis County, Clark and Scotland County; is  
10 that correct?

11                  MR. MARTIN: To the best of my  
12 knowledge, yes.

13                  COMMISSIONER CLAYTON: You don't know  
14 the geography, do you?

15                  MR. MARTIN: Unfortunately, sir, no, I  
16 do not.

17                  COMMISSIONER CLAYTON: But you all serve  
18 LaGrange, Canton, Ewing, Labelle, Memphis, Kahoka.

19                  MR. MARTIN: Yes, sir.

20                  COMMISSIONER CLAYTON: You would agree  
21 with that?

22                  MR. MARTIN: Yes, sir.

23                  COMMISSIONER CLAYTON: Okay. So you  
24 receive service for the Hannibal area off a  
25 Panhandle -- would you call that a spur pipeline or

1    what -- is there a term for that part of the pipeline  
2    that goes north off of Panhandle?

3                   MR. MARTIN:  I believe they refer to  
4    that as a lateral.

5                   COMMISSIONER CLAYTON:  A lateral.  And  
6    you all do not own that lateral.  Correct?

7                   MR. MARTIN:  Correct.

8                   COMMISSIONER CLAYTON:  All right.  And  
9    what would you call the transportation system that  
10   would begin, I suppose, north of Palmyra, don't you  
11   have a pipeline that begins?

12                  MR. MARTIN:  We roll the Palmyra into  
13   our Hannibal/Canton area.

14                  COMMISSIONER CLAYTON:  I'm talking about  
15   north of Palmyra.  Does Panhandle own the line that  
16   gets it farther north?

17                  MR. MARTIN:  Yes, sir.

18                  COMMISSIONER CLAYTON:  So Panhandle owns  
19   the line all the way as far as up to Memphis?  You  
20   don't know where that is, do you?

21                  According to the map that we have in  
22   front of us -- are you watching on TV?

23                  MR. MARTIN:  No, sir.

24                  COMMISSIONER CLAYTON:  You're missing  
25   out on some incredible technology.  According to our

1 map, the line is colored in like it belongs to Atmos,  
2 the pipeline. Jim, would you agree with that?

3 MR. FISCHER: It looks to me like the  
4 Panhandle line comes in just north of Palmyra, but it  
5 dead ends. And then there's another line, the AEC line  
6 that serves the Canton area and goes on up to Memphis;  
7 is that right? Does that sound right?

8 MR. MARTIN: Jim, subject to check.

9 MR. FISCHER: I'm sorry. That's the  
10 Atmos energy line. There's a separate line, unless  
11 those have been connected, there's a different system  
12 that is north of Palmyra and one that's south of that  
13 area.

14 MR. MARTIN: Unfortunately, Jim, I'm not  
15 too familiar. I apologize.

16 MR. FISCHER: That's not a problem.

17 COMMISSIONER CLAYTON: Panhandle goes  
18 underneath the Mississippi River there. At that point  
19 it connects in with, I believe, Quincy, and I think you  
20 all pick it up --

21 MR. GLAESER: That's our system at  
22 Quincy.

23 COMMISSIONER CLAYTON: And you all have  
24 that system in Quincy. Right?

25 MR. GLAESER: Yes, sir.

1                   COMMISSIONER CLAYTON: So I guess that's  
2 just part of the distribution system that Atmos has for  
3 that service territory, north of Palmyra. Do you know  
4 that, Mr. Martin?

5                   MR. MARTIN: Subject to check, I would  
6 say yes.

7                   COMMISSIONER CLAYTON: Okay. Thanks for  
8 trusting us. You mentioned that for the Hannibal area,  
9 the single day firm capacity is 18,000 MMBtu. Does  
10 that include Palmyra?

11                  MR. MARTIN: Yes, sir.

12                  COMMISSIONER CLAYTON: And does it  
13 include Canton?

14                  MR. MARTIN: Yes, sir.

15                  COMMISSIONER CLAYTON: And it includes  
16 all the other communities that would go off that line  
17 moving west?

18                  MR. MARTIN: Yes, sir.

19                  COMMISSIONER CLAYTON: Now, are you  
20 aware of what the capacity is off of Panhandle off that  
21 lateral there? Is there any excess capacity?

22                  MR. MARTIN: Unfortunately, they are  
23 fully subscribed.

24                  COMMISSIONER CLAYTON: So even the line  
25 that comes off that lateral is fully subscribed? Does

1     that make sense?

2                     MR. MARTIN: My understanding is yes.

3                     MR. FISCHER: Mark, would you explain  
4     what you mean by fully subscribed and does it really  
5     relate to a lateral or does it go all the way back to  
6     the source, the production zone?

7                     MR. MARTIN: Yes. On a forward haul  
8     basis, there is no available firm capacity. There may  
9     be some sort of back haul arrangement that we could  
10    work out, but currently there is no forward haul firm  
11    capacity available on the Panhandle system.

12                    COMMISSIONER CLAYTON: So does that mean  
13    that Atmos has the same problem that AmerenUE would  
14    have in terms of finding additional capacity to serve  
15    customers in its service territory?

16                    MR. MARTIN: That is correct.

17                    COMMISSIONER CLAYTON: Okay. Would  
18    you -- can you differentiate Atmos Energy in terms of  
19    its position with regard to capacity in any way with  
20    what we've discussed so far with AmerenUE?

21                    MR. MARTIN: We are a little bit  
22    different just basically because we serve some small  
23    rural communities. We do not quite have the growth in  
24    those areas. You know, we do have a Planning  
25    Department that gets with our Marketing Department

1 every year to see what our design day requirements are.  
2 It's just unfortunately with declining use and some  
3 other factors, they're almost offsetting any growth  
4 that we have. So we've remained fairly constant in our  
5 design day needs over the last several years.

6 COMMISSIONER CLAYTON: Do you have a  
7 reserve margin?

8 MR. MARTIN: Yes, sir.

9 COMMISSIONER CLAYTON: What is it? Can  
10 you tell me what that reserve margin is?

11 MR. MARTIN: It's 2.2 percent, and that  
12 factors in -- we have a propane air plant in the  
13 Hannibal area, where we can get about 3,300 a day.

14 COMMISSIONER CLAYTON: 3,300 per day in  
15 propane?

16 MR. MARTIN: Yes, sir.

17 COMMISSIONER CLAYTON: And are you able  
18 to just mix that with the natural gas. What is that,  
19 is that ethane?

20 MR. MARTIN: No, sir, methane.

21 COMMISSIONER CLAYTON: So you just  
22 combine them, that's how that works, or you have to mix  
23 it?

24 MR. MARTIN: There is some sort of  
25 process. I'm not sure of the exact process, but there

1 is some process which enables us to be allowed into our  
2 distribution system.

3 COMMISSIONER CLAYTON: If you exclude  
4 that 3,300 MMBtu of propane, what is your reserve  
5 margin?

6 MR. MARTIN: Yeah. It would be a  
7 negative 13 percent.

8 COMMISSIONER CLAYTON: Negative  
9 13 percent? So you've got to have that propane.

10 MR. MARTIN: To meet a peak design day,  
11 yes.

12 COMMISSIONER CLAYTON: How does that --  
13 where does that propane come from? Is it piped in? Is  
14 it trucked in?

15 MR. MARTIN: I believe it's piped in.

16 COMMISSIONER CLAYTON: It is piped in.

17 MR. MARTIN: I believe so.

18 COMMISSIONER CLAYTON: And who supplies  
19 that propane to you?

20 MR. MARTIN: We would --

21 COMMISSIONER CLAYTON: Is it a  
22 competitive market, let me ask it that way.

23 MR. MARTIN: Yes.

24 COMMISSIONER CLAYTON: And what's the  
25 pipeline where that comes in?

1 MR. MARTIN: Panhandle.

2 COMMISSIONER CLAYTON: So there's a  
3 separate Panhandle propane pipeline?

4 MR. FISCHER: I think he's saying it's  
5 dumped into the Panhandle system, is that right, Mark,  
6 from --

7 MR. MARTIN: We would fill it up over  
8 the summer, while our design needs are mostly during  
9 the winter months, so we have what I would just deem  
10 generically extra space during the summer months, so we  
11 fill up the propane as we would fill up storage during  
12 our summer months.

13 COMMISSIONER CLAYTON: When you say you  
14 fill it up, where do you fill it? I mean, what do you  
15 mean by that?

16 MR. MARTIN: Local operations would --  
17 whatever that process is to fill up those tanks.

18 COMMISSIONER CLAYTON: So they just have  
19 a storage facility somewhere around Hannibal?

20 MR. MARTIN: Yes, sir.

21 MS. CHILDERS: Mark, I believe those are  
22 above-the-ground facilities that we just put the liquid  
23 propane in and they provide it directly into the  
24 system.

25 COMMISSIONER CLAYTON: Thank you. Is

1     that Ms. Childers there?

2                     MS. CHILDERS:   Yes.

3                     COMMISSIONER CLAYTON:  Thanks for  
4     sticking with us today.

5                     MS. CHILDERS:  You're welcome.

6                     COMMISSIONER CLAYTON:  Appreciate your  
7     patience.

8                     So, Mr. Martin, you've got to have that  
9     propane available to serve your peak day; is that  
10    correct?

11                    MR. MARTIN:  Yes, sir.

12                    COMMISSIONER CLAYTON:  And what is your  
13    summer peak?

14                    MR. MARTIN:  Unfortunately, I don't have  
15    that information.

16                    COMMISSIONER CLAYTON:  Do you all  
17    operate on a curve similar to what Ameren described  
18    earlier, with a peak day and then a gradual reduction  
19    during shoulder months?

20                    MR. MARTIN:  Yes, sir.

21                    COMMISSIONER CLAYTON:  So then you have  
22    a summer peak day as well?

23                    MR. MARTIN:  We don't really plan for a  
24    summer peak in our processes.  What we do is we average  
25    the June-July-August period and we just consider that

1     our base load. Unfortunately, I don't have that number  
2     with me.

3                   COMMISSIONER CLAYTON: If -- well, then,  
4     it was suggested earlier that an ethanol plant the size  
5     of -- what did you say, 100,000 gallons --

6                   MR. GLAESER: 100 million.

7                   COMMISSIONER CLAYTON: 100 million  
8     gallons would require 10,000 MMBtu per day capacity, so  
9     basically if an ethanol plant were to go in outside  
10    Palmyra and hook into your system, would you be able to  
11    serve that ethanol plant?

12                  MR. MARTIN: No.

13                  MR. FISCHER: Mark, just for purposes of  
14    the Commission to understand how big a load that is,  
15    and you compare that to roughly the number of  
16    residential customers we would be talking about if they  
17    used that same amount of gas?

18                  MR. MARTIN: I want to say we would  
19    assume that an average residential customer would  
20    burn anywhere from 70 to 80 MCF a year, and I want to  
21    say that would kind of shake out -- some numbers that  
22    were being thrown around the other day was, like,  
23    50,000 customers.

24                  MR. FISCHER: 50,000 residential  
25    customers would equal out to one ethanol plant?

1 MR. MARTIN: Yes.

2 COMMISSIONER CLAYTON: So -- and that's  
3 regardless of whether the ethanol plant would be a  
4 transportation customer or would be just a general  
5 service customer?

6 MR. MARTIN: If they were a  
7 transportation customer, we would help them to the best  
8 of our ability; however it would be their obligation  
9 for them to get transportation capacity in their name.  
10 If they were a general sales customer, then the  
11 obligation would be on us to serve them.

12 COMMISSIONER CLAYTON: Do you all serve  
13 or do you all provide service to the BASF plant north  
14 of Palmyra, do you know that?

15 MR. MARTIN: Is that the General Mills?  
16 It may be renamed, but I believe there is a General  
17 Mills facility that we do serve.

18 COMMISSIONER CLAYTON: That's not it.  
19 It would be the Old American --

20 MR. MARTIN: I believe they bypassed us  
21 several years ago.

22 COMMISSIONER CLAYTON: Okay. So they  
23 would be a transportation customer just coming off the  
24 Panhandle?

25 MR. MARTIN: Yes, sir.

1                   COMMISSIONER CLAYTON: So what would be  
2 the maximum size or maximum usage facility that -- say,  
3 a manufacturer or something like that that would want  
4 to open up shop in the Atmos service territory. What's  
5 about the maximum size that you all could handle?

6                   MR. MARTIN: Right now, assuming that  
7 the propane plant is running full bore, we would have  
8 almost 500 extra a day.

9                   COMMISSIONER CLAYTON: Five hundred.

10                  MR. FISCHER: And compared to how much  
11 would be an ethanol plant?

12                  MR. MARTIN: The numbers that are being  
13 thrown around, Jim, are usually basically 10,000 a day.

14                  MS. CHILDERS: Jim, Mike Ellis may have  
15 some information for us about what the load would be  
16 for the ethanol plant, and he stepped out, but I  
17 believe he's joined us again.

18                  MR. ELLIS: Yes, I'm on. Mark's right.  
19 I heard that same number earlier, about 10,000 a day,  
20 annually three and a half BCF, probably.

21                  COMMISSIONER CLAYTON: So basically  
22 what you're telling me is that Atmos would be -- would  
23 not be in a position to provide really any type of  
24 large-scale service to any entity, aside from that  
25 500 MMBtu; is that correct?

1                   MR. MARTIN: Currently today, that's  
2 correct.

3                   COMMISSIONER CLAYTON: Is that because  
4 you simply don't have sufficient capacity off Panhandle  
5 or because of other physical limitations in the system?

6                   MR. MARTIN: The Hannibal, Canton and  
7 Palmyra area, Panhandle Eastern is our only pipeline  
8 source.

9                   MR. FISCHER: Speak up, Mark.

10                  MR. MARTIN: Oh, I'm sorry. For the  
11 Hannibal area, the Panhandle Eastern pipeline is our  
12 only source into that area. There are no other  
13 pipeline alternatives. If any of our marketing folks  
14 working with economic development departments, knew of  
15 a project coming down the pike, we'd be doing  
16 everything possible to add that customer to our system.

17                  COMMISSIONER CLAYTON: What's the status  
18 of the A&R pipeline that serves Kirksville coming down  
19 from the north?

20                  MR. MARTIN: That system is also fully  
21 subscribed. However, we are kind of blessed with the  
22 way our contracts are set up. The reserve margin seems  
23 high, but really we have more of an issue in the summer  
24 because we're able to -- we've got some storage that  
25 can -- contracts that go directly from the pipe to the

1 town. We don't have to bring it from the pipe to our  
2 citygate then to the town. So we have probably 2,500  
3 available.

4 COMMISSIONER CLAYTON: On the A&R line  
5 that serves from the north?

6 MR. MARTIN: Yes.

7 MS. CHILDERS: Commissioner Clayton, we  
8 also have an area that serves Texas Eastern. And,  
9 Mark, I believe they're fully subscribed as well?

10 MR. MARTIN: Yes.

11 MR. FISCHER: That's down in the  
12 boothill?

13 MR. MARTIN: Yes, Jim. It is. In that  
14 area that we call that the SEMO area, Texas Eastern is  
15 the main line there; however, there's also the Ozark  
16 line. Depending where the facility is located, the  
17 Ozarks line is not fully subscribed.

18 MR. FISCHER: What about the NGPL  
19 system, is it fully subscribed?

20 MR. MARTIN: Not that I'm aware of.

21 MR. FISCHER: But the others in the  
22 state that Atmos receives service from, are they all  
23 fully subscribed?

24 MR. MARTIN: We do have a system which  
25 is off the Williams system, the far west side of

1 Missouri. Those are very small communities, actually  
2 we have mostly just residential and very small  
3 commercial type of businesses, the Rich Hill and Hume  
4 area. And then we also in the Piedmont/Arcadia area,  
5 which is also down in the SEMO area, the MRT system,  
6 which I believe is not fully subscribed.

7 COMMISSIONER CLAYTON: Well, is there  
8 any potential way that you can transfer capacity from  
9 one of these extreme areas of the state? I mean,  
10 you've got far southeast, you've got far northeast,  
11 you've got far west. I mean, you can't realistically  
12 shift capacity among these different systems, can you?

13 MR. MARTIN: Unfortunately, sir, we  
14 cannot.

15 COMMISSIONER CLAYTON: Cannot. Have you  
16 ever looked at feasibility of interconnection between  
17 your Kirksville and your Canton system?

18 MR. MARTIN: I'm unaware of any  
19 analysis. That doesn't mean there has not been one,  
20 but I'm unaware of any being done.

21 COMMISSIONER CLAYTON: Have you ever --  
22 well, I don't know if you can tell me this. If this  
23 isn't public information or if you -- and you're not in  
24 a position to answer it, I certainly understand, but  
25 has the system in either Hannibal, Palmyra, Bowling

1 Green or the Canton system, have you ever turned  
2 away -- have you ever had to turn away a significant  
3 customer because of lack of capacity?

4 MR. MARTIN: No, sir. We have not.  
5 We are aware of four projects that are kind of  
6 surrounding -- four ethanol projects that are kind of  
7 surrounding us up there; however, two are, I believe,  
8 in the Quincy, Illinois area, which we do not serve.  
9 And I believe one is north of Hannibal in an area we do  
10 not serve, and then I believe the fourth is Monroe  
11 City, which I believe is a municipal system. So  
12 they're kind of surrounding us. I don't know if it's  
13 just where we lay or what, but no potential projects  
14 have contacted us for that area.

15 COMMISSIONER CLAYTON: Who would serve,  
16 say -- you said the one that was north of Hannibal.  
17 Who would provide that service, would that be just  
18 straight out of the pipeline?

19 MR. MARTIN: That I'm not too sure. I  
20 was a little surprised when I kept hearing there was  
21 two projects at Hannibal and the more I investigated,  
22 just what I, through word of mouth, heard one was  
23 Monroe City, which we knew was a municipal system, and  
24 the other I just never did hear. I know it was outside  
25 our service territory, but I never did hear where

1 exactly it was.

2 MR. FISCHER: Mark, is it your  
3 understanding that ethanol plants require a large water  
4 supply and that limits their locations?

5 MR. MARTIN: Yes. What we've been  
6 experiencing in Illinois as well is the ideal geography  
7 is not only to have a large water supply, but also to  
8 be near some sort of rail system, and while that's not  
9 totally needed, it's just kind of best-case scenario is  
10 a nice rail system, a nice water supply, and then  
11 obviously the natural gas availability.

12 COMMISSIONER CLAYTON: Got a lot of  
13 water there. Got the river right there, Jim.

14 MR. FISCHER: Where's that?

15 COMMISSIONER CLAYTON: Monroe City. The  
16 Mississippi River kind of runs right down there, got a  
17 little water in it.

18 Well, it doesn't sound like Atmos would  
19 be in a position to provide service to any of those  
20 potential facilities.

21 MR. MARTIN: Yeah, the four that we're  
22 aware of up in the northeast, they have not even  
23 approached us. Whether that was just they did not like  
24 the location of our service territory, I really can't  
25 speak to why they haven't contacted us, but we're

1     unaware of any project in that area that would be  
2     within our service territory.

3                   COMMISSIONER CLAYTON: With the unique  
4     character of Atmos and the small communities that it  
5     serves and its relatively low capacities compared to  
6     some of the other LDCs, does Atmos have a policy with  
7     regard to serving large customers. I know it will want  
8     to take whatever business it can get, but it doesn't  
9     seem like it is set up for a large scale or large  
10    capacity general service type of business; is that  
11    correct?

12                  MR. MARTIN: Well, what we've always  
13    done, and since these have been small rural areas, you  
14    know, maybe we need to re-look at some of our  
15    procedures, but we've always just really have kind of  
16    focused on meeting our firm requirements, and we would  
17    assume any large project, especially the size of a  
18    large ethanol plant, would be a transportation  
19    customer. So we've never really factored in any of  
20    those requirements into our design day forecasting.

21                  MS. CHILDERS: Mr. Ellis, would you like  
22    to add anything?

23                  MR. ELLIS: In terms of serving large  
24    customers?

25                  MS. CHILDERS: Uh-huh. Your experience.

1                   MR. ELLIS: Well, yes, we haven't --  
2   just to repeat what Mark said, we have not had to turn  
3   down any requests for loads. We don't get many  
4   requests for very large loads. I don't think it's a  
5   situation of anything that is a business practice of  
6   ours or not a business practice of ours. It's more  
7   location, and that sort of thing.

8                   We do have some large customers, of  
9   course, in many parts of our system. In the boothill  
10   area, we have a very large plant there. And you may  
11   have already discussed this and I missed it, dropping  
12   on and off, but there is an ethanol plant looking to  
13   locate in our boothill area, and we have met with those  
14   folks.

15                  COMMISSIONER CLAYTON: Is it anticipated  
16   that Atmos is going to be capable of serving them?

17                  MR. ELLIS: We hope to. There's also an  
18   upstream pipeline capacity issue there. Mark mentioned  
19   it when he mentioned the Texas Eastern system on the  
20   northern part of our SEMO area. That's the closest  
21   pipeline for us to serve that plant, and because of the  
22   size of the plant and where its location on our  
23   distribution system, we have to make a fairly  
24   significant expenditure to upgrade our system from the  
25   pipeline or from our gate station here at the pipeline

1 to where -- to -- for this proposed site.

2 And that customer, that ethanol plant  
3 prospect, is looking to secure its own capacity through  
4 the Texas Eastern system. They're aware that there's  
5 not current capacity on the Texas Eastern system, but  
6 they're looking at a back haul situation. So we hope,  
7 we're confident that all that will work out and we'll  
8 be able to serve that plant.

9 COMMISSIONER CLAYTON: Regarding the  
10 systems in northeast Missouri, Canton, Bowling Green,  
11 Hannibal, Palmyra systems, does Atmos see the capacity  
12 restrictions it faces there as a potential problem or  
13 is it concerned with increases in growth or economic  
14 development activity that Atmos is not in a solid  
15 position?

16 MR. MARTIN: No. When we're planning  
17 our growth -- excuse me, when we're planning our  
18 capacity needs, we are constantly, you know, in touch  
19 with our marketing folks to determine what may be  
20 coming down the pike. But the Bowling Green situation  
21 is a little bit different, since it is under the SCT  
22 rate schedule.

23 That and our Butler, Missouri system,  
24 Panhandle does not allow any transportation associated  
25 with that type of service. We would have to switch to

1 an EFT type of service; however, that service would be  
2 a lot more expensive to our other firm customers. We  
3 have not been approached about a project, so we  
4 continue to use the SCT rate schedule to provide a  
5 cheaper cost.

6 COMMISSIONER CLAYTON: Can you identify  
7 for me the largest customer you have in the northeast  
8 Missouri territories, the per day usage? An amount?  
9 I'm not necessarily looking for a name of a customer.  
10 I'm just looking for an amount, your largest single  
11 user.

12 MR. ELLIS: This is Mike Ellis. Not  
13 specifically, but I think that would probably be in the  
14 range of something around 100 MCF a day. That's  
15 probably our largest customer.

16 COMMISSIONER CLAYTON: 100 MCF, and what  
17 is that in MMBtu? Is that the same thing?

18 MR. ELLIS: Yes. I'm sorry. So  
19 something less than what we've talked about in terms of  
20 ethanol plants at 10,000 a day.

21 COMMISSIONER CLAYTON: Does Atmos think  
22 that additional capacity is needed on the Panhandle  
23 Eastern line that serves that area in general?

24 MR. MARTIN: Currently, to meet our firm  
25 requirement, we feel comfortable with the capacity

1 levels we have. Obviously if a large project was to  
2 reside in our service territory, there would have to be  
3 some upgrades to that system or they would have to  
4 enter into some sort of back haul arrangement to bring  
5 gas into their system. But currently to meet our firm  
6 customers and the peak requirements, that we have  
7 sufficient capacity.

8 COMMISSIONER GAW: Okay. Thank you. I  
9 don't think I have any other questions. Why don't we  
10 take a break for about 10 minutes and come back. I  
11 don't know that I have much more, but we've been going  
12 at it for two hours. Why don't we go off the record  
13 and we'll be back in ten minutes.

14 (OFF THE RECORD.)

15 COMMISSIONER CLAYTON: Ms. Shemwell, can  
16 you go ahead and clarify what you just said off the  
17 record.

18 MS. SHEMWELL: Certainly, Commissioner  
19 Clayton. Staff is available. Warren Wood, David  
20 Sommerer, Lesa Jenkins are all here and they are  
21 prepared to discuss the past cases if the Commissioner  
22 would want to. They indicate it should not have any  
23 effect on the current case.

24 COMMISSIONER CLAYTON: Okay. Go ahead.

25 COMMISSIONER GAW: I want to ask Ameren

1 a few more things, because I didn't ask this earlier,  
2 about the southeast part of the state in your  
3 territory. You do have territory down there, too.  
4 Right?

5 MR. GLAESER: Yes, we do.

6 COMMISSIONER GAW: And that's not off  
7 the Panhandle system?

8 MR. GLAESER: No, that's off NGPL and  
9 Texas Eastern.

10 COMMISSIONER GAW: Tell me about the  
11 situation down there so we have that in the record too.

12 MR. GLAESER: Well, again, it's similar.  
13 Texas Eastern is fully subscribed, and it has been for  
14 a quite a few years. There's some amount of back haul  
15 capacity available, but it's limited and it is quite  
16 expensive to work the system.

17 COMMISSIONER GAW: Where does that back  
18 haul come off of?

19 MR. GLAESER: Up in Pennsylvania.

20 COMMISSIONER GAW: Oh, my.

21 MR. GLAESER: NGPL is now also fully  
22 subscribed. Just as an aside, Ameren is the one that  
23 actually acquired the last remaining capacity on NGPL.  
24 We actually wanted more capacity. We asked -- our  
25 Illinois utilities were looking at a lot of capacity.

1 We basically took all that NGPL had left this past  
2 winter, and they are fully subscribed now. So similar  
3 situations.

4 COMMISSIONER GAW: What's your reserve  
5 margin's down there in southeast Missouri?

6 MR. GLAESER: Similar. Actually, our  
7 Texas Eastern reserve margin. It was approximately --  
8 Emma? Is that --

9 MS. CRUTHIS: Around approximately 8  
10 percent. We just acquired additional storage capacity.

11 MR. GLAESER: And NGPL is significantly  
12 higher, because the of the single part rate --

13 MS. CRUTHIS: Yes. Because we have the  
14 BOA balance.

15 COMMISSIONER GAW: Can you translate  
16 that for me?

17 MR. GLAESER: The NGPL is unique, we  
18 were classified as a small shipper going back to order  
19 636 restructuring. We got some special service  
20 provisions where we only part a commodity-based rate so  
21 we could have a large reserve margin of capacity, but  
22 we don't pay for it unless we actually flow gas through  
23 it. So we have a large reserve margin on the system,  
24 but again, the system is quite small. I think our peak  
25 design day is a little over 4,000 MMBtu per day.

1                   COMMISSIONER GAW: What would that mean  
2 if there were, for instance, let's just use the ethanol  
3 plants so we can compare apples-to-apples. What would  
4 that mean on an additional ethanol plant down there on  
5 that system that you have the greater percentage of  
6 reserve margin was on the smaller lines.

7                   MR. GLAESER: Again, I would have to  
8 believe, my professional opinion was if an ethanol  
9 plant was going to build in this area, they would  
10 direct connect to NGPL. They would not build behind  
11 our system. Our system is actually quite small  
12 physically. It would not be able to handle a 10,000  
13 per day MMBtu.

14                  COMMISSIONER GAW: But you've already  
15 said that there's no extra capacity on that  
16 transmission line.

17                  MR. GLAESER: There's no incremental  
18 firm capacity on available in NGPL right now.

19                  COMMISSIONER GAW: Okay. And I think  
20 you've already said this, but both on NGPL and Texas  
21 Eastern, there's not much ability to back haul on  
22 either system; is that right?

23                  MR. GLAESER: Yeah, NGPL, actually,  
24 traditionally, they don't call it a back haul per se.  
25 They call it bringing gas around the horn, when you

1 bring it on their Amarillo side of -- you bring it  
2 around their Amarillo side of their system to Chicago  
3 and come down the Gulf Coast's main line system. The  
4 problem with that is the Amarillo system is fully  
5 subscribed too, so it's kind of a moot point. There's  
6 a lot of constraints and issues with the back hauls in  
7 these pipelines.

8 COMMISSIONER GAW: All right. I think  
9 that's all I had about this part. Thank you.

10 Now, I want to go over to Staff for this  
11 part. Ms. Shemwell, I don't know who's been in the  
12 room to hear any of this or not, other than you. I  
13 know some Staff came in a little later than others, but  
14 what I'm looking for, first of all, is can you tell me  
15 who has been with Staff in the room from the beginning?

16 MS. SHEMWELL: Janette Davidson and Mike  
17 Straub have been in here.

18 And Staff has not been sworn.

19 COMMISSIONER GAW: Can we do that  
20 please?

21 (WITNESSES SWORN.)

22 COMMISSIONER GAW: Would you all  
23 identify yourselves for the court reporter, if that  
24 hasn't been done? Just go down the line.

25 MR. WOOD: Warren Wood. W-a-r-r-e-n

1 W-o-o-d.

2 MR. SOMMERER: David Sommerer.

3 S-o-m-m-e-r-e-r.

4 MS. JACOBSEN: Lesa Jenkins. L-e-s-a  
5 Jenkins.

6 COMMISSIONER GAW: Did we get everybody?  
7 There. I think that about does it.  
8 Certainly.

9 COMMISSIONER GAW: Okay. Well, if we do  
10 anything different than that, maybe we can get them  
11 sworn in, too.

12 Let me ask you: Just as far as the  
13 capacity issues are concerned on the Panhandle line,  
14 does staff have any disagreement with what Ameren has  
15 said with regard to the existing capacity on Panhandle?  
16 Any information that's different than what Ameren has  
17 said and what Atmos has suggested?

18 MR. SOMMERER: Can we have a summary of  
19 what Atmos has suggested?

20 COMMISSIONER GAW: That's why I was  
21 asking who was in here, because if Staff -- let me ask  
22 this, of the Staff that's been in here since the  
23 beginning, are you all knowledgeable about that general  
24 issue.

25 MS. DAVIDSON: Not enough to speak to.

1                   COMMISSIONER GAW: Okay. Mr. Sommerer,  
2 what do you know about the available capacity on the  
3 Panhandle system.

4                   MR. SOMMERER: My understanding is that  
5 Panhandle is fully subscribed as a pipeline, and the  
6 way it has been explained to us is that for a  
7 particular customer who wants capacity, Panhandle will  
8 have to analyze a receipt point delivery of that  
9 capacity, how much the capacity is, when the capacity  
10 will be online. Is it firm capacity that's requested?  
11 But generally speaking, Panhandle is fully subscribed.

12                  COMMISSIONER GAW: Okay. When you say  
13 have been told that you have information, where are you  
14 getting your information?

15                  MR. SOMMERER: It's based upon Panhandle  
16 agents, website and also a discussion with Panhandle.

17                  COMMISSIONER GAW: Who are the  
18 individuals you had discussions with that work with  
19 Panhandle?

20                  MR. SOMMERER: Greg Russell.

21                  COMMISSIONER GAW: Okay. Is that one  
22 person all you talked to?

23                  MR. SOMMERER: That's correct.

24                  COMMISSIONER GAW: What is his position?

25                  MR. SOMMERER: My understanding is he is

1 a marketing representative for Panhandle Eastern.

2 COMMISSIONER GAW: And where does he  
3 work?

4 MR. SOMMERER: Vice president of  
5 Panhandle Eastern.

6 COMMISSIONER GAW: Where is his office,  
7 do you know?

8 MR. SOMMERER: I'm not sure.

9 COMMISSIONER GAW: Do you have -- does  
10 someone else know the answer to that?

11 MR. GLAESER: 54 Westheimer, East Texas.

12 COMMISSIONER GAW: Okay. Does Panhandle  
13 Eastern have anyone in Missouri that would be  
14 knowledgeable about these issues on the capacity?

15 MR. GLAESER: That works in the state of  
16 Missouri?

17 COMMISSIONER GAW: Yes.

18 MR. GLAESER: The employees that work in  
19 the compression and in the main line system typically  
20 aren't knowledgeable about the overall capacity  
21 situation.

22 COMMISSIONER GAW: Okay. Do we have a  
23 telephone number or something of that sort for the  
24 individual that you mentioned earlier?

25 MR. GLAESER: I do.

1                   COMMISSIONER GAW: Do you want to relay  
2 that on to us?

3                   MR. GLAESER: Area code 713-989-7624.

4                   COMMISSIONER GAW: Thank you very much.

5                   Okay. Now, there was some discussion  
6 earlier about the questions as to Ameren's capacity on  
7 the Panhandle system, and the capacity that Ameren had  
8 on the Panhandle system. What does Staff know about  
9 the capacity that Ameren currently has, and how that  
10 has changed, if at all?

11                  MR. SOMMERER: Lesa Jenkins reviews the  
12 capacity levels for Ameren. I think she has some  
13 notes.

14                  MS. JENKINS: Excuse me, Commissioner,  
15 but I don't recall how much it has gone down, but it  
16 has gone down the past few years. Staff expressed some  
17 concern regarding some dated capacity studies that  
18 Ameren was relying on. Every several years, they said  
19 they would be updated and they weren't. Staff took  
20 issue with some of those dated numbers. Those are  
21 cases that have been heard before the Commission, those  
22 are closed cases. And since that time Ameren has  
23 reduced that capacity.

24                  COMMISSIONER GAW: Is this capacity  
25 that's been reduced as the result of agreements on the

1 past ACA cases?

2 MS. JENKINS: No, sir. We do not tell  
3 them to reduce the capacities. Staff, in their review  
4 of the ACA process, we look to see if there's adequate  
5 information to support the cost. We didn't believe  
6 there was, so we made dollar adjustments. Those were  
7 negotiated in settlement agreements and those cases  
8 settled.

9 COMMISSIONER GAW: Okay. We may be  
10 mincing over words here, but Staff adjustment on the  
11 ACA negatively impacted Ameren, if I understand you  
12 correctly.

13 MS. JENKINS: Yes.

14 COMMISSIONER GAW: And that was because  
15 Staff believed that there was more capacity than what  
16 was needed and that Ameren had on the Panhandle line?

17 MS. JENKINS: Based on the information  
18 we had at the time, yes.

19 COMMISSIONER GAW: So how is it that  
20 they wouldn't perceived that as suggesting to them that  
21 they should get rid of some of their capacity?

22 MS. JENKINS: Generally, what we say is,  
23 moving forward you need to really look at your numbers,  
24 really understand the contracts, get a good hand on  
25 your growth and be able to support your numbers going

1 forward. There's nothing that says that just because  
2 they had -- weren't able to support it in the past,  
3 with the information they had, had they gone back and  
4 looked at it and better understood it, that might have  
5 changed on a moving forward basis.

6 In the case with Atmos we had some  
7 recent discussions on one of their areas where they had  
8 a much, and some contracts they've had and they have  
9 learned quite a bit in that process too.

10 MS. SHEMWELL: Are you talking about HC?

11 MS. JENKINS: I'm trying to talk in  
12 general terms.

13 COMMISSIONER GAW: I understand. How  
14 does Staff reconcile the downward adjustment of  
15 capacity that Ameren held on Panhandle against the  
16 issue that we are now bumping up against where Ameren  
17 is suggesting to us they're not able to supply certain  
18 size customers on their lines because of lack of  
19 capacity on the Panhandle?

20 And you don't have to answer that,  
21 Ms. Jenkins. That may be someone else that needs to  
22 answer that question for Staff. I'm not asking you to  
23 give me that response if what you're doing is running  
24 numbers. I'm looking for policy.

25 MS. JENKINS: But generally as I run the

1 numbers, I'm looking at the assumptions that they're  
2 making on growth. I'm looking at the assumptions  
3 they're making on cost, and who they're asking to pay  
4 this. If they're projecting growth for existing  
5 customers and they can justify having that access to  
6 serve those customers in the future, that's one thing.

7 But if they're asking to keep that  
8 capacity to serve some theoretical customers that they  
9 don't know who that might be or whether that growth is  
10 going to be four times what their numbers say, then  
11 that gets into question that you ask current customers  
12 to pay for that.

13 COMMISSIONER GAW: Well, is it not true  
14 that Staff is aware that the Panhandle system was  
15 severely constrained or was fully constrained at the  
16 time that adjustment was made to Ameren on the ACA?

17 MS. JENKINS: Staff considered not just  
18 that ACA period, but looking forward as well. That  
19 decision wasn't made in a narrow, let's look at the ACA  
20 period only.

21 COMMISSIONER GAW: Did Staff consider  
22 the possibility of how that might impact economic  
23 development in Ameren territory and the potential  
24 addition of industrial customers? Did Staff consider  
25 that as part of its analysis?

1 MS. JENKINS: In the growth piece of it,  
2 we asked Ameren to provide that information to us as  
3 how they consider it so that we could look at it. In  
4 that sense, yes, I believe we asked those questions of  
5 Ameren to justify on a going-forward basis what that  
6 growth is going to look like.

7 COMMISSIONER GAW: And did they supply  
8 any information that took into account the potential  
9 addition of industrial consumers that you all reviewed?

10 MS. JENKINS: I don't know.

11 COMMISSIONER GAW: Does Ameren know the  
12 answer to that question?

13 MR. GLAESER: Our future local  
14 projections?

15 COMMISSIONER GAW: In the context of  
16 this analysis that was made in these previous cases,  
17 and the information that was supplied that would have  
18 been a part of that analysis.

19 MR. GLAESER: Our local projections are  
20 typically based on normalized growth, typical  
21 residential commercial growth, and some light  
22 industrial growth. It doesn't anticipate any major  
23 shifts in the industry or economic shifts that if they  
24 change the landscape --

25 COMMISSIONER GAW: Okay. So from your

1 alls standpoint, were you or were you not anticipating  
2 the possibility of a significant load addition, such as  
3 an ethanol plant or plants on your system?

4 MR. GLAESER: Well, we anticipate those  
5 loads being strictly transportation customers and  
6 therefore, require no six sale resources to support  
7 them. We assume they'll basically go to Panhandle  
8 Eastern and raise their own capacity. And now looking  
9 at back at these two cases we're talking about that did  
10 occur back in 2000 and 2001, when the capacity markets  
11 were not constrained, it was a different environment  
12 then.

13 COMMISSIONER GAW: I see. What was your  
14 alls view at that time in regard to that adjustment?  
15 Was it an issue that you agreed with? I mean, when we  
16 get the ACA's in here and the language sometimes just  
17 says -- and I don't know what it was in this case, but  
18 sometimes the language just says the company agreed  
19 with the Staff's adjustment. And sometimes it's a  
20 result of some global stipulation where both parties  
21 and seed some ground. Do you know what the situation  
22 was in that particular case?

23 MR. GLAESER: It was a settlement. We  
24 agreed to, I guess, meet in the middle. Obviously, if  
25 you boil it down it was kind of a discussion about

1     what's the appropriate reserve margin for the system.

2     And it was kind of a gray area at the time, there was  
3     no defined rules for the reserved margin.

4                     COMMISSIONER GAW:   Yes.  Of course what  
5     you've told me earlier, if I recall correctly is that  
6     one of your biggest fears is that you've got a customer  
7     potential transportation customer that -- well, I can't  
8     ever keep that straight -- sales customer and what's  
9     the other one?

10                    MR. GLAESER:   Transportation.

11                    COMMISSIONER GAW:   I'm right then.  If  
12     you've got a transportation customer that comes in  
13     and -- well, they initially want to be a transportation  
14     customer and they can't find the capacity and they come  
15     to you and say, by gosh, you should provide us service.

16                    MR. GLAESER:   That's right.

17                    COMMISSIONER GAW:   And now, at this  
18     point looking back, the fact that you cut back on the  
19     reserve margins as a result of the settlement, has a  
20     negative impact on your ability to serve that  
21     situation.

22                    MR. GLAESER:   Potentially in the future.

23                    COMMISSIONER GAW:   Well, let's talk a  
24     little bit about these sites that we referred to  
25     earlier by Atmos.  Are you familiar with those?

1 MR. GLAESER: Yes.

2 COMMISSIONER GAW: How many of those --  
3 first of all potentially would be on your distribution  
4 system?

5 MR. GLAESER: Well, let me go to the  
6 map.

7 COMMISSIONER GAW: Please.

8 MR. GLAESER: There's a big area focus  
9 on what we refer to as the Quincy lateral. That's the  
10 lateral that comes up Panhandle's main lines, heads up  
11 Hannibal, Palmyra and then crosses the river to our  
12 Quincy system, which is our Ameren Quincy system.

13 COMMISSIONER GAW: Okay.

14 MR. GLAESER: Right now there's four  
15 different developers looking to build plants.

16 MR. BYRNE: Are you getting into HC  
17 stuff?

18 MR. GLAESER: I won't mention any names  
19 or companies or anything.

20 COMMISSIONER GAW: I don't want you to.  
21 I don't want to know who they are.

22 MR. GLAESER: I'm not going to mention  
23 company names or any specifics, but there's four  
24 different competing developers looking at that lateral.

25 COMMISSIONER GAW: Four in the area of

1     which part?

2                     MR. GLAESER:   Basically on that Quincy  
3     lateral.

4                     COMMISSIONER GAW:   Okay.   You're drawing  
5     a fairly huge circle?

6                     MR. GLAESER:   Yeah.   Big circle.

7                     COMMISSIONER GAW:   Okay.   Four plants?

8                     MR. GLAESER:   Yeah.   If you take the  
9     basic conversion rate, four plants is 40,000 MMBtu.

10                    COMMISSIONER GAW:   And do you believe  
11    that those plants as proposed are all probably in that  
12    size range?

13                    MR. GLAESER:   I believe so.   Two are  
14    looking at the Illinois side and two are on the  
15    Missouri side.

16                    COMMISSIONER GAW:   Yes.

17                    MR. GLAESER:   Now, the problem is the  
18    Quincy lateral, which is owned and operated by  
19    Panhandle, does have some available capacity right now.  
20    As a matter of fact, Panhandle has an open posting on  
21    the system right now --

22                    COMMISSIONER GAW:   Okay.

23                    MR. GLAESER:   -- for this lateral.

24                    COMMISSIONER GAW:   Okay.

25                    MR. GLAESER:   Now, the capacity actually

1 ratches down. If you go right next to the main lines,  
2 you jump to 20,000 available. But as you move further  
3 down the system, it ratches down.

4 COMMISSIONER GAW: Okay.

5 MR. GLAESER: Until you get to the tip  
6 of the system, it gets down to 2,000 available  
7 capacity.

8 COMMISSIONER GAW: Okay.

9 MR. GLAESER: Panhandle had indicated  
10 they will be willing to give -- if a customer was  
11 willing to enter into a long-term agreement they would  
12 look at expanding that lateral and basically looping it  
13 to add capacity.

14 COMMISSIONER GAW: Okay.

15 MR. GLAESER: In return for a long-term  
16 agreement.

17 COMMISSIONER GAW: Now, how does that  
18 capacity -- I'm a little bit perplexed right now  
19 because of the discussion earlier --

20 MR. GLAESER: Yes.

21 COMMISSIONER GAW: -- with the Randolph  
22 County lateral. But I guess my first and my initial  
23 question is -- has to do with how that relates to the  
24 capacity on the main trunk.

25 MR. GLAESER: Yeah. As we talked about

1 earlier the main lines are fully subscribed forward  
2 haul.

3 COMMISSIONER GAW: Yes.

4 MR. GLAESER: There's some available  
5 back haul.

6 COMMISSIONER GAW: Okay.

7 MR. GLAESER: So what Panhandle's  
8 looking at is if you would bid on capacity back haul  
9 from Tuscola or Multree, back on their main lines and  
10 then down to Quincy lateral --

11 COMMISSIONER GAW: Okay.

12 MR. GLAESER: -- they will entertain  
13 that. That's -- this is a sliver of capacity that's  
14 available on the system right now, today.

15 COMMISSIONER GAW: Do you know how much  
16 in the process --

17 COMMISSIONER CLAYTON: Yeah. What's a  
18 sliver?

19 MR. GLAESER: Basically, this summer  
20 it's about 80,000 and next winter it's 40,000.

21 COMMISSIONER GAW: 40,000 per day?

22 MR. GLAESER: MMBtu per day. Now, keep  
23 in mind that's with the entire Panhandle eastern and  
24 trunk line system in this area.

25 COMMISSIONER GAW: Right.

1                   MR. GLAESER: So that's not a lot for an  
2 interstate pipeline.

3                   COMMISSIONER GAW: How much additional  
4 capacity could they get on that lateral or would you  
5 anticipate that lateral getting if they -- under the --

6                   MR. GLAESER: Right now --

7                   COMMISSIONER GAW: -- enhancement of  
8 that lateral.

9                   MR. GLAESER: -- again that lateral, it  
10 can do 20,000 near the main line. And by the time you  
11 get to the tip of it, you're down to 2,000.

12                  COMMISSIONER GAW: So what would have to  
13 occur to expand that?

14                  MR. GLAESER: They would have to loop  
15 their system at all of the constraint points.  
16 Basically lay in parallel pipe to relieve the capacity  
17 constraint.

18                  COMMISSIONER GAW: And what is the --  
19 how big of a increase of capacity could they get at the  
20 end if they did that? Do you know?

21                  MR. GLAESER: It's all based on how much  
22 commitment they get.

23                  COMMISSIONER GAW: I see.

24                  MR. GLAESER: Obviously, a project like  
25 that would cost millions of dollars.

1                   COMMISSIONER GAW: So it still couldn't  
2 get above the 20 figure. Correct?

3                   MR. GLAESER: I seriously doubt that.  
4 But again that's a flow engineering problem that the  
5 Panhandle engineers will be looking at.

6                   COMMISSIONER GAW: Okay.

7                   MR. GLAESER: How much capacity could  
8 increase with what type of looping systems they put in.

9                   COMMISSIONER GAW: Well, I don't see how  
10 you -- from what you're telling me there's no  
11 possibility of getting four plants in that area.

12                  MR. GLAESER: That would be  
13 extraordinarily difficult.

14                  COMMISSIONER GAW: Okay. Now, I want to  
15 ask about that -- there was reference made to Monroe  
16 City municipal system --

17                  MR. GLAESER: Uh-huh.

18                  COMMISSIONER GAW: -- at some point in  
19 time. You all don't serve that particular --

20                  MR. GLAESER: No.

21                  COMMISSIONER GAW: -- area.

22                  MR. GLAESER: If you look at that  
23 particular system that's Monroe and Perry are two muni  
24 systems that have a lateral to go back to Panhandle's  
25 main lines.

1                   COMMISSIONER GAW: So they run into the  
2 same issue on Panhandle --

3                   MR. GLAESER: Same issue.

4                   COMMISSIONER GAW: -- I'm assuming.  
5 Right?

6                   MR. GLAESER: Yeah.

7                   COMMISSIONER GAW: Okay. Let me ask  
8 from Staff's prospective at this point whether you all  
9 have thought about any ideas to help with this issue of  
10 serving these additional -- the additional industrial  
11 sites that are out there? Is there -- and have been  
12 discussed here. Of course it could be there might be  
13 some other sites that had nothing to do with ethanol  
14 but were fairly significant in addition. What have you  
15 all looked at as possible solutions to those problems  
16 or those challenges?

17                  MR. SOMMERER: I have to say from an ACA  
18 standpoint those audits are backward looking. We were  
19 looking at reserve margins trying to figure out what is  
20 your capacity today and what is the maximum peak day  
21 they need. And you might take a look at these like  
22 growth assumptions and try and figure out what the  
23 appropriate reserve margin is. There's no IRP process  
24 on the gas side. There's no getting together of  
25 various players and trying to figure out whether with

1 the interstate pipeline has the capability of meeting  
2 large loads in Missouri. It just does not exist. Has  
3 not existed.

4 COMMISSIONER GAW: So the answer is you  
5 don't have any solutions that you thought of at this  
6 point in time?

7 MR. SOMMERER: I think this is a good  
8 process. I think it's an important process to bring in  
9 the LDCs. I think it's also think it's important to  
10 bring in the interstate pipelines to understand their  
11 perspective.

12 COMMISSIONER GAW: Commissioner Clayton  
13 and I agree with you on that point. This is not just a  
14 one-day process. We needed to hear what the story was  
15 from the LDCs perspective first to get a good idea of  
16 what you all believe the problem to be.

17 MR. BYRNE: Your Honor, just one thought  
18 I had -- and I don't know if this is helpful or not --  
19 you know this isn't -- it isn't just right -- this  
20 isn't just a recent phenomena. You know, I used to  
21 work for a gas pipeline and that's the story of the gas  
22 pipeline industry. That's why there's four Panhandle  
23 pipelines, because they built one and then --

24 COMMISSIONER GAW: Yes.

25 MR. BYRNE: -- there was unmet demand

3 COMMISSIONER GAW: Right.

8 COMMISSIONER GAW: Okay.

11 COMMISSIONER GAW: Okay. What -- is  
12 there something -- we're going to, I think, try to get  
13 Panhandle in here, at a minimum to discuss this  
14 question. But is there anything that has been done in  
15 the past with regard to this discussion that was  
16 helpful in moving along to some additional capacity?

21 COMMISSIONER GAW: Sure.

25 COMMISSIONER GAW: Mr. Sommerer, do you

1 have --

2 MR. SOMMERER: Yes. I do.

3 COMMISSIONER GAW: -- additions?

4 MR. SOMMERER: Look down in southwest  
5 Missouri, the Ozark trails expansion. I think the  
6 reason why that happened is, you have a coalition of  
7 people and pipelines I think start listen to --  
8 interstate pipelines when you have group of LDCs coming  
9 forward saying, Yes, we would entertain a capacity  
10 increase. That situation you had with Missouri Gas  
11 Energy, you had southern Missouri Gas Company, you had  
12 Empire District Electric. I'm sure you had Springfield  
13 looking at it, but those pipelines are looking at the  
14 total interest in building a line. And I think that's  
15 something that would be helpful again, in bringing on  
16 parties that have access to those constrained systems  
17 or who are in those regions rather than just looking at  
18 Atmos or looking at Ameren.

19 COMMISSIONER GAW: Well, and part of the  
20 problem, as I see it here, is that the LDCs can't  
21 guarantee, when we're talking about these larger  
22 industrials, that they're going to get the sales  
23 contracts on those customers, so they don't know  
24 necessarily whether they need the extra capacity  
25 sooner.

1                   But we know, stepping back away from it,  
2   that there could be a significant possibility of  
3   needing that capacity on that line for someone, whether  
4   it's the LDC or it's the transportation customer, and  
5   so it almost seems that we need to somehow get that  
6   potential transportation customers who might be a sales  
7   customer instead into this discussion. I'm not sure  
8   how easy that is to facilitate, if those entities are  
9   in any way competitors of one another.

10                  MR. FISCHER: Commissioner, I might just  
11   comment on the experience down in the southwest part of  
12   the state when you are talking about an expansion. One  
13   of the thorny problems is, it takes a large chunk of  
14   capacity commitments for a long period of time to get  
15   the interstate pipeline willing to build the upgrade.  
16   And that means someone is on the hook for a large  
17   amount of capacity that they don't need right now but  
18   they might be hoping to expand into a new area.

19                  COMMISSIONER GAW: Right.

20                  MR. FISCHER: But they don't have a  
21   certificate from the Commission, they may not have any  
22   load, but yet they're asked to commit significant  
23   dollars to enter into that. And then in the case of an  
24   LDC that's working with an ethanol plant, they don't  
25   have a commitment from the ethanol plant that it's

1 going to be in its territory for a specific period of  
2 time, so they have to make sure they can recover their  
3 investment from that plant if they make that kind of  
4 significant commitment to the interstate pipeline.

5 COMMISSIONER GAW: Now, I didn't quite  
6 understand that very last part of the comment. And let  
7 me tell you what part. When you say they don't know  
8 whether they're going to be in the area, what do you  
9 mean by that?

10 MR. FISCHER: This is a new industry and  
11 we don't have a large track record. We don't know if  
12 they'll be there for ten years, which could be the  
13 commitment of the capacity that would be required to  
14 get that interstate to upgrade the line.

15 COMMISSIONER GAW: You're saying that we  
16 don't know whether they'll be able to be successful?

17 MR. FISCHER: Correct. And also there  
18 can be a significant distribution line upgrade that's  
19 required to be made, which they could also have this  
20 stranded investment, so there's a lot of thorny issues.

21 MR. GLAESER: Commissioner, if I could  
22 add.

23 COMMISSIONER GAW: Please.

24 MR. GLAESER: One thing we've also seen  
25 is that one ethanol developer may have four or five or

1 six different sites he's trying to develop, with the  
2 intention of only building one plant.

3 COMMISSIONER GAW: Well, that would be  
4 true of a lot of different things. We need to  
5 understand a little better about what we're really  
6 dealing with in regard to these plants. So I just  
7 think it doesn't make sense for us to sit back and not  
8 have more inquiry here, when we know that there's a  
9 potential that it's going to cause us all a problem. I  
10 know everyone in here sees the need to ensure that we  
11 don't stop economic progress up in that area because we  
12 don't have access to natural gas capacity.

13 MR. FISCHER: Perhaps I could ask my  
14 client, Mark Martin, do you have anything to add to  
15 those comments that might be helpful in that regard?

16 MR. MARTIN: No, Jim.

17 MR. FISCHER: Okay. Thank you.

18 MS. SHEMWELL: Commissioner Gaw, I was  
19 contacted last week by a gentleman who arranges gas  
20 supply for ethanol plants. That's what his company  
21 does.

22 COMMISSIONER GAW: Okay.

23 MS. SHEMWELL: Certainly, we could  
24 contact him and see if he would have some idea of  
25 additional information the Commission could use or the

1 experience of his company, and that might be helpful.  
2 I could certainly call and ask. I'll check with him  
3 and see.

4 COMMISSIONER GAW: Okay. What I would  
5 think -- and Commissioner Clayton and I will want to  
6 visit about this. But I think we would try to schedule  
7 a follow-up to this and see if we can get Panhandle  
8 either by phone, or it would be nice if they would  
9 actually be here. But do you all think we ought to  
10 also be in touch with any of these other interstate  
11 pipelines in regard to what you see as potential -- a  
12 potential problem out there? Do we need to get in  
13 touch with the southeastern lines or anyone else?

14 MR. SCOTT: Texas Eastern is a major  
15 East Coast pipeline, so they don't have much focus in  
16 the Midwest or Missouri. So I doubt if you would get  
17 anybody from Texas Eastern to come. But NGPL is a more  
18 midwestern-based pipeline, so there's a potential NGPL  
19 will come.

20 COMMISSIONER GAW: Okay. Anybody else  
21 have any other suggestions?

22 If we have the ability to get some  
23 entities that have publicly made some pronouncements  
24 that they're constructing or contemplating construction  
25 of plant, we might want to inquire of them, and perhaps

1 we might inquire of some of the organizations that are  
2 supportive of those plants and have done a lot of work  
3 on trying to facilitate getting more plants in the  
4 state.

5                   And that -- I think those organizations  
6 we pretty well know. But if you all have any  
7 information that is public in regard to potential  
8 customers that you could share with us in the course of  
9 the coming days, that would be helpful as well.

10                   Commissioner Clayton, that's all the  
11 questions I have, I think, right now.

12                   COMMISSIONER CLAYTON: Are you sure  
13 that's all of your questions?

14                   COMMISSIONER GAW: No, but if you hurry,  
15 it will be.

16                   COMMISSIONER CLAYTON: Okay. Staff has  
17 had an opportunity to speak. Is there anything else  
18 that Staff wants to offer?

19                   Don't feel obligated. I just wanted to  
20 ask if anything needed to be clarified. No?

21                   Anything from Ameren or Atmos that wants  
22 to be added to the conversation?

23                   Office of Public Counsel, you've been  
24 sitting here quietly all afternoon. Do you have  
25 anything to add, anything of interest or concern?

1                   MR. POSTON: No, I do not. No. Just an  
2 interest in following along with what happens here.

3                   COMMISSIONER CLAYTON: Well, certainly  
4 if there are any suggestions from the Public Counsel,  
5 we'd appreciate hearing those as well.

6                   MR. POSTON: Okay.

7                   COMMISSIONER CLAYTON: I want to thank  
8 those who on the phone, especially, for calling in. I  
9 know it's not easy to follow along from long distance,  
10 but we thank you very much for your patience and  
11 offering the answers.

12                   Also, the folks from Ameren, thank you  
13 all very much for being here today. I appreciate you  
14 making yourselves available. And thanks Staff as well.

15                   I don't think we have anything else.  
16 This was fun presiding over a hearing. Maybe we'll do  
17 this again sometime. We'll go off the record.

18                   (WHEREUPON, the hearing was adjourned.)

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## CERTIFICATE OF REPORTER

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Lisa M. Banks, CCR

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