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In the Matter of Tariff Sheets Proposing Changes to the Purchased Gas Adjustment Clause of Union Electric Company, Doing Business as AmerenUE.	)	Case No. GT-2003-0302

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE.

SHEILA LUMPE,
CONNIE MURRAY,
STEVE GAW,
BRYAN FORBIS,
COMMISSIONERS.

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P R O C E E D I N G S

JUDGE THOMPSON: Good afternoon. We're here in the matter of Union Electric Company, doing business as AmerenUE'S filing of a revised tariff containing revisions to its purchased gas adjustment clause, Case No. GT-2003-0302.

Let's go ahead and take on the record entries of appearance. Why don't we begin with the company?

MR. BYRNE: Your Honor, I'm Thomas M. Byrne, representing Union Electric Company, doing business as AmerenUE. My address is 1901 Chouteau Avenue, St. Louis, Missouri 63103.

JUDGE THOMPSON: Thank you. Staff?

MR. SCHWARZ: Tim Schwarz, representing the Staff of the Commission. My address is P.O. Box 360, Jefferson City, Missouri 65102.

JUDGE THOMPSON: Public Counsel?

MR. MICHEEL: Douglas E. Micheel, appearing on behalf of the Office of the Public Counsel and the public, P.O. Box 7800, Jefferson City, Missouri 65102-7800.

JUDGE THOMPSON: Do we have counsel for anyone else here?

MR. FISCHER: Your Honor -- your Honor, I'm James M. Fischer. I represent three other LDCs in the 452 docket. We have not moved to intervene in this docket, but because the issues are similar, I'd like to be here to observe today. So I represent Atmos, Southern Missouri Gas Company and Fidelity Natural Gas in that GO-2002-452.

JUDGE THOMPSON: Thank you, Mr. Fischer. Anyone else?

(No response.)

JUDGE THOMPSON: Staff, do you have anything you want to tell us about these tariff changes? Or perhaps I'm directing the question to the wrong party. Who wants to start off?

MR. SCHWARZ: I will.

JUDGE THOMPSON: Thank you.

MR. SCHWARZ: If I might. Last year the Commission established a generic docket to examine the PGA/ACA process -- that's purchased gas adjustment/actual cost adjustment process -- by which LDCs purchase gas and then recover those costs from their customers.

The parties met a number of times -- the parties being the Staff, the Office of the Public Counsel and all of the LDCs in Missouri, participated in that docket, and met a number of times, had a number of discussions, filed some -- from time to time the Staff filed status reports indicating the nature of the discussions, what we had -- the parties had agreed on, what we hadn't agreed on, and indicating that the changes that had been agreed upon, each company would be making individual tariff filings to realize those agreed-upon changes.

Now, the changes that were agreed upon in Case GO-2002-452 were administrative changes. That is, there were agreed-upon tweaks or changes to the administrative process by which the PGA rates and the ACA calculations and audits were conducted, intended to make the process more efficient and time effective from the perspective of both LDCs and the Commission.

I think that AmerenUE's tariff is probably the first one that has been filed to put into effect these administrative changes designed to improve the process. I think Staff filed yesterday a list of the changes to the administrative processes that are contained in the tariff filings, and also I think they're set out in a somewhat different format in Staff's memorandum supporting it.

I think that it bears note that Ameren had already changed its tariff to reflect two changes that had been recommended in the generic docket; that is, the four-times-per-year PGA filings and the interest rate the parties had agreed upon.

I think that it's also important to note with respect to the generic docket that the things the parties -- the issues that the parties discussed that there was no agreement on were, in fact, policy-type issues; that is, what should be the content and format and timing of gas supply plans, what should -- what function should the gas supply plan form, being the principal one, but there were others. But those kind of things are not anything that the Commission will be seeing in the tariffs which will be filed by the LDCs shortly.

The generic docket also referenced a couple of rulemakings, one of which is already under process. That's the generic hedging rule, and I can't remember the docket number. It's AX something or other that Bob Berlin addressed with the Commission, I think, last week and which should be put in the Secretary of State format in the next week or so, depending on the intermediate case loads.

The other thing that we would anticipate at some stage of rulemaking would be some sort of gas supply plan type of rule. And I would expect that that would be very much a give and take. That is, I don't believe that Staff and the Public Counsel and the LDCs will work out an agreement on that. I think at some stage Staff is likely to put together a draft and propose it and see where we go from that. I have no idea what the timetable on that will be, given Staff's other current projects and projects like the recent Southern Union/Panhandle, things that drop out of the air on us from time to time.

So I think that the changes that are reflected in Ameren's tariff filing are administrative in nature, as opposed to some change in policy or anything of that nature. I think that you may see additional rulemaking sometime in the future on gas supply plans, and I think that we certainly have people here today to answer any questions the Commissioners might have on the specific changes made in Ameren's tariffs. And we can answer questions on the generic docket as well.

And with that, I would ask the Commission to consider the views of the other parties who are here today.

JUDGE THOMPSON: Thank you, Mr. Schwarz. Before you step down, are there any questions from the Bench for Mr. Schwarz?

Commissioner Lumpe?

COMMISSIONER LUMPE: Mr. Schwarz, you said two have already been approved, two items, the four times a year and what was the other one?

MR. SCHWARZ: The over- or underrecovery balances will bear interest at the prime interest rate minus 2 percent, and those --

COMMISSIONER LUMPE: Not below zero?

MR. SCHWARZ: Not below zero.

COMMISSIONER LUMPE: Okay. That I wanted to know. And then you mentioned two other rules, I think you said, that might be policy. Was one the cold weather rule?

MR. SCHWARZ: The cold weather rule reporting requirement was not something that was discussed in the generic docket. That is --

COMMISSIONER LUMPE: What were the two policy --

MR. SCHWARZ: The first one was the generic hedging, which I think Bob Berlin talked to you about last week.

COMMISSIONER LUMPE: Okay.

MR. SCHWARZ: And the other will be --

COMMISSIONER LUMPE: I thought he talked to us about the cold weather rule, but --

MR. SCHWARZ: You're right. You're right. I'm sorry.

COMMISSIONER LUMPE: Mr. Wood says he talked to us about the generic. And the other one was the gas supply?

MR. SCHWARZ: Gas supply plan and, frankly, Staff hasn't gathered its own thoughts on the subject yet. I would anticipate that we would do so in the next several months.

COMMISSIONER LUMPE: Now, you implied also that perhaps sometime a rule might be in order, if you wanted all the companies to adopt all of these non-policy issues; is that correct?

MR. SCHWARZ: I think that they -- I think that they plan to do so voluntarily. I mean, our understanding was that -- and I think Staff has received draft --

COMMISSIONER LUMPE: All of these things that have been agreed to, are -- we're going to find them in --

MR. SCHWARZ: Tariff filings.

COMMISSIONER LUMPE: -- tariff filings at some point in time?

MR. SCHWARZ: That's correct.

COMMISSIONER LUMPE: Okay. What if -- and there were a couple of items, I think you said, that not everybody agreed to?

MR. SCHWARZ: Uh-huh.

COMMISSIONER LUMPE: Could those companies that might have agreed to one of those things opt into that also?

MR. SCHWARZ: I'm sorry. I don't --

COMMISSIONER LUMPE: Well, if there were two items that were not agreed to.

MR. SCHWARZ: Yes.

COMMISSIONER LUMPE: Let's say Company X did agree to it and wanted to adopt that. Could they do that?

MR. SCHWARZ: Absolutely.

COMMISSIONER LUMPE: So it doesn't prohibit a company -- even though there was not full agreement on a couple of items, it does not prohibit a company from opting into that particular item, if they so chose?

MR. SCHWARZ: That's correct.

COMMISSIONER LUMPE: Okay. Okay. I have some just clarifying questions, but I don't know whether I should ask them to you now or wait 'til later.

MR. SCHWARZ: Find someone better qualified to answer perhaps.

COMMISSIONER LUMPE: Thank you.

JUDGE THOMPSON: Thank you. Commissioner Gaw?

COMMISSIONER GAW: I'm going to wait, please. Thank you.

JUDGE THOMPSON: Okay. Thank you, Mr. Schwarz.

Mr. Byrne?

MR. BYRNE: Thank you, your Honor. May it please the Commission? My name is Tom Byrne. I'm an attorney for AmerenUE, and we're pleased to be here this afternoon to talk about our filing with you. I've brought with me some experts, some people who know more than me about the details of the PGA calculations.

Specifically I have Wil Cooper and Dan Danahy from our rate engineering department, and they are familiar with the specifics of all the changes to the tariff language and exactly what that means to each calculation, if you have questions about that. In addition, Scott Glaeser, who is our manager of gas supply, is here. So if you have any questions about our gas supply function or our hedging strategies, Scott is the person that can answer those questions.

I agree with just about everything Mr. Schwarz said. This filing was a result of a number of meetings between the industry and the Staff and the Office of the Public Counsel that have taken place over about a year in the generic docket. Based on these meetings, all of the parties agreed to certain things that would sort of restructure the PGA calculations.

I guess the way I look at it is, the things we all agreed on are things that streamline the calculations and simplify the calculations. I don't think there -- as Mr. Schwarz said, I don't think there are significant policy change items that were agreed to by the parties. Instead, they're designed just to make the PGA calculations and their filings more efficient and more simple.

Specifically, the summary that was provided by the Staff in their memorandum recommending approval of the changes is very good. It's about two pages long, and there are probably, I think, seven items listed in there, so there's a brief explanation of each one of the changes in that recommendation. So if you --

JUDGE THOMPSON: Excuse me, Mr. Byrne.

MR. BYRNE: Yes, sir?

JUDGE THOMPSON: Just so the record will be clear, is that recommendation, was that filed in this case or was that filed in the generic case?

MR. BYRNE: It was filed in this case.

JUDGE THOMPSON: In this case. And that is the Staff recommendation filed with respect to your proposed tariff sheets?

MR. BYRNE: Yes.

JUDGE THOMPSON: Thank you very much. Please continue.

MR. BYRNE: Yes. And, you know, it is specific to this case, and that's important because the changes that we made in this case are less broad than the items that were discussed in the -- there were other items that were discussed in the generic docket that, as Mr. Schwarz said, will probably manifest themselves in rulemaking proceedings or other proceedings in the future.

So anyway, if you have any questions, we'll be happy to answer them, about any of those items.

JUDGE THOMPSON: Thank you, Mr. Byrne.

Questions from the Bench for Mr. Byrne? Commissioner Lumpe?

COMMISSIONER LUMPE: I think I'll wait, because what I want are some explanations.
JUDGE THOMPSON: Very well. Commissioner Gaw?
COMMISSIONER GAW: I will do the same thing.
JUDGE THOMPSON: You may step down. Thank you, Mr. Byrne.
Office of the Public Counsel, Mr. Micheel?
MR. MICHEEL: May it please the Commission? I noted in the Order setting this that you-all hadn't heard from us. I guess silence is assent for us in this case. Everything these gentlemen who've talked before us have said we agree with. These are minor changes that should streamline the ACA/PGA process. We support them. I don't think they're very controversial at all, and I would ask that you approve them.
JUDGE THOMPSON: Thank you, Mr. Micheel.
Any questions?
MR. MICHEEL: I'm the only one to answer questions for Public Counsel, so if you have them, just ask me.
JUDGE THOMPSON: Thank you.
Well, Mr. Schwarz, who's your chief expert?
MR. SCHWARZ: Well, I would suggest that Mr. Wood would be -- if you have questions about the generic docket, they should probably be addressed to him. If --

Staff did a filing yesterday which we, for lack of a better term, called a prehearing explanatory filing. On the attachment, the first three items, if you have questions about those, would probably be best addressed to David Sommerer. If you have questions on the last four items, those could be addressed to Tom Imhoff, who are present here this afternoon.

JUDGE THOMPSON: Very well. Mr. Sommerer, please state your name for the reporter and spell your last name, if you would.

MR. SOMMERER: Should I remain standing or --

JUDGE THOMPSON: Either way.

MR. SOMMERER: My name is David Sommerer. I work for the Missouri Public Service Commission.

JUDGE THOMPSON: Go ahead and spell the last name.

MR. SOMMERER: S-o-m-m-e-r-e-r.

JUDGE THOMPSON: Thank you, Mr. Sommerer. Raise your right hand.

(Witness sworn.)

JUDGE THOMPSON: Thank you very much.

Questions from the Bench for Mr. Sommerer. Commissioner Lumpe?

DAVID SOMMERER testified as follows:

QUESTIONS BY COMMISSIONER LUMPE:

Q. Mr. Sommerer, I'm looking at the memorandum that I think Staff put out in this case, I think, and you itemize first, second, third, fourth, fifth.
Do you have that memo? I think it also follows the document that you put out about changes.
A. I have the change document.
Q. Okay. All right. I think we can work from that, then. The document that I have here, it says, First the proposed revisions will modify the computations of over- or underrecovery gas costs, and then it talks about the DCCB, the deferred carrying cost balance approach, which is being eliminated; is that correct?
A. That's correct.
Q. And a new accounting methodology, what you're calling the ACA, the actual cost adjustment account methodology. Could you explain to me the difference between the DCCB and the ACA, the difference that you're going to do?
A. Yes. Both methods apply to the way that you will calculate carrying cost for the purchased gas adjustment clause. So it's really --
Q. When you say carrying cost, is that interest, or what is the carrying cost?
A. Yes, the carrying cost is interest on any under- or overrecovery of gas cost.

Q. Okay.

A. So it's really not a change in methodology of how cost will be passed through or what a gas cost is defined as. It's not a major structural change. It's more related to the fact that there are a couple -- perhaps more than a couple of different ways to calculate interest on the actual cost adjustment balance.

The deferred carrying cost approach was something that was developed back in 1997, and it really doesn't have any precedent. It was developed because there was some concern when the Commission approved fewer PGA filings. Rather than the monthly PGAs, we went to two or three per year.

And the general concern was, if you can't track gas cost on a monthly basis, there is a potential of getting far afield from whatever the actual ultimate cost of gas is.

And so the companies negotiated a new process, put the label on it deferred carrying cost balance method, and that method simply compares whatever the PGA rate is in effect for a particular month versus a derived actual gas cost rate, and it takes that difference and compares it to billed sales.

So it's a mathematical calculation that takes a unit rate difference, the PGA rate that's charged to the customer on a month-by-month basis versus what you're paying the producer or gas supplies for gas cost, but that has to be unitized because the PGA rate is on a unit basis, the gas cost has to be made on a unit basis. And that's applied to billed sales to come up with a balance.

Q. Is that a more complicated mathematical formula than the one you're proposing now?

A. I think the one that's being proposed now is more straightforward because it simply refers to the ACA balance, which is natural gas expense versus natural gas recoveries. So you're dealing with dollars, gross dollars on one hand, actual gas cost invoices versus what did the company recover through its purchased gas adjustment process from the customer on a monthly basis.

So really the difference between the two, one's more of an artificial, derived mathematical calculation that's trying to address part of this difference between actual gas cost and revenue recoveries, and the other one really looks at the whole account and applies interest in that fashion.

Q. And is that part of this, quote, streamlining or is this part of that?

A. That's correct.

Q. Okay. And then in the second box where you say, in the DCCB approach, that just says, see above, and that's what you've explained to us, correct?

A. Yes.

Q. All right. Would you explain to me the rollover end of year ACA, what is the difference there?

A. The rollover end of year ACA is really part and parcel of the ACA approach that we just discussed, and it might even make more sense to have put it as a subsection under the ACA approach.

When you're looking at calculating interest, there's a question about whether you're going to continue to compound that interest on a balance and carry forward that balance from year to year or whether you're just going to stop it at the end of the ACA period.

So to give you an example, an ACA balance will either be an undercollection or an underrecovery or an overrecovery. So an overrecovery, the company would owe the customer and you would develop an ACA factor based upon that. An underrecovery, the customer would owe the company and they'd develop a positive ACA factor based upon that.

If the underrecovery is $100,000, for example, that's the ending ACA balance, you have a choice of stopping interest at that point and just accruing all the interest that happened during the period but not continuing to add on interest as you wait for that $100,000 to be given back to the customer.

Q. I see.

A. Or the other choice, obviously, is you can continue to accrue interest in Year 2 as you're trying to give that money back to the customer, continue paying interest on that $100,000.

Q. And that's what that means, you would continue to pay interest on that balance; is that correct?

A. That's correct.

Q. All right. And then you have the elimination of interest threshold. What does that mean?

A. That's an area -- I could talk about it, but it's probably best referred to the other Staff witness --

Q. Okay.

A. -- in this case.

Q. This is where your -- you stop and the other --

A. Yes.

Q. -- and Mr. Imhoff comes up?

Okay. Thank you very much, Mr. Sommerer.

A. You're welcome.

JUDGE THOMPSON: Commissioner Gaw?

COMMISSIONER GAW: Why don't we go on and then if I want to come back to that, maybe I can have him come back up. I want to hear a little bit more before I start asking questions.

JUDGE THOMPSON: Yes, you may. You may step down.

Mr. Imhoff?

If counsel at some point wants to interject a question, indicate that you'd like to do so.

Please state your name and spell it for the reporter, if you would.

MR. IMHOFF: Okay. My name is Thomas Imhoff, I-m-h-o-f-f.

JUDGE THOMPSON: Please raise your right hand.

(Witness sworn.)

JUDGE THOMPSON: Thank you.

Commissioner Lumpe?

THOMAS IMHOFF testified as follows:

QUESTIONS BY COMMISSIONER LUMPE:

Q. Mr. Imhoff, I'm asking the question about the elimination of the interest threshold. You have this document. Okay?

A. Yes.

Q. Can you explain to me what that means, the elimination of threshold?

A. Basically what that does is that eliminates the 5 or 10 percent dead band, so to speak. Whether you undercollect or overcollect on your gas costs, there is a certain level where there's no interest calculated on that.

This will effectively eliminate that band.

Q. So who would be collecting interest on all of it?

A. On the first dollars over or --

Q. On the first dollar.

A. -- or undercollecting?

Q. And did we have some tariffs that had, say, 5 percent and some had 10 percent and that sort of thing?

A. Yes.

Q. And this just sort of cuts that out and streamlines it that it's on the first dollar?

A. Yes.

Q. Okay. Thank you. I think I understand the pipeline refund issue.

The next one that you talk about is the tariff in lieu of cap, and I'm not sure what that means, but -- because at the end it says that it includes more relevant factors directly related to their current applicable gas resources. And I'm not sure what those relevant factors might be.

A. Okay. Currently the way the current PGA tariffs are set up, when they do a calculation of their interim PGA rate, they would -- they would look at either the highest of the weighted average cost of the three most recent ACA periods or whatever the current NYMEX strip price would be and --

Q. That's what you're eliminating --

A. Yes.

Q. -- correct?

A. Yes.

Q. So you're going to more relevant factors, and that's what I want to know, what are those more relevant factors?

A. Okay. Those are now when they take into consideration their calculation of their current -- of their interim PGA tariff, they will take items such as hedging costs, storage, fixed price contracts; whereas, now in the current process, they do not have to include those in the calculation.

Q. I see. So those would be the relevant factors?

A. Yes.

Q. Hedging?

A. Yes.

Q. The storage, fixed price contracts, those sorts of things?

A. That is correct. What that will do is that will more closely reflect what their actual gas costs are because that's what they're using to purchase their gas.

Q. Instead of using some strip or some NYMEX or something?

A. Yes.

COMMISSIONER LUMPE: All right. I think I think I understand the last one there, too.

Okay. Thank you, Mr. Imhoff.

THE WITNESS: Thank you.

JUDGE THOMPSON: Commissioner Gaw?

COMMISSIONER GAW: I'm going to wait.

JUDGE THOMPSON: Thank you, sir.

Commissioner Forbis?

You may step down, Mr. Imhoff.

COMMISSIONER LUMPE: Did the company or the Public Counsel have anything that they would disagree with those explanations?

MR. BYRNE: No, your Honor.

MR. MICHEEL: No, your Honor.

COMMISSIONER LUMPE: Thank you.

COMMISSIONER GAW: I don't care who answers these questions, unless we get -- but I don't know if we -- if we get to a point where it gets difficult to transcribe it, you guys just stop me if I get to that point.

If I could go back with the Staff for a moment to those that have been sworn in, let me start back here on the refund issue on the pipeline refunds.

Can you give me an idea about whether or not the individual consumers who will have -- will have paid the price that's being refunded, the amount that's being refunded, will they be the same ones that will benefit from the adjustment in this process with the ACA/PGA divisions or will we have -- will we have some who may get benefits who didn't actually pay it and others who don't who did?

It might be Public Counsel wants to hit on that. Whoever wants to go first, please just make sure that the court reporter knows who's --

JUDGE THOMPSON: Mr. Imhoff?

MR. IMHOFF: Okay. The way the Staff looks at the pipeline refund issue is that these refunds are through -- will actually come through the PGA process, the same customers that have paid for that transportation service, and when there is a refund that's coming back, should go back to the same customers of the company or the same customers who paid that.

COMMISSIONER GAW: Let me ask you the question differently. Will the same individuals get the same benefit through this change as they would have under the system that you had to deal with refunds in the past?

MR. IMHOFF: Yes.

COMMISSIONER GAW: I apologize for dwelling on this, but I'm trying -- because I haven't dealt with many of these refund cases, I need a little bit additional guidance when I'm asking these questions, but I'm mainly concerned about a different time frame that may or may not be possible that is -- that we're dealing with on the refund than what we're dealing with on the ACA/PGA process.

MR. MICHEEL: Could I weigh in?

COMMISSIONER GAW: Yes, please.

MR. MICHEEL: I think currently what we have is we have threshold levels. So until the company gets up -- and I'm not certain what Ameren's threshold level now is. Until it gets a million dollars, the refund doesn't come back through. So you're going to have customers that are going to leave the system in the interim, and this system never was designed to track each specific customer.

But to the extent that you've gotten rid of the threshold and eliminated that, the tracking back to customers is going to be better under this system than it was under the old system, because chances are you're going to have less customers leaving and it's going to be returned quicker.

COMMISSIONER GAW: Because it comes back sooner without the threshold?

MR. MICHEEL: Yes, because it comes back sooner without the threshold. But to your question, are we certain that it goes to Customer A who's been on the system or not.

COMMISSIONER GAW: That question's a little unfair. I'm really more interested in knowing how the change between what we were doing compared to what -- what this -- this will do. So you've answered that, I think. There's a -- does this ever apply to -- I mean, I'm thinking of the refund cases that may have been pending from long periods of time that then suddenly and finally are resolved, and those time frames that we're dealing with may have already been dealt with in the ACA/PGA process.

That's the scenario that I was -- that I'm troubled by and don't know the answer to.

Mr. Schwarz?

MR. SCHWARZ: If I might, the pipeline refunds basically result from action at the Federal Energy Regulatory Commission. And as you know, those can stretch out, well, for decades. In the case of the ad volarum refund, for instance, the first round of refunds came to Missouri ratepayers, if memory serves, in '95 or '96. Now, those refunds were for the period '88 through '93. The refunds for the period '83 through '88 are set for hearing at the FERC in August.

So -- and the Commission currently has on appeal at the DC circuit a determination by the FERC of the initial rates of Kansas Pipeline Company. I think that the most we can hope for there is it will be remanded to the

FERC for additional -- it's already been remanded once. It will be remanded again. Additional activity at the FERC will take two or three years, and if you're successful, then there will be a refund for the '97 through '99 period, perhaps, for our grandchildren to enjoy.

COMMISSIONER GAW: Mr. Schwarz, you're hitting the topic that I was really trying to get to. So I guess my question is -- and I don't know that it would ever apply here in this case, but if you did have a scenario like that, does this new system dealing with passing this through the ACA/PGA process, is it as good as what you would normally do if this -- if this particular process weren't adopted in this tariff?

MR. SCHWARZ: I believe it is. I mean, it will --

COMMISSIONER GAW: If you could just track through the difference in how it would work just briefly so I can conceptualize it.

MR. SCHWARZ: Well, this particular change eliminates the need for the local distribution company to accumulate a large corpus of funds before it makes any refunds.

COMMISSIONER GAW: I understand that concept, but what I'm after is, walk me through the process -- the process if this were not -- if this tariff weren't in effect, the way you would have normally handled the refund in a case that is sort of ancient and this one, and this after it were adopted, so I'll understand how the money flows.

MR. SCHWARZ: Well, if -- if a -- an LDC got a -- received a refund from a pipeline of, say, $50,000 because the pipeline had miscalculated its lost and unaccounted for gas factor, so the LDC receives that $50,000, the current PGA tariff says, LDC, until such time as you accumulate $100,000 in the refund account, don't send any money back to the customers. This proposition eliminates that.

COMMISSIONER GAW: I understand that. What I'm after is, is there any other difference?

MR. SCHWARZ: No.

COMMISSIONER GAW: That's what I'm after.

MR. SCHWARZ: No, there is no other difference.

MR. BYRNE: Your Honor, if I could just weigh in with one fact that might be relevant. I'm told that the pipeline refunds are normally a very small component. You know, that doesn't make the problem any better, but at least there's less money involved. I'm told it's typically between 1 and 3 percent of the gas cost.

COMMISSIONER GAW: And I'm just trying to understand mainly that there's no other distinction here, and I apologize for dwelling on it so long.

Let me go to the -- and, again, this is a question so I understand this a little better. On the interest issue, the system that currently is in effect before this tariff, the -- the assessment of that interest in a period, how -- when is that interest assessed? Is it done at the end of the period when you're working on these balances? What time frames are you looking at when you assess that interest? Is it daily, is it monthly?

That's -- I'm just looking for a little education.

MR. BYRNE: Mr. Danahy could answer that if you'd like to swear him in.

COMMISSIONER GAW: We might do that. Mr. Sommerer is up on the stand.

MR. BYRNE: I'm sorry.

DAVID SOMMERER testified as follows:

MR. SOMMERER: Was your question with regard to the old DCCB process?

QUESTIONS BY COMMISSIONER GAW:

Q. Just walk me through how the interest calculation is done, and I understand the distinction you've drawn about the balance threshold factor, but walk me through how it works when you make the calculation.

A. Yes, the calculation is done on a monthly basis. It's a calculation that you'll see where the tariff terms are applied to a spreadsheet and you will be comparing the PGA rate versus an actual gas cost rate. So, for example, let's say the PGA rate was $7 an MCF and the actual gas cost was $6 an MCF. So the company, in essence, would be overrecovering. The PGA factor was greater than what it really needed to be to recover gas costs.

That $1 is applied for that particular month to the billed sales for that same month. So this is a monthly calculation. And an interest factor is then applied to that -- that difference, that under- or overrecovery on a monthly basis.

And the current approach does have a 5 percent or 10 percent threshold. So that calculation goes in there. To the extent on a cumulative basis you haven't beat that threshold, there won't be any interest applied, but the interest is simply assuming that we've exceeded that threshold. It's added up for all 12 months, and if you're in an underrecovery situation, then the company would be owed interest.

That interest, let's say it's $10,000, would be added as a line item to the ACA, the overall ACA filing. It simply becomes analogous to another gas cost. It's almost like you had another gas invoice for that ACA period.

So while your ACA factor may have been a positive 10 cents per MCF, because you had an overall underrecovery, now it's 11 cents, because you've got one penny of interest that you're adding on to your reconciliation.

That's the way the process currently works.

Q. Okay. In the -- since that's done monthly, you're just looking at change, the difference in the price every month as a new month, really, isn't it, and then multiplying that times the volume of use? Every month is a new month?

A. That's correct.

Q. And that process doesn't change with this tariff, other than the threshold issue that you raised.

A. Actually, the process does change.

Q. Explain that to me.

A. It becomes, in my opinion, more comprehensive because the DCCB process, as I just described it, is really a subset of the entire ACA account. If you take the unit rate times the billed sales, you may not be capturing part of the ACA account balance. And the reason why you're not capturing it is the billed sales are, for a particular month, whatever's billed to the customer, but what you're -- you're paying the producer is -- on a calendar month basis, it's for the gas that you've actually consumed for that month. So there's a timing difference and the volumes will not be the same.

The volumes that you pay before for the month of January to the producer will not equal and will never equal what you bill the customer for the month of January.

Q. All right. I understand that concept in general terms. Give me some specifics about how that -- how that works, so that -- so that the difference is a little clearer for me.

A. Okay. If, for example, we look at the month of January and January is relatively cold and you're paying the producer a million dollars for the gas invoice, under the ACA account, if you want to know what's in the ACA account as the ultimate balance, you would make a comparison between that million dollars versus the revenue recovery that you got from the customer for the billing month of January, and those two things are apples and oranges.

The billing month of January will include some December usage because of the lags involved in billing out 30 days worth of usage for the customer. And the reason why these two concepts are different is the DCCB really tries to ignore that difference. It mathematically takes it out, because it compares the unit rates and then multiplies it times the same variable, billed sales, to gross it up to a dollar number in order to calculate the interest. So you capture a rate difference or a rate variance but you're really not capturing the volume variance.

So the ACA account captures everything, captures the difference between the invoiced cost of gas and the billed revenues, and the reason why you have differences is because of volume difference or because of a rate difference. The DCCB process will really only capture that rate difference.

Q. And how does the ACA process calculate -- capture the volume difference?

A. It is looking at dollars, which is the end result of the ACA process of when you've quantified the dollars, you've automatically considered the volumes and the rate differences between the two comparisons.

Q. Now, let me ask you this: If the -- if the -- if the company has storage ability and has paid to put gas that month in storage, what happens then with the calculation?

A. Right. That calculation, in terms of the DCCB process, affects how you will derive the unit gas cost rate. Remember that we're making a comparison between whatever the effective PGA rate factor is for the particular month versus January, and so if you do have storage, that's typically at a cheaper cost.

And so going through an example, if our PGA rate again is, let's say, $7 an MCF, that won't change whether you have storage or you don't have storage. But your unit actual gas cost factor will be affected by storage potentially in the calculation, because you'll have a piece of the gas cost weighted by the cheaper summer price for storage and a piece of it at the current price.

Q. And I apologize for interrupting, but what I'm really after here is to understand whether that makes any difference on the volume from the producer and the volume used if I'm -- if I don't sell all that I bring in --

A. Right.

Q. -- but I put it -- and I know that's sort of counterintuitive to suggest that you'd be doing that in January, but if I put that gas in storage and didn't use it in January, how does this new process deal with the fact that I've acquired considerable volume but I may not have sold that significant of a volume?

And it may not be a question that makes any sense, so if it isn't, please tell me.

A. I think I can understand it. I'll try.

Q. Okay.

A. The ACA accounting process already has to consider the impact of storage when you derive a monthly expense, and that's something that's not going to change. The company will still have storage and it still will need to account for storage in a consistent manner, the way it does currently. And the way that works is, since the customer isn't using the gas when it's purchased in the summertime, it's not reflected in expense.

Q. Okay.

A. It's only reflected as an expense when the customer uses the gas. And so for the month of June, for example, you may have a very large gas invoice, but that will be deferred. In essence, it will not show up or be recognized as an expense until that gas is consumed during the winter. So it's really a timing difference.

Q. Well, and the timing differences I'm trying to make sure that that -- that the interest calculation is -- is not based upon the intake in that month that's not used, compared to what's -- what's actually being used in this new calculation.

A. Right. And my understanding of the calculation is the customer is not paying for the interest cost that's associated with buying that gas for storage injections during the course of summer through this process. To be complete, they are paying for the carrying costs in the rate case, because the company is out of cash working capital, because it's required.

Q. And I'm not so concerned about that right now. I'm just trying to understand the over- and underrecovering issue, if it's done month by month, and you're going to a process where you're taking into account volumes from the producer and then volumes that are actually being used. It just seems to beg the question about what happens with -- with gas that's brought in but not actually used, such as that that might be put in storage.

That's the reason I was asking the question.

A. Right.

Q. You're telling me that that is -- that that does not cause there to be added weight on the side of -- of the calculation that would result in more interest being paid because of that volume placed in storage?

A. Not in my opinion, no.

Q. Is there room for any debate on it?

A. I don't think so. I mean, you could ask Ameren.

COMMISSIONER GAW: Let me ask.

MR. BYRNE: We agree with Mr. Sommerer.

COMMISSIONER GAW: That's good. Thank you, that makes it easy.

BY COMMISSIONER GAW:

Q. Can you go back to the rollover for a moment?

I can't remember if this was yours or not, Mr. Sommerer.

A. Yes, it's mine.

Q. And if you wouldn't mind, just briefly explain it in your own words again. I've got this in front of me.

A. Yes. The rollover of the end of year ACA has to do with a choice that you have on whether or not you're going to accrue or add interest to the ending balance of the ACA account. At the end of any ACA period, you'll either have an underrecovery or an overrecovery. And clearly there will be interest that's applicable during the time frame.

As we've discussed, on a month-to-month basis you will be calculating that interest and you'll have interest that's due to the customer or needs to be paid by the customer at the end of the ACA period.

Q. Let me stop you again for a moment.

A. Yes.

Q. I get through January, then I get into February if I'm -- in January I had an overrecovery, February I had an underrecovery. Do those continue to hold their place 'til the end of the year and the calculations continue to be within that month, or do you start rolling over from month to month in any way until you get to the end of the year?

A. My understanding is, is that the interest is on the -- it impacts the calculation on a monthly basis, but it's made on a cumulative balance. So that if you have, let's say, in January an underrecovery, that would be a situation that the customer owes the company interest. If you have an overrecovery in the next month, if that overrecovery is large enough to get rid of the previous underrecovery, you would have no more impact from the month of January. But it's the cumulative totals that ultimately will have a bearing on the total interest calculation.

Q. Okay. Okay. I think I'm following you. So in other words, if you got to the end of the year and each month -- let's say each month alternated back and forth; January you had an underrecovery, February you had an overrecovery, and that kept happening all the way through for 12 months. And I'm not sure if we're on a calendar year or not, but let's assume we are. And the amount was exactly the same each time of under- and overrecovery. I get to the end of the year, what amount of interest do I have?

A. I think to the extent that you haven't had any interest accruals for any of those months, obviously you have zero at the end of the process.

Q. The calculation for January, I had some. February, then, it would -- it would go the opposite direction. So I assume at the end of the year what you're saying would be correct, there would not be any interest that would be paid or owed to the company or to the consumer?

A. If I understand your question correctly, I believe I agree with that.

Q. Now go ahead with the rollover explanation, if you would, Mr. Sommerer. I'm sorry to interrupt.

A. Okay. That's all right. The rollover question is really a choice between whether or not you want to continue calculating interest on the ending balance of the ACA account or cut off the interest calculation at the end of the ACA period. And for any ACA period, you can either have an under- or overrecovery. So let's assume it's $100,000 overrecovery. It's going to take a certain amount of time to get that $100,000, if it's an overrecovery, back to the customer. It's like a small refund.

The way the ACA works is, that's given back to the customer over 12 months. A rate is developed and it's given over the subsequent 12 months. You could calculate interest based on the fact that that $100,000 isn't immediately going back to the customer on Day 1. And, in fact, that's what's being suggested here. An alternative to that, and it's more analogous to the way the old DCCB process worked is, you ignore what happens after the end of the ACA period.

Q. You ignore it and what happens then? What does that mean when you ignore it?

A. Well, you do not accrue any additional interest on $100,000.

Q. Okay. And this tariff, though, would provide for interest continuing to accrue until it's paid out?

A. That's correct.

Q. Do you net over into the next year with this rollover? If you had an overrecovery for Year 1, but an underrecovery for Year 2, do you net over that interest as well, like you were doing on the month-to-month scenario earlier?

A. Yes, it's continually rolled forward.

Q. Until it's paid?

A. That's correct.

Q. Okay. By the way, I should -- is it true that these -- these years are done on a calendar or is there another --

A. The ACA periods are usually based on a fiscal type of period. So it will vary.

Q. Because it varies by company?

A. That's correct.

Q. Once they're on a particular cycle, do they -- do companies stay on that cycle?

A. Generally speaking, yes, unless they file a tariff change to get Commission approval to change the ACA year.

MR. BYRNE: Your Honor, Ameren's ACA year runs through August 31st.

COMMISSIONER GAW: Thank you very much.

And I'll ask you while I'm at it, is there anything you just heard that Ameren disagrees with?

MR. BYRNE: There might be a minor disagreement on the example where you overrecover one month and underrecover the same amount the next month. Let me find out.

COMMISSIONER GAW: Go ahead and I'll wait.

MR. BYRNE: Your Honor?

COMMISSIONER GAW: Yes.

MR. BYRNE: I think I figured it out. If, in your example, you had a balance going only in January and then an equal balance going the other way in February, it would not completely offset it, because you would still be entitled to the interest on the January balance. That's our only disagreement.

COMMISSIONER GAW: So the amount of interest accruing because it's older would have been more?

MR. BYRNE: Right.

COMMISSIONER GAW: And that would be true all the way flowing through to the end of the year --

MR. BYRNE: Correct.

COMMISSIONER GAW: -- I would assume.

BY COMMISSIONER GAW:

Q. Mr. Sommerer, do you agree with that?

A. Yes.

Q. With that statement?

A. Yes.

Q. I think that that helps clear that up a little bit. And is that -- what's a little unclear to me, though, in that explanation is, just so I understand, the interest for the month is calculated at the end of that month as though it's a unit of time. Is that -- is that accurate?

MR. BYRNE: It's the average, it's calculated on the average of the beginning and the ending balance for the month, at the end of the month.

COMMISSIONER GAW: Ending balance for the month at the end of the month. And does the beginning balance include the previous month's ending balance?

MR. BYRNE: I'm getting in over my head.

COMMISSIONER GAW: The question's over my head.

BY COMMISSIONER GAW:

Q. So that's two of us, if someone wants to address that. Mr. Sommerer?

A. Yes, the ending balance for the previous month would become the beginning balance for the next month.

Q. And does that include or exclude the interest from the previous month?

A. It will include the interest from the previous month.

Q. So are we getting compound interest on that calculation?
A. That's my understanding, yes.
Q. Okay.
MR. BYRNE: We agree.
JUDGE THOMPSON: I was just going to say that I'm going to swear Mr. Byrne if he keeps giving us factual testimony.
COMMISSIONER GAW: Whatever you need to do.
BY COMMISSIONER GAW:
Q. And I think -- I think I understand at least the concept anyway. Is there any difference within that year in this tariff from what you have been doing in that -- in regard to that interest calculation?
Mr. Sommerer, if you want to --
A. This is based upon my recollection of how the DCCB process worked, and there are some variables, slight differences between companies, but I do not think that interest was calculated on interest in the DCCB process in terms of the month-to-month compounding.
COMMISSIONER GAW: Okay. Ameren, at the risk of getting sworn in.
MR. BYRNE: We agree with Mr. Sommerer.
COMMISSIONER GAW: Okay. Public Counsel have anything to say about that?

MR. MICHEEL: No.

COMMISSIONER GAW: All right. Just wanted to let you have the opportunity.

MR. MICHEEL: Thank you.

BY COMMISSIONER GAW:

Q. And, Mr. Sommerer, then, if you have a pipeline refund that comes back into the ACA or into the calculation, is that also included? How do you deal with that on the under/overrecovery issue with interest? How would that be handled?

A. I'll give you my opinion on it. Mr. Imhoff may have another bit to add, but I'll be glad to answer.

The pipeline refunds act as credits to the ACA. Traditionally those refund checks were handled in a separate refund factor. That's the old process. And what's being suggested here is that they simply credit gas cost during the month that they're received, so they will have a beneficial effect, from the customer's standpoint, on this interest calculation in the ACA account.

Q. Is there any difference -- will that be much different in regard to the process that was in effect as far as the interest calculations are concerned?

A. Not in my opinion, no.

COMMISSIONER GAW: Ameren, anything to add on that issue?

MR. BYRNE: We agree it was a similar calculation, not exactly the same.

COMMISSIONER GAW: Mr. Imhoff, did you have anything to add to Mr. Sommerer's explanation?

MR. IMHOFF: No.

COMMISSIONER GAW: Go on to Mr. Micheel's school of answers.

MR. IMHOFF: Yes.

COMMISSIONER GAW: If only my questions would be as short.

BY COMMISSIONER GAW:

Q. On the timing of the PGA adjustments, tell me again -- and I know we've seen these in some other tariffs, but tell me again what the general agreement is in regard to number of filings there will be in a year in this tariff, that's contemplated by the tariff.

A. That's a question that I would rather defer to Mr. Imhoff.

COMMISSIONER GAW: Mr. Imhoff?

MR. IMHOFF: Basically, the way that it is currently set up with AmerenUE, they have the one mandatory PGA filing for their ACA, which would be in November, and then they do have three optional filings, but they cannot have any PGA rate go into effect within a 60-day time frame. So in other words, they would have to wait to file at least

60 days after a rate would go into effect.

COMMISSIONER GAW: So if one were filed in November, the next one that could be filed, the earliest it could be filed would be when --

MR. IMHOFF: That would be --

COMMISSIONER GAW: -- if it was filed November 1st?

MR. IMHOFF: -- January 1st.

COMMISSIONER GAW: All right. And the next one after that, the earliest it could be filed?

MR. IMHOFF: It would be in March.

COMMISSIONER GAW: Is there any concern on Public Counsel or Staff's part in regard to the timing of that being spread far enough apart? Is 60 days sufficient time as far as these rates moving up and down?

MR. IMHOFF: From the Staff's perspective, yes, I think 60 days is an appropriate time period. Because mainly under the current process, normally when they would have their winter filing go into effect on the first of November, roughly around that time period, if we would have an unscheduled filing, normally that would be in January. So -- and that's normally within about a 60-day time frame, and that's -- that's when they're really going to -- if they are going to have a big increase in cost, it will be during that time frame. So we believe 60 days is -- would be an appropriate level.

COMMISSIONER GAW: Public Counsel?

MR. MICHEEL: I would say this: This is -- different companies have different opinions about that, Commissioner, and you're going to see different filing dates, but this is one that we're comfortable with for this company and it's something that this company wanted, and so we don't have a problem with that. But there are other companies that see it differently, and that's really -- you know, since I've been here, we've had -- they can file at a threshold. We've had four. So we've been all over the map on that.

It's really a hard thing to say that there's one right method or one incorrect method. I think it's the nature of the beast that the PGA having an adjustment clause that you're going to get this. I don't think there's a right answer.

COMMISSIONER GAW: Why do you say that you believe that this is the right method for -- and time frame for filings for this company?

MR. MICHEEL: Well, it's what the company requested, and they had reasons, and I don't want to talk for their -- I mean, they explained their reasons to us, and it -- you know, I want them to manage their company.

COMMISSIONER GAW: So you're really talking about the company's perspective when you're saying that. I was --

MR. MICHEEL: Yes.

COMMISSIONER GAW: -- inquiring to see whether or not it had to do with your perspective from Public Counsel's standpoint about the number of filings.

MR. MICHEEL: No. The company came to us early on and explained their reasons for it, and they made sense to me for this company and I didn't -- we didn't want to stand in the way of that.

COMMISSIONER GAW: Is Public Counsel -- and as you said, this has been all over the map on the number of filings that have been allowed or advised over the course of a number of years now. Is this where Public Counsel -- this general concept, is this where Public Counsel wants to see this Commission on these -- on these filings, the frequency and the time frames?

MR. MICHEEL: Well, generally Public Counsel's had a philosophical disagreement about whether or not we should have a PGA, but I'll set that aside and say that -- I mean, I think that the changes that we've made going away from the structured filings for everybody, I think that's an improvement. I think our office views that as an improvement.

But, again, I think you need to let each company explain -- now, there may be some companies that I disagree with that and I would raise those issues on why I disagree with their filing. But for this company, I think this works and they had, to me, persuasive reasons for wanting to do it that way.

COMMISSIONER GAW: Okay. I'll get to Ameren. Do you-all want to explain how this format works best for Ameren?

MR. BYRNE: Maybe Dan Danahy, our rate engineer witness, could best address that, if we could swear him in.

JUDGE THOMPSON: Very well. Mr. Danahy, why don't you just stay right there. Spell your last name for the reporter, if you would.

MR. DANAHY: Dan Danahy, D-a-n-a-h-y.

JUDGE THOMPSON: Please raise your right hand.

(Witness sworn.)

JUDGE THOMPSON: Thank you. You may inquire.

DAN DANAHY testified as follows:

QUESTIONS BY COMMISSIONER GAW:

Q. Mr. Danahy, if you want to follow up, just to give me an idea about how this fits in with the company's -- with the peculiarities of the company and how -- how this particular time frame on when the PGA would be done works best for the company?

A. You're talking about in regards to the 60 days between filings?

Q. 60 days, the four times a year, potentially four times a year or whatever. Whatever you want to discuss here, I'd like to hear your perspective.

A. Okay. Basically, the tariff filings that we've made and the one that is out there now have given us more flexibility to track gas costs. The four PGA filings, one of which is mandatory and the three optional, provide that flexibility. The 60 days apart works very well in that it takes a period of time to see where gas costs are going, which nobody can predict. It takes a period of time to assemble and put the PGA documentation together. So 60 days is a flexible, workable time frame for our company.

Q. All right. Just in general -- and I'm not really specifically addressing Ameren here -- but is the frequency of filings in any way a disincentive to do -- do more hedging?

In other words, the more times that the -- that the adjustment could be made, is there any feeling that that provides any -- any kind of disincentive to hedge that's a factor in anybody's minds?

MR. BYRNE: If you're asking the company, could Scott Glaeser, our hedging person, address that?

COMMISSIONER GAW: Sure. Whatever you want.

JUDGE THOMPSON: Mr. Glaeser, please spell your name for the reporter.

MR. GLAESER: My name is Scott Glaeser, G-l-a-e-s-e-r.

JUDGE THOMPSON: Go ahead and raise your right hand.

(Witness sworn.)

JUDGE THOMPSON: Please proceed.

SCOTT GLAESER testified as follows:

QUESTIONS BY COMMISSIONER GAW:

Q. Mr. Glaeser, if you want to follow up on my general inquiry.

A. Yeah, the answer quickly is absolutely not. Our hedging strategies are a fundamental part of our gas supply strategies. The main purpose is to dampen price volatility for our customers. We don't look at it as more PGA filings per year give us the ability not to hedge. It's not the intent. Our intent is to remain -- price hedging will remain a fundamental part of our strategy. The four PGA filings per year, which only one is actually mandatory, gives us the flexibility to more accurately follow our gas costs, both up and down.

COMMISSIONER GAW: All right. Anybody else want to address that?

MR. MICHEEL: I don't think it would be a problem. And again, you know, utilities should be managing their gas costs in a prudent way, and that's something that we would look at, and if a company chooses for whatever reason not to hedge, that's obviously something we would review. And I don't think it would be tied to their filings of PGA as one way or the other.

COMMISSIONER GAW: Staff, I'm assuming you're going to say the same thing?

MR. SCHWARZ: That's correct. I don't think there's an effect on hedging due to the number of PGA filings.

COMMISSIONER GAW: All right. Now, the other area that I'd just like to hear a little bit on is, if I could get a little better understanding of the factors that you're using in this -- in this new tariff. It's in the next-to-the-bottom segment there, on this. It's under the tariff in lieu of capitalizing in that paper that was filed yesterday.

If I could have a little better understanding about how that -- how that works on the -- on the calculation.

JUDGE THOMPSON: Mr. Imhoff?

MR. IMHOFF: Basically the way we look at it is by being -- by having more specifi-- specificity in the tariff itself, we can actually make, help set up to where we have a good understanding of what the company is building into their PGA rate by them taking into their fixed price contracts that they may have hedging, even other types of financial instruments that they may use in order to reduce the price of their gas cost.

It will also help us when we take a look at the PGA filing itself to make a better determination whether or not they are actually getting the gas costs at the lowest possible price they can. So by us taking in storage and fixed price contracts, hedging, we can look at their filing. And we just think that it makes for a more accurate calculation of their gas costs, rather than just throwing an estimate out there that we'll just use an automatic strip.

COMMISSIONER GAW: All right. When you -- is that how you usually do it, is just to use the NYMEX strip, when you're making the calculation currently?

MR. IMHOFF: No, sir. What we do, we take a look to see if they are -- if they are, in fact, in compliance -- if they are, in fact, in compliance with their PGA tariff.

But we have on occasion, several occasions where we have had an LDC file, even though they were within the ramifications of their PGA tariff, we still thought that the price was a little bit too high. So we actually had them lower their filing because it just wasn't a reasonable number, even though they still were within the confines of their tariff.

COMMISSIONER GAW: And in those occasions you might --

MR. IMHOFF: Not this company, I might add.

COMMISSIONER GAW: Not this company, but in other occasions you might have used NYMEX price as the substitute for what you would have done if you thought that their strategies were or the amount that they were putting down was too high for the purchased gas cost?

Am I following that?

MR. IMHOFF: We have used that as a basis. What they -- what some have done is they have used a particular point in time and said, this is what our gas costs are, without taking into consideration what the NYMEX strip was showing for the next two or three months. So we, in turn, suggested to them that they should refile or we would recommend suspension of their tariff.

So -- but -- but by having this current tariff language in there, it will enable us to actually look at what their actual gas cost at that particular point in time would be, based off of their hedging, fixed price contracts, storage, et cetera.

COMMISSIONER GAW: Is there any significant change for this company in what you would be doing if this tariff is adopted in regard to this issue?

MR. IMHOFF: I'm not sure what --

COMMISSIONER GAW: Is that a question better posed to Ameren?

MR. IMHOFF: I think it would be a better question posed for Ameren.

MR. DANAHY: In answer to that question, the -- what we're having is actual gas costs that we see one month, several months out, and we're using those costs, rather than the current language where it will indicate looking at the actual gas cost, average of the prior three years, which has no bearing on tracking gas costs. So what Tom is describing is, you know, a method to really track gas costs, that's what it boils down to.

COMMISSIONER GAW: I'm sorry to interrupt you. Is this calculation something that Ameren has -- is this a formula that's laid out in the tariff, the factors that will be used, or is it more general than that?

MR. GLAESER: Yeah. It's not a perfect formula. What we do is we look at our forward gas supply portfolio at the time we're making our PGA calculations and we look inside our portfolio for any fixed gas supply and the actual call options, all of our forward-looking portfolio to try to estimate as accurately as we can what our actual gas costs could be. That also includes certain parts of a portfolio in market-based prices as well.

So we look at all of our portfolio, how it's been constructed, and try to as accurately as we can forecast what our actual cost of gas would be at that point in time. Also give consideration that portfolio is still market-based and can fluctuate with the market.

COMMISSIONER GAW: Go back to Staff, then. If if you-all are looking at what they're doing on a proposed PGA filing, will you still be using the same analysis when you determine whether or not what you believe that what they're doing is the appropriate method of estimating what those costs will be? Will your analysis change from what it is currently?

MR. IMHOFF: No. No, because we will actually have more of their detail. Work papers will actually be coming in at the same time that they file their PGA tariff, which will have all this broken down. So I think that we've always performed our analysis based off the company's work papers, but also we also look at the NYMEX strip price.

But with the way that we have this currently set, with the way that this is proposed, we -- it won't change the Staff's analysis at all, because we'll still look at all the various factors. It's just that we will now have additional information coming from the company pertaining to their storage, things like that.

COMMISSIONER GAW: All right. So you're telling me that if, by chance, you look at their work papers and their numbers and you say, this looks too high to me from Staff's standpoint and I don't think their method of calculation is producing a reasonable result, you would still go back to the company at that point in time and say we're not -- we can't agree with -- with what your result is?

MR. IMHOFF: Yes.

COMMISSIONER GAW: And does Ameren believe that by placing the language in the tariff, that there's anything preventing Staff from making that kind of a challenge if you have followed a take methodology in your calculation?

MR. BYRNE: You know, I'm not sure. I guess we'd have to see what the challenge is. You know, as Mr. Imhoff points out, at least for other gas companies, they've already made these kind of challenges and, I suspect, gotten the gas companies to refile. That's probably what would happen if they -- if they challenged us, but I don't know. You know, I guess it could happen that we'd have a disagreement that would be brought to the Commission. I doubt it, but that's possible.

COMMISSIONER GAW: We usually don't see much in that regard, but I guess what I'm trying to see is whether or not the language in the tariff somehow locks Staff into a methodology of calculating that figure. And I don't think -- I think you're telling me it's not doing that, but I'm just wanting to make sure that that's what everybody's saying.

MR. SCHWARZ: I don't -- I don't believe that the tariff would stand as an impediment to Staff jawboning with the company about the filing.

COMMISSIONER GAW: I'm more concerned about what it would do on an argument if it did reach the Commission about whether or not Staff is bound by some sort of a particular methodology of calculating what that -- what that appropriate amount is.

MR. SCHWARZ: I don't see anything in the tariff language that would cause me concern along those lines.

COMMISSIONER GAW: Ameren?

MR. BYRNE: It certainly isn't a formula. It's got items that are taken into consideration. Maybe if they wholly ignored something that was in the tariff, that might be a problem, but it's certainly not a formula that they have to follow.

COMMISSIONER GAW: Okay. All right. I think I think I've exhausted my questions. I appreciate the input. It helps to understand this, what you all are doing better.

And, Judge, I think I'll stop there. Thank you very much.

JUDGE THOMPSON: Thank you, Commissioner.

Commissioner Murray?

COMMISSIONER MURRAY: Has Commissioner Forbis already questioned?

COMMISSIONER FORBIS: I'm fine. I have no questions.

COMMISSIONER MURRAY: Thank you. I think I just have one or two. And I apologize. Since I came in late, this may have already been thoroughly answered.

COMMISSIONER MURRAY: But in regard -- Mr. Sommerer, I will ask you this question. The pipeline refunds, I'm trying to understand how the how or when the refunds will be properly allocated to the various customer classifications.

MR. SOMMERER: I believe that the allocation will be based upon a similar methodology as compared to the old method, and that takes place whenever the company accounts for the refunds, it has to allocate them to the various customer classes. So if it receives -- if the company receives a refund check, it will have to book that refund check into the ACA account and it will have to, at the same time, allocate it between the customer classes.

COMMISSIONER MURRAY: So this should not involve any change in terms of the way the customer classes are treated?

MR. SOMMERER: That's correct.

COMMISSIONER MURRAY: I think if I read the transcript I'll find that every other question I have has already been answered.

MR. SOMMERER: Thank you.

JUDGE THOMPSON: Commissioner Forbis?

COMMISSIONER FORBIS: No questions.

JUDGE THOMPSON: I have some questions which I will make as brief as possible. Mr. Wood, raise your right hand, please.

(Witness sworn.)

WARREN WOOD testified as follows:

QUESTIONS BY JUDGE THOMPSON:

Q. Thank you, sir. Concerning the generic case, is there an intention, so far as you know, to present the overall results of that case to the Commission in the form of a stipulation or other document?

A. At this point in time, with the request to have a Stip and Agreement filed by Friday, we are pulling together such a document for that.

Q. You can see I'm not the judge in that case, so I'm not aware that there was such a deadline.

Am I correct that there wasn't a -- a plan to do that prior to a recent direction?

A. The feelings before seeing that order were that it was a non-contested case, investigatory in nature, and wasn't familiar with the Stipulation & Agreements typically being filed in those type of cases, so we hadn't planned on doing such, at this point in time anyway.

JUDGE THOMPSON: Okay.

MR. SCHWARZ: If I might?

JUDGE THOMPSON: You may. Do I need to swear you?

MR. SCHWARZ: The order in the 452 docket directs the Staff to file on Friday something that -- a draft Stipulation & Agreement in that docket. And as the very likely drafter of that document, I will tell you it will look very much like the status reports that indicate the areas of agreement that the parties reached in 452.

JUDGE THOMPSON: Okay. Now, am I correct in understanding that Ameren's tariff that's before the Commission today does not incorporate all of those areas of changes where consensus have been reached, or am I wrong in that?

MR. SCHWARZ: I think that Ameren -- I think you're wrong from the perspective that Ameren has already accomplished two of them, and I think that what they're filing now accomplishes the balance.

JUDGE THOMPSON: I see. So most of the companies or all of the companies will, in fact, implement all of these areas of agreement, is that what you expect?

MR. SCHWARZ: As reflected in the status reports in the generic docket. Laclede's got some concerns about switching from the DCCB approach to the ACA approach that are different from the other companies, and that will be addressed in the rate case, because they think there's some revenue issues, and that will be addressed in the rate case, I think, that they will file about a year from now.

But other than that, I think that the other LDCs and Laclede will file to put into effect the agreements in the generic docket.

JUDGE THOMPSON: Okay. And if you'll bear with me, because I'm new at this stuff. When was the change from a monthly PGA to the three-times-a-year PGA?

MR. WOOD: I believe that was in 1997 following the price spike out of 199-- the winter of '96, there was a change to go over to two to three times per year, basically to schedule one in winter for emergency filing, if need be.

JUDGE THOMPSON: And what was the basis or the reason for that change?

MR. WOOD: There was high dissatisfaction with the frequency in changes, the changes in rates. I think there may have also been some issues with a particular utility in the state. Was it the Missouri Gas Energy, perhaps? Perhaps the Missouri Gas Energy case had some bearing at that time as well. In going to two, we wanted to see more stable rates for longer periods of time.

JUDGE THOMPSON: So it was a question of consumer perception when you speak of dissatisfaction and frequent changes?

MR. SCHWARZ: Partly that. Partly also it's problematic for the Staff to deal with 12 changes per year for, you know, anywhere from 6 to 7 or 8 LDCs. So it was a mix. But it was December of '96, January of '97 when Missouri Gas Energy's billing system collapsed in the face at least partly of a number of rapid succession PGA changes that didn't get prorated properly and caused a lot of uproar. They misbilled 105,000 customers in that 30-day period.

MR. BYRNE: Your Honor, if I might, too, I think at the time the Commission and the gas utilities both were looking for rate stability at a time period when hedging hadn't really come into the fore the way it has now. You know, now, a large portion of our gas portfolio, and I'm sure all the other local distribution companies, is stabilized by the hedging mechanisms. None of that really existed in 1997, or very little of it.

JUDGE THOMPSON: So going to four, then, was that simply sort of finetuning?

MR. WOOD: This was one of the findings of the Natural Gas Commodity Price Task Force. There was tradeoffs between doing it every month or doing it only twice a year with an emergency. This was one of the items discussed in the task force meetings, and four to five was considered a good tradeoff between the two extremes.

JUDGE THOMPSON: Thank you. That's all the questions I have.

Additional questions from the Bench?

MR. FISCHER: Your Honor, Jim Fischer. I represent three other LDCs in the 452 docket, Atmos, Southern Missouri Gas Company and Fidelity, three of your smaller local distribution companies.

And to the extent you ventured into that, I can confirm that our companies are in the process of filing -- we're actually -- have reviewed tariff language from the Staff. We made an effort to try to incorporate that into each individual company tariff, and we're in the process of doing what Ameren has done in this case; that is, to file basically an uncontested tariff. We're not there yet, but we will be doing that very soon, I hope.

Along that line, though, with your order that was issued on the 31st calling for a question and answer period beginning Monday morning in that docket, we were unclear whether we should bring in out-of-state witnesses to address the questions that have been answered here today or whether counsel's presence would be sufficient for that.

JUDGE THOMPSON: Well, that's, of course, Judge Dippell's docket and not mine, but I would expect -- and I'm venturing into unchartered territory here -- that probably the same people that have answered questions today, mainly Staff, can probably provide most of the answers in the generic case docket. If that provides sufficient guidance, I don't know.

You might check with Judge Dippell.

MR. FISCHER: Okay. Thank you.

JUDGE THOMPSON: Thank you, Mr. Fischer. Anyone else have anything?

(No response.)

JUDGE THOMPSON: Hearing nothing further, we will adjourn this on-the-record presentation at this time. Thank you all very much for attending. I realize it's been a matter of some imposition on quite a few people.

Thank you very much. We are adjourned.

WHEREUPON, the hearing of this case was concluded.