

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Joint Application of)
Union Electric Company d/b/a AmerenUE,)
Aquila, Inc., d/b/a Aquila Networks - MPS,)
and Aquila Networks - L & P, for an Order)
Authorizing the Sale and Transfer of)
Certain Assets of Aquila, Inc., Located in)
Missouri to AmerenUE, and Either)
Authorizing the Transfer of Existing)
Certificates of Public Convenience and)
Necessity, or Granting a New Certificate of)
Public Convenience and Necessity to)
AmerenUE in Conjunction with Same.)

Case No. GM-2004-0244

AFFIDAVIT OF SCOTT A. GLAESER

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Scott A. Glaeser, being first duly sworn on his oath, states:

1. My name is Scott A. Glaeser. I work in St. Louis, Missouri, and I am employed by AmerenEnergy Fuels and Services Company as Manager of the Natural Gas Supply and Transportation Department.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company, d/b/a AmerenUE, consisting of 10 pages, and Appendix A, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



Scott A. Glaeser

Subscribed and sworn to before me this 3rd day of December, 2003.

My Commission Expires: 4-1-2006



Notary Public

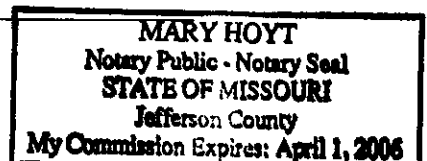


Exhibit No.:
Issue(s): Integration of Gas Supply
Resources
Witness: Scott A. Glaeser
Sponsoring Party: Union Electric Company
Type of Exhibit: Direct Testimony
Case No.: GM-2004-0244
Date Testimony Prepared: December 3, 2003

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GM-2004-0244

DIRECT TESTIMONY

OF

SCOTT A. GLAESER

ON

BEHALF OF

**UNION ELECTRIC COMPANY,
d/b/a AmerenUE**

*****Denotes Highly Confidential Information*****

**St. Louis, Missouri
December 2003**

NP

DIRECT TESTIMONY

OF

SCOTT A. GLAESER

CASE NO. GM-2004-0244

Q. Please state your name and business address.

A. My name is Scott A. Glaeser. My business address is One Ameren Plaza,
1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by AmerenEnergy Fuels and Services Company as Manager of
the Natural Gas Supply and Transportation Department.

Q. Please describe AmerenEnergy Fuels and Services Company.

A. AmerenEnergy Fuels and Services Company is responsible for the
procurement, management, and operation of fuel resources including natural gas, coal, oil
and related transportation and storage for all Ameren affiliated companies responsible for the
transmission and distribution of natural gas and for electric power generation.

Q. Please describe your educational background and qualifications.

A. This information is summarized in Appendix A, which is attached to this
testimony.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to describe the plans of Union Electric
Company, d/b/a AmerenUE (“AmerenUE” or “Company”), to integrate the natural gas
supply resources currently used to support Aquila’s Eastern System (the “Aquila System”)
into the gas supply resources used for AmerenUE’s distribution system served by Panhandle

1 Eastern Pipe Line Company (“PEPL”). I will also describe the benefits that will result from
2 this integration for both the customers of the Aquila System and existing AmerenUE
3 customers served by PEPL. Finally, I will address the positive response and support for this
4 application that we have received from the city officials of Salem, Rolla and Owensville.

5 **Q. Please provide a brief description of the gas supply resources currently**
6 **used to support the operation of the Aquila System.**

7 A. The Aquila System was constructed in the mid-1990’s by Aquila, Inc.
8 (formerly UtiliCorp United) as part of a natural gas expansion project into Mid-Missouri that
9 also included the construction of a new intrastate pipeline, Missouri Gas Company
10 (“Missouri Gas”), to support gas deliveries to various municipal gas distribution systems,
11 government facilities, and to the Aquila System facilities serving the communities of Rolla,
12 Salem and Owensville. The Aquila System is supplied with natural gas delivered through
13 Missouri Gas and upstream pipelines - Missouri Pipeline Company (“Missouri Pipeline”),
14 and PEPL. The natural gas commodity delivered to the Aquila System is procured from the
15 mid-continent production basins in PEPL’s Field Zone (Southwest Kansas and the
16 Texas/Oklahoma Panhandle region).

17 **Q. What are the Company’s plans to ***** _____
18 _____ ***

19 A. The Company’s plan is to *** _____
20 _____
21 _____
22 _____
23 _____

1 _____
2 _____
3 _____
4 _____
5 _____
6 _____
7 _____
8 _____ ***

9 **Q. Are there any long-term gas supply contracts held by Aquila that**
10 **currently supply the Aquila System?**

11 A. Yes, there are existing Aquila firm gas supply contracts with *** _____ ***
12 and *** _____ *** to supply the system *** _____ ***. These gas
13 supply contracts will be assigned from Aquila to AmerenUE as part of the proposed
14 transaction. After these two gas supply contracts expire, future gas supply requirements for
15 the Aquila System will be acquired utilizing AmerenUE's existing gas procurement
16 processes and contracts.

17 **Q. What are the *** _____**
18 **_____ *****

19 A. Ameren, through its operating affiliates of AmerenUE, AmerenCIPS and
20 AmerenCILCO, is the second largest firm capacity holder on PEPL, and its sister company,
21 Trunkline Gas Company. Ameren's size and the scale of its capacity on the PEPL/Trunkline
22 system enables the Company to negotiate discounted rates and service flexibility that directly
23 benefit Ameren's gas customers through the Purchased Gas Adjustment ("PGA") rate

1 mechanism. *** _____
2 _____
3 _____
4 _____
5 _____ ***

6 **Q. Will the customers realize other benefits from the** *** _____
7 _____ ***

8 A. Yes, another benefit for the Aquila System customers results from the
9 magnitude of Ameren's loads connected to PEPL and the leverage this provides Ameren in
10 the procurement of gas supply. Ameren is a major buyer of natural gas in PEPL's Field
11 Zone. Therefore, when Ameren is bidding gas supply packages, it gains a competitive
12 advantage in the market because it can bundle many packages of gas into large bid lots. For
13 example, if the Aquila System were independently purchasing gas for the coming winter, it
14 may require a single 1,500 MMBtu per day baseload gas supply package for November
15 through March. This one small baseload contract would not garner much attention or attract
16 many bids from the market. Ameren, on the other hand, may be bidding as much as 50,000
17 MMBtu per day or more of various baseload gas supply packages in PEPL's Field Zone for
18 its three gas utilities. This volume of gas supply attracts the premium independent and major
19 producers with gas production in PEPL's Field Zone. The combined gas supply
20 requirements *** _____ *** will increase Ameren's market
21 leverage in PEPL's Field Zone, which will also bring benefits to the existing AmerenUE
22 customers.

1 **Q. Are there other benefits to *****_____

2 _____ ***

3 A. Yes, another key benefit is the ability to efficiently price hedge a small
4 distribution system when it is fully integrated into a larger system. It can be very difficult to
5 price hedge a small distribution system because of the undersized gas supply contract
6 volumes which are less than natural gas futures or financial contract volumes. For example,
7 the trading volume for a single NYMEX natural gas futures contract is 10,000 MMBtu. Any
8 physical gas supply contract that cannot be broken into 10,000 MMBtu increments for each
9 month cannot be efficiently price hedged with a NYMEX futures contract. *** _____

10 _____

11 _____

12 _____ ***

13 **Q. ***** _____

14 _____ ***

15 A. *** _____

16 _____

17 _____ *** The

18 fixed price of the storage withdrawals to AmerenUE creates a more stable PGA rate which is
19 less susceptible to market volatility during the winter season. *** _____

20 _____

21 _____

22 _____ ***

Direct Testimony of
Scott A. Glaeser

1 **Q.** *** _____

2 _____ ***

3 **A.** *** _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____ ***

11 **Q.** **Does the** *** _____

12 _____ ***

13 **A.** No, it will not compromise these customers when viewed from a *** _____

14 _____

15 _____

16 _____

17 _____

18 _____

19 _____

20 _____

21 _____

22 _____ *** AmerenUE witness Cooper discusses in his direct testimony the

23 details of the *** _____

NP

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2 _____
3 _____
4 _____ ***

5 **Q. You mentioned that AmerenUE is an existing firm transportation**
6 **customer on Missouri Pipeline. Are there any synergies that result from ***** _____
7 _____
8 _____ ***

9 **A. ***** _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____ *** Currently, AmerenUE has a contract
17 for 10,000 MMBtu per day of firm capacity on Missouri Pipeline delivered to the AmerenUE
18 Wentzville distribution system at the Route N and Winfield delivery points on the south end
19 of the system, while the north end of that system is supported by firm capacity on PEPL
20 delivered at the Curryville interconnect. *** _____

21 _____
22 _____
23 _____

Direct Testimony of
Scott A. Glaeser

1 _____

2 _____

3 _____

4 _____

5 _____ ***

6 **Q.** *** _____

7 _____

8 _____ ***

9 **A.** *** _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____ ***

17 **Q.** *** _____

18 _____

19 _____ ***

20 **A.** *** _____

21 _____

22 _____

23 _____

1 _____

2 _____ ***

3 **Q. Has the Company visited the city officials of Rolla, Salem, and Owensville**
4 **after the media announcement about the sale of the Aquila System to AmerenUE?**

5 A. The announcement that AmerenUE and Aquila agreed on the sale of the
6 Aquila Eastern System was made on October 6, 2003. The next day, October 7, 2003,
7 Ameren Senior Vice President Tom Voss, Ameren Director of Strategic Planning Mark
8 Vantrease, and I visited the mayors and city officials from Salem, Rolla and Owensville. We
9 explained the transaction to the city officials and described our plans for the future of the
10 Aquila System and the benefits and strengths that Ameren brings to the management and
11 operation of the Aquila System.

12 **Q. What was the reaction of the city officials?**

13 A. All of the city officials were very positive about AmerenUE owning and
14 operating the Aquila System. They were impressed with Ameren's financial strength and
15 stability, with Ameren's 100 years of industry experience and with Ameren's regional
16 business focus. They also appreciated the close regional offices and the gas engineering and
17 technical support resources that AmerenUE has in Jefferson City.

18 **Q. What was the most important point the city officials described to you in**
19 **the meetings?**

20 A. *** _____

21 _____

22 _____

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Direct Testimony of
Scott A. Glaeser

1 _____

2 _____ ***

3 **Q. Does this conclude your direct testimony?**

4 **A. Yes, it does.**

NP

QUALIFICATIONS OF SCOTT A. GLAESER

My name is Scott A. Glaeser. I am employed by AmerenEnergy Fuels and Services Company, a wholly owned subsidiary of Ameren Corporation, as the Manager of Natural Gas Supply and Transportation. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri, 63103. I received a Bachelor of Science Degree in Mechanical Engineering from the University of Missouri at Rolla in December of 1986.

I was employed as a Combustion Engineer by the Granite City Steel Division of National Steel Corporation from October 1987 through January 1991. I was responsible for various aspects of natural gas, coke oven gas, blast furnace gas, and fuel oil consumption within the plant, including sourcing supply and the negotiation of agreements with suppliers and pipelines.

In February of 1991, I became employed by Union Electric as a Fuel Buyer. This position involved procurement activities related to various fossil fuels, but primarily to the purchase of natural gas for that Company's utility distribution systems in Missouri and Illinois. In May 1994, when all gas procurement was moved to the Energy Services Department of Corporate Planning, my position changed to Engineer-Gas Supply and Planning. In both these positions, I was responsible for obtaining reliable and economical gas supply, transportation, and storage services for Union Electric's distribution systems. My duties included the preparation of studies and analyses to evaluate system supply needs; the sourcing and procurement of natural gas supply, transmission capacity, and storage capacity; and the negotiation of gas supply, transportation, and other gas related service arrangements for the distribution systems. I also participated in proceedings before the Federal Energy Regulatory Commission (FERC) involving interstate pipeline suppliers and

in proceedings before this Commission and the Illinois Commerce Commission relating to Union Electric's natural gas distribution systems.

During the period of 1997 through early 1998, in addition to my duties related to the natural gas business, I was also employed by Union Electric as a short-term power trader. This position involved the buying and selling of short-term electric energy and capacity in the MAIN, MAPP, ECAR, SERC, and SPP regions of the United States. I continued in this position through the completion of the merger between Union Electric Company and Central Illinois Public Service Company which formed Ameren Corporation on January 1st, 1998.

In March of 1998, I was promoted to the position of Supervising Engineer of Gas Supply and Transportation in Ameren Services Company. The following July, I was promoted to my current position as Manager of Natural Gas Supply and Transportation. In November of 2000, the Natural Gas Supply and Transportation Department was merged with the Fossil Fuel Department to create AmerenEnergy Fuels and Services Company. My responsibilities in this position include managing and overseeing the daily operations and business activities of the Natural Gas Supply and Transportation Department and its employees involved with the gas supply business activities of AmerenCIPS, AmerenCILCO, AmerenUE, and AmerenEnergy Generating Company.