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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS
On-the-Record Presentation

January 5, 2004
Jefferson City, Missouri
Volume 8

In the Matter of Union Electric)
Company, d/b/a AmerenUE, and Its) Case No. GR-2003-0517
Tariff Filing to Implement a General)
Rate Increase for Natural Gas Service)

RONALD D. PRIDGIN, Presiding,
REGULATORY LAW JUDGE.

STEVE GAW, Chair
CONNIE MURRAY,
ROBERT M. CLAYTON, III,
COMMISSIONERS.

REPORTED BY:

KELLENE K. FEDDERSEN, CSR, RPR, CCR
ASSOCIATED COURT REPORTERS

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1 JUDGE PRIDGIN: Good morning. We are on the
2 record. This is the on-the-record presentation for the
3 Unanimous Stipulation & Agreement filed in Case
4 No. GR-2003-0517, in the matter of Union Electric Company,
5 doing business as AmerenUE, for authority to file tariffs
6 increasing rates for gas service provided to customers in
7 the company's Missouri service area.

8 I am Ron Pridgin. I am the Regulatory Law
9 Judge assigned to preside over this hearing. It's being
10 held on January 5th, 2004, and the time is about 8:40 in the
11 morning. The hearing is being held at the Commission's
12 offices, the Governor Office Building in Jefferson City,
13 Missouri.

14 At this time I would like to get entries of
15 appearance from counsel, beginning with Staff, please.

16 MS. SHEMWELL: Good morning, and thank you.
17 Lera Shemwell representing the Staff of the Missouri Public
18 Service Commission, joined by Dan Joyce, General Counsel,
19 Post Office Box 360, 200 Madison Street, Jefferson City,
20 Missouri 65102. Thank you.

21 JUDGE PRIDGIN: Ms. Shemwell, thank you.

22 On behalf of the Office of the Public Counsel,
23 please.

24 MR. MICHEEL: Douglas E. Micheel appearing on
25 behalf of the Office of the Public Counsel and the public,

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1 P.O. Box 2230, Jefferson City, Missouri 65102-2230.

2 JUDGE PRIDGIN: Mr. Micheel, thank you.

3 On behalf of AmerenUE, please.

4 MR. BYRNE: Yes, your Honor. I'm Tom Byrne

5 appearing on behalf of AmerenUE. My address is

6 1901 Chouteau Avenue, St. Louis, Missouri 63103.

7 JUDGE PRIDGIN: Mr. Byrne, thank you.

8 And on behalf of the Attorney General's

9 Office, please.

10 MS. WOODS: Shelley Woods, Assistant Attorney

11 General, appearing on behalf of the Missouri Department of

12 Natural Resources, Post Office Box 899, Jefferson City,

13 Missouri 65102.

14 JUDGE PRIDGIN: Ms. Woods, thank you.

15 Anything any of the parties need to bring to

16 my attention before we begin?

17 (No response.)

18 JUDGE PRIDGIN: Seeing nothing. What I would

19 like to do is ask counsel in the order that I call you to

20 please approach the podium, and I'll allow you a very brief

21 statement, if you wish, to talk about the agreement and then

22 ask you to be prepared for questions from the Bench.

23 Ms. Shemwell, if you would please approach.

24 MS. SHEMWELL: Thank you. Good morning. May

25 it please the Commission? I'm Lera Shemwell representing

1 the Staff of the Public Service Commission.

2 And I'll just note that Ameren filed for about
3 a \$27 million increase in May. The Commission held five
4 public hearings in this case. After the prehearing
5 conference, the parties were able to reach an agreement and
6 presented the Stipulation to the Commission in December.

7 I noted that the Commission had some questions
8 about the effect on the average residential customer's bill,
9 and if I may approach, I have an Excel sheet showing that.

10 JUDGE PRIDGIN: You may.

11 MS. SHEMWELL: Thank you. The spreadsheet
12 shows the increase for the average customer in two different
13 areas. Staff decided to divide it between two areas,
14 because Ameren serves southern Missouri as well as mid
15 Missouri, and the effect of the rate increase will differ
16 depending upon the Ccf usage, and the two areas are somewhat
17 distinct in that southern Missouri is not expected to use,
18 the average customer, as much gas.

19 The increase is approximately 10 percent with
20 the -- on the average monthly customer charge is
21 approximately 10 percent. While the margin rate appears to
22 be a greater increase, when you take into account the cost
23 of gas, the PGA is primarily the cost of gas plus the
24 margin, it will be approximately 10 percent to an average
25 residential customer's bill.

1 Obviously there is not really an average. It
2 depends on how much gas the customer uses and the weather
3 and how well their homes use energy, but the numbers show
4 approximately a 10 percent increase.

5 Staff signed the Stipulation & Agreement as a
6 reasonable settlement that was in the public interest.
7 There are a number of features that we feel serve the public
8 interest. For one thing, there's a rate moratorium and also
9 an ISRS moratorium. For that reason, no ROE is actually
10 stated in the Stipulation & Agreement.

11 We believe that the weatherization program.
12 Which is 155,000, slightly up from a typical 100,000, will
13 benefit customers. And we will work with the Office of the
14 Public Counsel, Department of Natural Resources and Ameren
15 to resolve issues around the low-income program that Staff
16 has proposed.

17 So Staff urges the Commission to adopt the
18 Unanimous Stipulation & Agreement. Would you like questions
19 now?

20 JUDGE PRIDGIN: Ms. Shemwell, thank you. Let
21 me see what we have from the Bench. Mr. Chairman?

22 CHAIRMAN GAW: I think I'm going to wait until
23 everybody's done with the presentation and then ask
24 questions.

25 JUDGE PRIDGIN: That's perfectly fine. Let's

1 run it that way. Thank you, Ms. Shemwell.

2 Mr. Micheel, any brief statement before we
3 have questions?

4 MR. MICHEEL: Just a real brief one. May it
5 please the Commission? Doug Micheel on behalf of the Office
6 of the Public Counsel.

7 I would just state that we signed the
8 Stipulation & Agreement. We support the Stipulation &
9 Agreement. I'd be happy to answer any questions that you
10 may have regarding our motivations or, you know, what's in
11 it for the consumer. Thank you very much.

12 JUDGE PRIDGIN: Mr. Micheel, thank you.

13 Mr. Byrne?

14 MR. BYRNE: Thank you, your Honor. May it
15 please the Commission?

16 On behalf of AmerenUE, I really don't have an
17 opening statement, but I would like to say that we support
18 the stipulation. We believe it's a fair compromise of the
19 issues that were in this case.

20 And we have a number of people here from
21 AmerenUE who are available to answer any questions, people
22 who worked on the case, on the rate design and the revenue
23 requirement part of the case, and so please feel free to ask
24 us any questions you might have. Thank you.

25 JUDGE PRIDGIN: Mr. Byrne, thank you.

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1 Ms. Woods?

2 MS. WOODS: Good morning. I'm Shelley Woods.

3 I'm appearing on behalf of the Missouri Department of

4 Natural Resources. We also signed the Joint Stipulation.

5 We are here to urge the Commission to approve it.

6 The Department of Natural Resources was

7 primarily interested in two matters, low-income

8 weatherization and energy efficiency measures, both of which

9 are included in the Stipulation, and both of which we are

10 very pleased to see.

11 If there are any questions, I'll be happy to

12 answer them later. Thank you.

13 JUDGE PRIDGIN: Ms. Woods, thank you.

14 Ms. Shemwell, if you would, then, come back

15 and see if we have any questions from the Bench.

16 MS. SHEMWELL: Certainly.

17 JUDGE PRIDGIN: Ms. Shemwell, thank you.

18 Mr. Chairman?

19 CHAIRMAN GAW: Thank you, Judge.

20 First of all, Ms. Shemwell, I would like for

21 you, for the sake of those who may not know the details, to

22 give us a synopsis of what's in the settlement.

23 MS. SHEMWELL: The rate increase is

24 \$13 million, an amount on which we settled.

25 AUDIENCE MEMBER: Could you speak in the mic,

1 please, because we cannot hear back here.

2 MS. SHEMWELL: Certainly. The rate increase
3 is about \$13 million. It's around half of what Ameren had
4 requested.

5 CHAIRMAN GAW: Let me ask you, what was
6 Staff's position in regard to what should occur in this case
7 before the stipulation was entered?

8 MS. SHEMWELL: You mean Staff's recommendation
9 in terms of revenue requirement?

10 CHAIRMAN GAW: Yes.

11 MS. SHEMWELL: Around 11 1/2 to 12 million.

12 CHAIRMAN GAW: And the settlement again is how
13 much?

14 MS. SHEMWELL: 13.

15 CHAIRMAN GAW: Okay. So roughly a million,
16 million and a half more than what Staff originally
17 recommended?

18 MS. SHEMWELL: That's correct.

19 CHAIRMAN GAW: And the request from Ameren was
20 how much again?

21 MS. SHEMWELL: 26.7, I believe.

22 CHAIRMAN GAW: Okay. Go ahead.

23 MS. SHEMWELL: Staff had recommended a return
24 on equity of around 9.5 using the DCF method. The
25 discounted cash flow method is a method that has been used

1 and accepted by the Commission for many years, and we were
2 at 9.5. No return on equity is actually stated in the
3 Stipulation & Agreement since they agreed to a moratorium,
4 and I think it's about two and a half years before a rate
5 increase would go into effect. Ameren also agreed to not
6 increase the PGA costs this winter to give stability to
7 customers.

8 The monthly customer charge was increased as
9 well. It was evenly divided pretty much between the monthly
10 customer charge that went to 10.20. Ameren had proposed 16.
11 Staff felt that 10.20 was a reasonable increase. It
12 benefits the company in that they have the cash flow, it's
13 known, it's year round. For customers, again, it's also
14 known, and customers who use more gas may benefit by seeing
15 the increase over on the side of the monthly customer
16 charge.

17 The increase in the margin is again
18 approximately 10 percent, because most of that is gas cost.
19 So while it may look big, it actually should not have that
20 big an impact.

21 CHAIRMAN GAW: When you say that big an
22 impact, what do you mean, that big an impact on the bill
23 itself?

24 MS. SHEMWELL: Yes, on the bottom line bill.
25 We're estimating 10 percent, depending upon usage. Again,

1 customers that use very little will not see much of an
2 increase. Customers that use a lot will see a bigger
3 increase.

4 Part of the thought about putting it over on
5 the margin rate is that it does encourage energy efficiency,
6 people using gas more wisely to avoid a higher cost.

7 Staff is interested in seeing a low-income
8 program, and this is included. It's down in two counties in
9 southeast Missouri, with an emphasis on long-term reduction
10 in bills by weatherization and then a lower margin cost to
11 assist those customers to -- in catching up and being able
12 to afford their bills year round.

13 CHAIRMAN GAW: Tell me how that program's
14 supposed to work, please.

15 MS. SHEMWELL: The program -- and there will
16 be a collaborative on this. The program is designed to
17 assist customers who may not be eligible for LIHEAP,
18 although LIHEAP customers and ESIP customers who have been
19 weatherized will be eligible. The idea is to go out,
20 weatherize homes.

21 COMMISSIONER GAW: So they're not -- those who
22 are qualified for LIHEAP are not excluded from the program?

23 MS. SHEMWELL: If they have been weatherized.

24 CHAIRMAN GAW: If they have been weatherized.
25 Under whose standards?

1 MS. SHEMWELL: DNR runs a weatherization
2 program. Those who have been weatherized through that
3 program.

4 CHAIRMAN GAW: Go ahead. I'm sorry to
5 interrupt.

6 MS. SHEMWELL: In terms of a low-income
7 program, the Commission is not permitted by statute to
8 discriminate. So Staff feels that when they develop an
9 experimental program, the goal is to benefit all customers.
10 If all customers are going to pay, all customers should be
11 benefited.

12 And Staff tries to do that or has tried to
13 develop an experimental program in this case that will lead
14 to a reduction in bad debt, which does benefit all
15 customers.

16 We have found in looking at experimental
17 programs that there's no one-size-fits-all program, that
18 because of differences in housing, culture, area of the
19 state, different solutions may be required in different
20 areas of the state.

21 This particular experiment is designed to see
22 if we can put in place a program where the customer can stay
23 on year round, and that is a goal because you don't have the
24 disconnections, the reconnection fees and the building of
25 bad debt. The program is designed to assist customers in

1 eliminating their bad debt, because after they've been on
2 and paid regularly for a while, Ameren has agreed to forgive
3 some of their bad debt.

4 CHAIRMAN GAW: Can you give me a scenario or
5 has that been developed yet? Is this just a -- you've got a
6 broad sense of what's going on or is it more specific at
7 this point?

8 MS. SHEMWELL: I think we have a broad sense,
9 and we'll work out the details. But someone who is eligible
10 to be weatherized will come in, they'll apply to the agency
11 that serves that area. There are some homes that cannot
12 qualify for weatherization because they're simply not well
13 enough constructed, so you'd be flushing your money.

14 But for people who can be weatherized, the
15 money will be spent on weatherization, which may include a
16 new furnace. It may not. It might be just things like
17 insulation. But they'll be weatherized. Then they will be
18 eligible for a reduced margin rate, so that their monthly
19 charge would be lower in the hopes that, in combining the
20 two, they will get a rate that they can actually afford.

21 CHAIRMAN GAW: So you're looking at a goal of
22 reducing the amount of energy used in a household, coupled
23 with a lowered rate for those who are living in the
24 household?

25 MS. SHEMWELL: That's correct.

1 CHAIRMAN GAW: And that -- hopefully then
2 you've got -- you've got two sets of -- two things that
3 you're working on putting down the pressure on the price
4 that's being paid per month by that family; is that correct?
5 MS. SHEMWELL: That's correct. We would hope
6 to combine it with other services that might be available in
7 that area as well, including some things like budget
8 counseling, so that they would hopeful-- so that they would
9 get to a point where they can actually afford their energy
10 bills.
11 CHAIRMAN GAW: What are we talking about as
12 far as how many families might be able to make use of this
13 program in this experiment?
14 MS. SHEMWELL: I'm not sure. I'm not sure.
15 CHAIRMAN GAW: Someone else might have an idea
16 about that?
17 MS. SHEMWELL: Would you like me to call Ann
18 Ross?
19 CHAIRMAN GAW: If someone does, or if some
20 other party has that information through their counsel.
21 MS. SHEMWELL: Ann could come up.
22 CHAIRMAN GAW: That's fine, if that's the
23 easiest way to do it.
24 JUDGE PRIDGIN: I'll need to have you come to
25 the witness stand and have you sworn in, please.

1 (Witness sworn.)

2 JUDGE PRIDGIN: If you would please have a
3 seat in the witness chair.

4 ANN ROSS testified as follows:

5 QUESTIONS BY CHAIRMAN GAW:

6 Q. Good morning.

7 A. Good morning.

8 Q. Ms. Ross, if you could, give me an idea about
9 how many families this program might be able to serve in the
10 two counties in southeast Missouri.

11 A. Well, we're limited by the number of people we
12 can weather-- the number of people we can weatherize with
13 that amount of money each year. So to be conservative, we
14 figured that we could weatherize 30, and then we hope to
15 pick up about 60 that have been weatherized.

16 Q. All right. So you're trying to bootstrap into
17 some houses that have already been worked on?

18 A. Yes.

19 Q. All right. And tell me about why the area was
20 chosen as opposed to some other area in Ameren's territory.

21 A. There's need everywhere, but Stoddard County
22 is's an especially poor -- Stoddard and Scott Countless are
23 very poor counties. They have a lot of working poor. We
24 went down and talked to their community action agency and
25 found out that a lot of people work there for minimum wage.

1 We just felt like for this type of program
2 where we're trying to help people pay their own bills, that
3 that would be the appropriate population.

4 Q. Has this model been used somewhere else in the
5 past? Have you seen it used in Missouri or in some other
6 states?

7 A. No, not that I know of.

8 Q. It was developed as a result of collaboration
9 of the parties in the case? How did it come about?

10 A. Well, we just sat down and tried to figure out
11 what our goal was, or goals, and then we did some reading
12 and then we just tried to think of ways we could reach those
13 goals.

14 Q. Okay. How much money -- either one of you who
15 wants to answer this or anyone else. How much money is
16 being expended on this portion of the settlement?

17 A. There's \$100,000 in the revenue requirement
18 for the weatherization.

19 MS. SHEMWELL: Per year.

20 BY CHAIRMAN GAW:

21 Q. Per year?

22 A. Yes.

23 Q. And that will be per year for how long?

24 MS. SHEMWELL: The life of the stipulation.

25 CHAIRMAN GAW: Until the next rate case?

1 MS. SHEMWELL: Yes.

2 CHAIRMAN GAW: Is that the accurate time

3 frame?

4 BY CHAIRMAN GAW:

5 Q. I realize you're talking about an experiment.

6 So when you're talking about an experiment to me, that means

7 there will be some data that will be fed back to us about

8 its success. How will that work?

9 A. When we start the collaborative, we're going

10 to figure out what we need in order to assess the success of

11 the program, and that's -- we're very interested in how this

12 is going to work. So we'll be getting customers' bills

13 before they went on the program, their bills and payment

14 behavior after they went on the program, and then we'll look

15 at it.

16 Q. How much of a reduction are we talking about

17 in the actual amount that's being paid by those who will be

18 on this plan? I'm not talking about -- I'm excluding the

19 amount that might be saved from energy conservation.

20 MS. SHEMWELL: I'm sorry. I don't understand.

21 CHAIRMAN GAW: You say there was a rate

22 differential.

23 MS. SHEMWELL: Oh.

24 THE WITNESS: I put 25 cents in our analysis

25 when we were --

1 BY CHAIRMAN GAW:

2 Q. 25 cents per what?

3 A. Per Ccf.

4 Q. Okay.

5 A. It could be a little more, because the margin

6 rate's going to be a little more than 25 cents.

7 Q. And would this just be available to those

8 families in the program?

9 A. Yes, at this time.

10 Q. What would you anticipate tracking as far as

11 data is concerned?

12 A. What we track, their arrearages, their payment

13 history, their payment behavior. We'd look at disconnects

14 and reconnects in that area, contacts with the company, bad

15 debt. We'd look at the level of bad debt before and then

16 after we'd gotten it in place.

17 Q. Will we be able to have data on how much

18 energy savings that were accomplished, the reduction in the

19 amount of energy used by households?

20 A. Yes.

21 CHAIRMAN GAW: Okay. If someone else has

22 questions of Ms. Ross while she's up here, I'll defer until

23 I can move on after that.

24 JUDGE PRIDGIN: Let me check. Commissioner

25 Murray? No questions. Commissioner Clayton? All right.

1 CHAIRMAN GAW: All right. I think that's all
2 I have of this witness.

3 JUDGE PRIDGIN: Ms. Ross, thank you. You may
4 step down. If you would please remain in the hearing room
5 and be available for later cross-examination. Thank you.

6 MS. SHEMWELL: Mr. Chairman, if I could add
7 just a couple of things. It's 30 per year, 30 homes per
8 year that we hope to weatherize. The details will be worked
9 out in a collaborative between all of the parties.

10 Ameren has agreed to provide Staff with
11 customers' bills so that we will be able to track that.
12 They purge after a certain time. They've agreed to provide
13 us with these customers' bills so that we can track these
14 customers over a period of time to see if the program's
15 working.

16 Obviously since it's an experiment we consider
17 getting that information to be me essential to determine
18 whether or not the program's working. So we will be
19 tracking that carefully in terms of who's weatherized and
20 the reduction in bills. We'll have to look at that in terms
21 of the weather and apply a variety of analyses, but Staff is
22 certainly capable of doing that.

23 CHAIRMAN GAW: The fact that -- you mentioned
24 earlier that different areas have different needs and
25 different -- that one size doesn't fit all. How do you

1 overcome that problem when you're trying to transfer the
2 data from this area to another one if you're only doing this
3 in southeast Missouri?

4 MS. SHEMWELL: I think that's a challenge in
5 seeing what works, because what works in St. Louis may not
6 work. I do think that weatherization certainly is a proven
7 program everywhere, and that's one of the reasons DNR
8 supports it is it's a more permanent program because it is
9 intended to reduce energy usage.

10 So that part of the program, which I think is
11 a critical element, is already proven. So the question
12 really is with these low-income customers, if we combine
13 that with a reduced rate, a plan to reduce their arrearages
14 and other counseling, will they be able then to meet their
15 energy needs.

16 So one of the main components is already
17 proven, and I don't think there's any question but
18 weatherization works across the state.

19 The goal of getting customers to be regularly
20 paying customers has to do with customers' history and
21 perceptions and a variety of other factors that may vary.
22 For example, people who live in the country can maybe
23 supplement with wood or something like that.

24 People who have a long history of just
25 shutting off their gas and living without it in the summer,

1 changing that idea to where they become regularly paying
2 customers, is one of the things that we have to take into
3 consideration.

4 CHAIRMAN GAW: The return on equity that had
5 been recommended by Staff that you've already made
6 statements about, what I'd like to know is what is the
7 Staff's opinion, only Staff's opinion, not combining anyone
8 else, with regard to what this settlement does in regard to
9 range of return on equity?

10 MS. SHEMWELL: Well, it's slightly above
11 Staff's recommendation. My understanding --

12 CHAIRMAN GAW: Was there any calculation made
13 by Staff about what the effective rate of return of equity
14 would be in the settlement?

15 MS. SHEMWELL: Around 11.

16 CHAIRMAN GAW: Around 11. That's slightly
17 above 9.5?

18 MS. SHEMWELL: Slightly.

19 CHAIRMAN GAW: Staff believes that's an
20 appropriate settlement? Why?

21 MS. SHEMWELL: Well, when you're reaching a
22 settlement, you have give and take on a lot of issues, and
23 Staff had some goals in this case. It was above our ROE. I
24 would say it was closer to Office of the Public Counsel's
25 range than Staff's range.

1 And it was -- I think getting an ISRS
2 moratorium was of some value to Staff. Staff does not
3 typically place a dollar value on a moratorium. Office of
4 the Public Counsel, I think, may because they have a
5 different point of view. They represent the public. And so
6 there may be a dollar value or an amount that they would
7 place on that. Staff doesn't typically.

8 But in terms of the moratorium and the ISRS
9 moratorium, this is one area where Staff was willing,
10 despite the fact that it felt its ROE was reasonable, to go
11 beyond.

12 CHAIRMAN GAW: The ISRS that you're talking
13 about is the surcharge that was passed by the legislature
14 last session, signed into law, that says that there can be a
15 surcharge added on to people's bills for infrastructure
16 that's added since the last rate case?

17 MS. SHEMWELL: That's correct.

18 CHAIRMAN GAW: And Ameren has agreed not to
19 implement any surcharge for how long?

20 MS. SHEMWELL: Throughout the time of the
21 stipulation, I believe, which goes to about -- is it 2006?
22 2006.

23 CHAIRMAN GAW: Do you know whether other gas
24 companies in Missouri have requested or are in the process
25 of trying to apply for a surcharge of that type?

1 MS. SHEMWELL: I know Missouri-American Water
2 has. Oh, MGE also has. Let me add that Ameren has agreed
3 to do -- to continue with infrastructure replacements
4 throughout this time as part of the settlement. So that
5 their infrastructure replacement will not come to an end as
6 a result of this.

7 CHAIRMAN GAW: The increase that was
8 originally recommended by Staff to, I think you said between
9 11 1/2 and 12 million; is that correct?

10 MS. SHEMWELL: That's correct.

11 CHAIRMAN GAW: What was the rationale for
12 Staff in believing that that increase was appropriate?

13 MS. SHEMWELL: The 11 1/2 and 12?

14 CHAIRMAN GAW: Yes.

15 MS. SHEMWELL: As a results of Staff's audit.

16 CHAIRMAN GAW: But generally what was the
17 driver of Staff's support of an increase of that sort? What
18 did you find that caused that to be what you believe was an
19 appropriate increase?

20 MS. SHEMWELL: It was a result of the increase
21 in costs. Our difference between Ameren, I can go over some
22 of that, but perhaps we should call Greg Meyer to the stand
23 to speak very specifically to areas of increase that we saw.

24 CHAIRMAN GAW: That would be fine.

25 MS. SHEMWELL: Okay. Staff will call Greg

1 Meyer.

2 JUDGE PRIDGIN: Mr. Meyer, if you would please
3 come forward and be sworn. If you would please raise your
4 right hand.

5 (Witness sworn.)

6 JUDGE PRIDGIN: Thank you very much. If you
7 would please have a seat.

8 GREG MEYER testified as follows:

9 QUESTIONS BY CHAIRMAN GAW:

10 Q. Good morning.

11 A. Good morning.

12 Q. I think you probably heard what I was asking.
13 You might go ahead and respond.

14 A. Just so we're clear, you were asking for the
15 main components of the increase?

16 Q. Yes, that Staff had originally supported.

17 A. Okay. Well, there's substantial investment in
18 plant, new investment.

19 Q. So there was infrastructure added that results
20 in an additional appropriate return --

21 A. Correct.

22 Q. -- to the company since the last rate case?

23 A. Right. Just to back up one, I think we
24 probably gave you some incorrect or inaccurate information
25 before. I did a rough calculation to get from our revenue

1 requirement to the 13 million. It was probably closer to 10
2 1/2 percent.

3 Q. 10 1/2?

4 A. Right.

5 MS. SHEMWELL: Return on equity?

6 THE WITNESS: Return on equity.

7 BY CHAIRMAN GAW:

8 Q. That sounds a little better. That was --
9 especially since the difference in the numbers here wasn't
10 that far apart. Staff had recommended 9.5, and you were --
11 in its original recommendation, and I realize these numbers
12 reek havoc trying to analyze them this way. You're talking
13 about an increase over your original recommendation of about
14 a million and a half, maybe a little more. I was trying to
15 understand how come the return on equity had jumped that
16 much.

17 A. Right. Our range was -- on equity was 9 to
18 9 1/2, which was a spread of approximately \$718,000. So you
19 double that. And our high was 11.6. That would get you to
20 approximately 13 million.

21 Q. Okay. Go ahead. What else was a driver in
22 your original recommendation besides new construction? You
23 say that was the major driver?

24 A. I don't actually have the -- normally we
25 perform a reconciliation. I didn't bring that with me

1 today. I know that, off the top of my head, I want to say
2 that approximately \$40 million of new investment was put in
3 place.

4 Q. Okay.

5 A. There was payroll increases, but there also
6 was a payroll reduction plan that was put into effect, so
7 that was taken into effect. I'm looking through the EMS run
8 now, and nothing else in particular would jump out as a
9 major driver at this point.

10 Q. So significantly it was new construction?

11 A. Correct.

12 Q. In your recollection?

13 A. In my mind, right.

14 CHAIRMAN GAW: I'm going to pass this witness.

15 JUDGE PRIDGIN: Thank you, Mr. Chairman,
16 Commissioner Murray?

17 COMMISSIONER MURRAY: Yes. Just one. Thank
18 you.

19 QUESTIONS BY COMMISSIONER MURRAY:

20 Q. Mr. Meyer, in terms of the not increasing the
21 PGA for a period of time, did you calculate or was there any
22 way to calculate and estimate what effect that might have on
23 the subsequent ACA review?

24 A. I'm not aware that we made that calculation.

25 Q. There probably isn't any way to do that

1 without a crystal ball, I guess; is that right?

2 A. Well, that's not my area. I'm fairly

3 confident we did not make that calculation.

4 COMMISSIONER MURRAY: All right. Thank you.

5 JUDGE PRIDGIN: Commissioner Murray, thank

6 you. Commissioner Clayton?

7 COMMISSIONER CLAYTON: Thank you, Judge.

8 QUESTIONS BY COMMISSIONER CLAYTON:

9 Q. Regarding the settlement rate of return or

10 ROE, 10 1/2 roughly is what you testified to; is that

11 correct?

12 A. That's correct.

13 Q. And Staff's position in its recommendation was

14 how much, what return on equity?

15 A. 9 to 9 1/2 percent on equity.

16 Q. And what was Ameren's position on their -- on

17 their full request for, what was it, \$26 million increase,

18 what was their return on equity?

19 MS. SHEMWELL: May I? I'm thinking it's

20 around 13.

21 MR. BYRNE: Your Honor, I can tell you if you

22 want to know. It's 12.25 percent.

23 BY COMMISSIONER CLAYTON:

24 Q. The new plant or the new investment, the new

25 construction that you testified to earlier, was that

1 replacement construction or was it new construction, new
2 plant?

3 A. It would be a combination of both.

4 Q. Combination of both.

5 A. Specifically we didn't -- we did not break it
6 down between replacement and new.

7 COMMISSIONER CLAYTON: I don't think I have
8 any other questions. Thank you.

9 JUDGE PRIDGIN: Commissioner Clayton, thank
10 you. Commissioner Gaw, did you have more questions?

11 CHAIRMAN GAW: No.

12 JUDGE PRIDGIN: Mr. Meyer, you may step down.
13 If you would, please remain available for potential
14 cross-examination. Thank you.

15 Mr. Chairman, any further questions for
16 Ms. Shemwell?

17 CHAIRMAN GAW: Not of Ms. Shemwell, I don't
18 believe.

19 MS. SHEMWELL: Thank you.

20 CHAIRMAN GAW: Just one thing. The PGA
21 question, does that cut both ways in regard to the PGA
22 changes? Is it just no change for this period of time or is
23 it no increase?

24 MS. SHEMWELL: They won't increase this
25 winter, but they will recover their gas cost. They're just

1 going to keep it steady this winter.

2 CHAIRMAN GAW: I understand that. The ACA

3 will take care of that question. What I'm asking is, when

4 you say no increase, can there be a reduction in the PGA

5 during that time frame if it's appropriate?

6 MR. BYRNE: Yes, your Honor, there can.

7 CHAIRMAN GAW: That's what it looked like, but

8 it wasn't clear to me. So thank you. Thank you,

9 Ms. Shemwell.

10 JUDGE PRIDGIN: Ms. Shemwell, first of all, I

11 think you handed out a two-page exhibit. Is that something

12 you wanted entered into evidence?

13 MS. SHEMWELL: We can, and I'll move that it

14 be entered into evidence.

15 JUDGE PRIDGIN: I'll mark that as Exhibit

16 No. 1. It's a two-page document, a spreadsheet from Staff

17 on their estimate on the impact of this proposed increase on

18 the residential customer bill. Ms. Shemwell, did I describe

19 that accurately?

20 MS. SHEMWELL: Yes.

21 JUDGE PRIDGIN: Any objections?

22 MR. BYRNE: No, your Honor.

23 JUDGE PRIDGIN: Seeing no objections, Exhibit

24 No. 1 is admitted.

25 (EXHIBIT NO. 1 WAS RECEIVED INTO EVIDENCE.)

1 JUDGE PRIDGIN: Let me see if we have any
2 further questions from the Bench. Commissioner Murray, did
3 you have any questions for Ms. Shemwell or anyone else from
4 Staff?

5 COMMISSIONER MURRAY: I don't believe so.
6 Thank you.

7 JUDGE PRIDGIN: Thank you. Commissioner
8 Clayton?

9 COMMISSIONER CLAYTON: Thank you, Judge.
10 Ms. Shemwell, can you give me an idea of the
11 type of infrastructure replacements that are contemplated in
12 the Stipulation & Agreement? I believe the comments in
13 support make reference to a continuing plan or program of
14 infrastructure replacement. Can you give me some
15 information on that?

16 MS. SHEMWELL: A gas company is always laying
17 new pipe and replacing pipe, and so just the type of
18 infrastructure replacement that they --

19 COMMISSIONER CLAYTON: I guess what I'm
20 asking, is this relating to replacing the steel pipe,
21 replacing copper pipe, what type of pipe are we replacing
22 here? Are we replacing old plastic pipe? Considering we've
23 had explosions in Springfield and explosions in St. Louis,
24 can you give me an idea of what we're replacing, or do you
25 have someone that could give me that information?

1 MS. SHEMWELL: I don't know if Tom Byrne can
2 tell you or not. I don't know the -- plastic pipe is what's
3 going into the ground today because it's considered the
4 safest. There are various types of plastic pipe, some of
5 which have experienced more problems than others, but --

6 COMMISSIONER CLAYTON: Is this part of a
7 program which the Commission has approved, a program that is
8 in writing that has been compiled or is it an informal?

9 MS. SHEMWELL: Ameren does not have a safety
10 replacement program similar to other companies that have
11 entered into those kind of programs. It's just their
12 regular maintenance program.

13 MR. BYRNE: Your Honor, maybe I could help.
14 First of all, the kind of pipe, it's mostly cast iron main
15 and unprotected steel services, and we do have a program.
16 I'm not sure. I don't think it's committed to writing. If
17 it is, we're ahead of the program, and I guess this, our
18 commitment here, will expedite what we were doing anyway.

19 MS. SHEMWELL: But that's what you're
20 replacing?

21 MR. BYRNE: Yes, unprotected steel service
22 lines and cast iron mains.

23 MS. SHEMWELL: With plastic?

24 MR. BYRNE: With plastic.

25 COMMISSIONER CLAYTON: Well, I'm aware that

1 it's going to be replaced by plastic. I think I'm just
2 trying to get an idea of, since the significant -- the
3 Staff's recommendation, the significant portion, I mean, a
4 vast majority of the portion of the increase that Staff was
5 recommending is based on infrastructure replacement, I'm
6 trying to get a handle on where in the life of the program
7 we are. And I don't know if you-all have that knowledge or
8 not here.

9 MS. SHEMWELL: I don't.

10 MR. BYRNE: I think I do have that knowledge.
11 I think we're at the tail end of the life of the program.

12 COMMISSIONER CLAYTON: I'll tell you what.
13 We're going to get a chance, I think, at you later on,
14 right? So instead of going out of turn, don't worry, we
15 know where you are.

16 But, Ms. Shemwell, from Staff's perspective,
17 how did Staff review the program? Did it just acknowledge
18 that they are following through with what their plan is
19 or --

20 MS. SHEMWELL: Staff expects that a gas
21 company will do replacements, as Mr. Byrne has noted, is
22 replacing the older pipe with a new pipe, and so it will
23 continue.

24 COMMISSIONER CLAYTON: How does Staff evaluate
25 how much infrastructure replacement is appropriate or not

1 enough? How does Staff make that judgment?

2 MS. SHEMWELL: How did we pick the 20 million
3 or -- Ameren has not had any explosions that I'm aware of,
4 and as Mr. Byrne noted, they're at the end of the
5 replacement of their old pipe with what would be the current
6 standard for plastic pipe. If there are no problems and the
7 replacement is continuing at a steady pace, then I would say
8 that that's what we're looking for is that it's being
9 replaced ahead of causing problems.

10 We -- companies also rely on inspections,
11 calls from specific areas. They look at the pipe when they
12 get a call. They do their gas testing over the lines every
13 year to try to identify areas, specific areas where there
14 are problems.

15 COMMISSIONER CLAYTON: Who on behalf of Staff
16 evaluates those safety questions in determining the amount
17 of infrastructure replacement that should be going on?

18 MS. SHEMWELL: Our gas state department, of
19 course, evaluates whether or not the program is effective in
20 preventing explosions and other injuries.

21 COMMISSIONER CLAYTON: Who on the gas safety
22 team participated in this case?

23 MS. SHEMWELL: No one specifically
24 participated in this case in terms of filing testimony.

25 COMMISSIONER CLAYTON: Okay. Did some Staff

1 person participate in determining whether or not the company
2 is on track with its --

3 MS. SHEMWELL: I'm sorry. Greg Williams did
4 file testimony. I'm sorry.

5 COMMISSIONER CLAYTON: Is Mr. Williams here
6 today?

7 AUDIENCE MEMBER: He may be upstairs. I can
8 go check.

9 COMMISSIONER CLAYTON: I don't want to belabor
10 this, but I am interested in exactly what -- Staff has
11 signed off on this plan. I just want an idea of exactly
12 what the plan is and how Staff made the judgment on this
13 type of program.

14 MS. SHEMWELL: Well, in lieu of the -- during
15 the time of the moratorium, Ameren has agreed to invest
16 15 to 20 million each year during that time, and Staff took
17 that position to assure that replacements would increase at
18 a particular level, we would stay at a particular level
19 during the moratorium.

20 To settle the case, Ameren agreed to the
21 moratorium, but they also agreed to make investment in plant
22 of 15 to 20 million.

23 COMMISSIONER CLAYTON: So purely just on the
24 dollar amount of investment, Staff was comfortable in terms
25 of safety with this -- with this investment in

1 infrastructure replacement?

2 MS. SHEMWELL: Staff signed the agreement.
3 Mr. Williams can, I guess, speak to his particular level of
4 comfort.

5 COMMISSIONER CLAYTON: Well, I'm just trying
6 to get an idea of what Staff looks at. Is it a pure dollar
7 amount? Is it -- is there a program? Is it that in
8 Ameren's system there's not a lot of cast iron mains or
9 there's a very small amount of unprotected steel mains?

10 MS. SHEMWELL: Staff is just expecting that
11 Ameren goes ahead with its program, that because of the
12 moratorium they not delay replacing pipe. They agreed to
13 the level of 15 to 20 million in what would be
14 ISRS-qualifying.

15 Again, unless we actually see a problem
16 occurring with their inspection or replacement program, it's
17 difficult to know, because you can't go out and dig up all
18 the pipe to know. But they're replacing regular pipe, their
19 old pipe on a regular basis.

20 COMMISSIONER CLAYTON: So how many feet per
21 year are being replaced?

22 MS. SHEMWELL: I'll have to turn to Tom.

23 COMMISSIONER CLAYTON: How many feet are still
24 outstanding in the system? I mean, we can come back to
25 this, but these are -- I just don't understand how it was

1 evaluated. Maybe -- if maybe a call could be made to
2 Mr. Williams or whoever could testify to that.

3 MS. SHEMWELL: Certainly.

4 COMMISSIONER CLAYTON: Maybe we can come back.
5 I don't want to delay the proceedings. And I don't have any
6 further questions for Ms. Shemwell, if we can come back.

7 MS. SHEMWELL: Thank you.

8 JUDGE PRIDGIN: Thank you, Ms. Shemwell. If
9 you wanted to give Mr. Williams a call, we'll go ahead
10 and --

11 MS. SHEMWELL: I think someone's gone after
12 him.

13 JUDGE PRIDGIN: Thank you. Let me go ahead
14 and, in the interest of time, proceed with Office of the
15 Public Counsel and then we may take Mr. Williams out of
16 time.

17 Mr. Micheel. Thank you. Mr. Chairman.

18 CHAIRMAN GAW: Good morning, Mr. Micheel.

19 MR. MICHEEL: Good morning, sir.

20 CHAIRMAN GAW: I'll just give you a wide-open
21 question. Tell me why this is in the best interests of your
22 clients.

23 MR. MICHEEL: Well, it's never good when
24 there's a rate increase for my clients. It's painful in any
25 event. But as you've heard today from Ms. Shemwell, we

1 audited the company's books and records. Our audit
2 indicated that the company deserved some sort of increase.
3 We worked hard to temper that increase in between both the
4 customer charge and the energy charge to try to dampen that.

5 We also got a moratorium that's going to keep
6 them out until 2006. So we get some rate stability. And
7 part of that was the ISRS charge that Ms. Shemwell was just
8 talking about. As you're aware, the Legislature last
9 session passed a law that allows companies to do a
10 surcharge, in essence increase rates. So we got three years
11 of no increase.

12 So although I don't want to say that a
13 10 percent increase is not a lot, because it is a lot, but
14 in this business sometimes companies also deserve a return,
15 and we think that that's reasonable, but we've got it at
16 this 10 percent for another three years.

17 So I think that's -- you know, when you look
18 at the totality of circumstances of what the evidence was,
19 what your litigation risk is and the fact that we're getting
20 certainty, that's why we did it.

21 I'd like to address Commissioner Clayton's
22 last question, if I may --

23 CHAIRMAN GAW: That's fine. Go ahead.

24 MR. MICHEEL: -- about the ISRS and the
25 investments. As you're aware, Commissioner, this Commission

1 has gas safety pipeline replacement rules, and so Ameren is
2 required to follow those rules with respect to replacing
3 their cast iron mains and things like that, and that's the
4 program that we're talking about here.

5 And from the Office of the Public Counsel's
6 view, we have this moratorium here on ISRS-related
7 surcharges, but, you know, trust but verify. We wanted to
8 make sure that our good friends at Ameren weren't just going
9 to take the money they got in the settlement to cover ISRS
10 charges and then maybe -- and I'm not suggesting that they
11 would do this. This is just a check. We wanted to make
12 sure that they were going to continue to do the qualifying
13 replacements.

14 And we looked at some numbers. We asked the
15 company what have they been doing in the past, you know,
16 what amount had they been budgeting in the past, where are
17 they in their program. So we put this commitment in here so
18 that the Commission would know that there is a specific
19 commitment on behalf of Ameren to continue these
20 ISRS-qualifying replacements.

21 And, of course, they have to continue with,
22 you know, meeting the Commission's safety rules and
23 everything, but it's more of a check, if you will, on that
24 they're going to continue to do the ISRS things. I'm not
25 suggesting they're not. It's just something that we wanted

1 to feel a little better about the fact that they're going to
2 keep up with that safety program and again comply with the
3 Commission rules. So that's how the Office of the Public
4 Counsel got there.

5 With respect to some of the other items, the
6 Office of the Public Counsel has always supported
7 weatherization. It's a continuation of the weatherization
8 program that we initiated many years ago on this system. I
9 know in this case the Department of Natural Resources
10 recommended increasing the level of money given to
11 weatherization. We supported that.

12 With respect to the experimental low income
13 program, I would just point out that that's an experimental
14 program. You asked Ms. Ross some questions. I would say
15 that what we have here is the broad contours of that
16 program. The nitty-gritty of that program is going to be
17 set out when we get -- due to time constraints, it's hard to
18 get the whole program developed.

19 So we have the broad contours, and what we're
20 recommending here is that we get a collaborative together
21 with experts from our office, the Staff, DNR and other
22 people, and work out the nitty-gritty of that program. What
23 we've given you is kind of the overview of that program, and
24 later down the road, after the collaborative has met, we'll
25 come to you with all the specifics of that program.

1 But I don't disagree generally with the broad
2 parameters that have been set out here. I will tell you
3 that there are a lot of different ways to do it, and one of
4 the reasons we agreed to this particular way is because it's
5 an experiment.

6 It may not be the particular -- in fact, we've
7 recommended a different type program with MGE, but we're
8 willing to experiment. That doesn't say it's a perfect
9 program, but we're searching for that and we're trying to
10 lower bills. So with respect to that, I think that's a
11 benefit of the program.

12 CHAIRMAN GAW: Mr. Micheel, how long would you
13 anticipate before the program is actually up and running?
14 You said -- do you have any self-imposed deadline?

15 MR. MICHEEL: I think there is a deadline in
16 here. Let me look. The program shall commence, unless
17 ordered otherwise, it shall commence no later than May 1,
18 2004. I'm looking it paragraph 7, sir, of the Unanimous
19 Stipulation & Agreement. I expect these folks, once this is
20 approved, will be getting together and rolling up their
21 sleeves and trying to get the most workable program.

22 Now, that doesn't -- I don't -- I think we're
23 all going to agree, but there's a provision in there that if
24 we can't agree we're going to come back and seek your wisdom
25 on what would be the right way to do it.

1 CHAIRMAN GAW: Okay. Go ahead.

2 MR. MICHEEL: Those are kind of the highlights
3 of the program. You asked about the return on equity issue,
4 and let me touch on that. I think it's safe to say, without
5 getting really specific, that we believe that the return on
6 equity is within the Office of the Public Counsel's range,
7 and you had asked --

8 CHAIRMAN GAW: Do you want to say what that is
9 again?

10 MR. MICHEEL: It was between 10 and 11
11 percent, I believe. And we did not do a full case. Our
12 resources don't allow us to do a full case. But I can tell
13 you that because our return on equity was slightly higher
14 than the Staff's range on return on equity, that made our
15 recommendation for a total overall increase higher than the
16 Staff's.

17 And coupling that with, like I said, some of
18 the other items we got, the ISRS within our range, I think
19 that overall the 13 million is just and reasonable. Again,
20 it's -- I mean, you were at the local public hearings. It's
21 going to be hard for all customers, but in this business
22 sometimes an increase is necessary. I think -- I think it's
23 reasonable, and it's less than 50 percent of what the
24 company requested.

25 And I guess the other item I would talk about

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1 just briefly is the customer charge. That's increasing a
2 \$1.20 from \$9 to \$10.20 per month for residential customers.
3 The Office of the Public Counsel's recommendation was \$10.
4 Our cost of service study showed that it should be right
5 around a little less than \$11, and I believe that the
6 Staff's cost of service study showed that it should be
7 \$10.20.

8 So we felt, given what our studies showed with
9 respect to rate impacts, that the \$1.20 -- again, I don't
10 want to belittle. A \$1.20 is a lot of money. But given
11 what the studies were showing, that that was a reasonable
12 compromise of this issue given the complete package.

13 CHAIRMAN GAW: The public hearings that I
14 attended, and I know the comments that were made, everyone
15 knows it's tough out there, Mr. Micheel and you know that
16 very well. I also heard people say that they wanted -- they
17 wanted us to scrutinize, to make sure that if there was
18 something authorized in an increase, that it was
19 appropriate.

20 And what I'm hearing you say is that the
21 Office of the Public Counsel believes that the increase in
22 this settlement is an appropriate amount based upon your
23 office's review of the numbers?

24 MR. MICHEEL: That is correct, Commissioner.
25 We feel comfortable that the \$13 million was a just and

1 reasonable increase for all the parties involved.

2 CHAIRMAN GAW: I notice we have several people
3 out there who are here today, and I'm always pleased to see
4 people turn out to whatever we're doing. And I recognize
5 your office represents a lot of consumers who are here,
6 Mr. Micheel, but a number of those who are here today, since
7 they're not officially parties are represented by your
8 office. Is there anything in particular you want to say to
9 us, if you've had any conversation that you want to pass
10 along?

11 MR. MICHEEL: I have not. I was not aware
12 that consumers were going to be here today. I think it's a
13 great thing. I have talked to I know Ms. Hussman about this
14 case, and I know that her constituents showed up at the
15 local public hearings, and I think that was very helpful for
16 our office in formulating our position and ensuring that the
17 rate increase was the lowest possible amount in order to
18 result in just and reasonable rates.

19 And looking at the specific facts and the
20 issues that had to be tried, setting aside some of the other
21 items, this is that result, I believe. And I know -- I know
22 it's not perfect for all customers, but I just venture to
23 say that there is no perfect solution.

24 CHAIRMAN GAW: Yes, sir. I appreciate that,
25 Mr. Micheel.

1 Let me just briefly ask, in regard to the
2 program down in southeast Missouri, I'm very interested in
3 the data that's captured from those programs in particular.
4 I mean, it just strikes me that we cannot arrive at a
5 solution on dealing with the problems that some families
6 face in paying for their bills just by dealing with rates
7 alone or just by dealing with catchup programs, that you
8 have to do something with weatherization at the same time to
9 help lower the amount of usage of energy.

10 And I recognize that that's part of what's
11 being tried here, but I know there are a lot of variations
12 of those things. So the data that's recovered from any of
13 these experiments is extremely important from my vantage
14 point. So anything we can do to make sure that that data is
15 useful afterwards I would appreciate.

16 MR. MICHEEL: That will be one of the focuses,
17 Commissioner, because the Office of the Public Counsel is
18 not interested in using ratepayer funds for unsuccessful
19 programs. The whole purpose behind these programs in my
20 view, in our office's view is it's going to lower costs for
21 all customers due to the reduction of uncollectibles and
22 things like that.

23 I would add the third component is education
24 also, and that's something we'll look at. But I can assure
25 you that in the collaborative we will be searching for

1 rigorous collection techniques and rigorous review and study
2 so we can determine whether or not the experiment is
3 successful.

4 CHAIRMAN GAW: There's a reference to a study,
5 and I want to ask Ameren about this in really more detail,
6 but about Ameren studying a fixed bill option. Can you tell
7 me a little bit about that? What is that going to involve?

8 MR. MICHEEL: That was something,
9 Commissioner, quite frankly, that the Staff of the Public
10 Service Commission wanted. It was not a plank in the
11 settlement that I was particularly interested in. I just
12 don't want to speak for them.

13 We did not oppose that plank, and I think
14 looking at different options for billing customers is always
15 a good thing, but that wasn't something that we proposed or
16 that I gave a lot of thought to. It was something I said,
17 can't hurt. We can put that in part of the settlement. But
18 Ms. Shemwell would be appropriate for that question.

19 CHAIRMAN GAW: I'll ask Staff and Ameren about
20 it. I think that may be all. Just let me check real quick.
21 That's all I have. Thank you.

22 JUDGE PRIDGIN: Mr. Chairman, thank you.
23 Commissioner Murray?

24 COMMISSIONER MURRAY: Thank you.

25 Mr. Micheel, I would like to first of all

1 thank you and all of the parties for your reasoned approach
2 to this Stipulation & Agreement. And I would also like to
3 ask you if, in representing your clients, you also look out
4 for whether they are able to continue to receive safe and
5 adequate service, do you not?

6 MR. MICHEEL: Yes, we do, Commissioner.

7 COMMISSIONER MURRAY: And I would assume that
8 a part of your agreement with this stipulation is that this
9 rate increase is necessary in order to assure that your
10 customers continue to receive safe and adequate service?

11 MR. MICHEEL: I would say on a general level,
12 yes. I don't think that I looked at whether or not
13 specifically if AmerenUE didn't get a \$13 million rate
14 increase, whether they would let their system go to pot. I
15 think that there are a lot of reasons they wouldn't do that.

16 But, you know, the purpose of regulation is to
17 balance all of the interests, even though I'm representing a
18 specific interest, and as I indicated, for my clients, rate
19 increases are never good news.

20 COMMISSIONER MURRAY: And certainly a part of
21 the interests of your clients is to have healthy utilities
22 that can provide safe and adequate service, is it not?

23 MR. MICHEEL: Yes. My clients want their
24 service to be safe, and they want their service to be
25 adequate. I don't know that they're necessarily concerned

1 one way or another about the financial health of a company.

2 COMMISSIONER MURRAY: Well, they may not be
3 concerned about it, but would you not agree that the
4 financial health of the company is an important
5 consideration as to whether the company can continue to
6 provide safe and adequate service?

7 MR. MICHEEL: It can be, yes.

8 COMMISSIONER MURRAY: Thank you.

9 JUDGE PRIDGIN: Commissioner Murray, thank
10 you. Commissioner, Clayton?

11 COMMISSIONER CLAYTON: Very briefly, Judge.

12 Mr. Micheel, you started off your comments
13 addressing some concerns that I had on the last person who
14 spoke. Regarding infrastructure replacement and company
15 investment in infrastructure, does your agency or does OPC
16 do a study on companies' replacement, infrastructure
17 replacement programs?

18 MR. MICHEEL: We do not, Commissioner, but I
19 would point out in the Stipulation that we have reporting
20 requirements for AmerenUE, and I'm looking at paragraph 4 on
21 page 5. Each such report will contain a description of the
22 infrastructure improvements and the dollar amounts invested
23 over the period covered by the report. And that allows our
24 auditors to track where they were putting the money.

25 Unfortunately, we don't have an engineer or a

1 gas safety department.

2 COMMISSIONER CLAYTON: That was my next
3 question. I was wondering.

4 MR. MICHEEL: So we do what we can given the
5 resources that we have. It's not that I don't look at the
6 material, but generally I don't know that I'm the person to
7 say a company should be replacing a hundred foot.

8 Again, what I do is I look to see and make
9 sure this Commission has promulgated some rules and specific
10 rules with respect to replacing cast iron main, unprotected
11 steel services and things like that. I can read those rules
12 and I can ensure that the company's following those rules,
13 along with this Commission's gas safety department, and
14 that's what we do.

15 And we also want to track the numbers again to
16 make sure that we're -- part of the agreement, you know, was
17 we're going to give you a little bit more, you're going to
18 stay out for the ISRS, but we still want those replacements
19 to be done. That's the purpose --

20 COMMISSIONER CLAYTON: I understand you follow
21 the financial, the dollar amounts and where they go and
22 things like that. But OPC does not make an evaluation of
23 safety issues, does not have the staff to make
24 determinations of -- make determinations of Staff -- or
25 excuse me -- make determinations of whether a certain pipe

1 should be replaced or not?

2 MR. MICHEEL: That's correct. What we could
3 do if we felt the need was, and our budget allowed, we could
4 hire an expert to review that. We have not done that in any
5 recent memory. We may have in the past, but I just don't
6 recall.

7 COMMISSIONER CLAYTON: And just a brief, I
8 guess, question. When the Commission opens a case on a gas
9 safety issue on a -- on an explosion somewhere, does the --
10 does OPC get involved, does it enter its appearance on those
11 cases and participate, or does OPC, I guess, get involved
12 and just listen in to what's going on, I mean?

13 MR. MICHEEL: We're a party of right to every
14 case, Commissioner, so we're in it. I get those filings. I
15 look at them. If I see something that's egregious in the
16 Staff gas safety report, we may well get involved. I might
17 do Data Requests. I might go to my boss and say, this is a
18 real problem. We need to get our own folks in here.

19 But I will say by and charge the gas safety
20 department from what I can tell does a good job.

21 COMMISSIONER CLAYTON: Okay. So would you
22 have any information on whether Ameren is ahead of schedule
23 or behind schedule in comparison to other gas companies on
24 infrastructure replacements?

25 MR. MICHEEL: I would not compare gas

1 companies versus gas companies because their service
2 territories and their vintage of pipe and things like that
3 are different. So I don't think it -- I mean, I don't know
4 that that would be a real good comparison, Commissioner.

5 COMMISSIONER CLAYTON: Okay. Thank you.

6 JUDGE PRIDGIN: Mr. Micheel, thank you.

7 Ms. Shemwell, I understand that you were going
8 to call a witness for Commissioner Clayton.

9 MS. SHEMWELL: I understand that Mr. Williams
10 is in the building. I'm guessing he's looking for a jacket.

11 Let me just correct something. The
12 Stipulation & Agreement requires them to make 15 to
13 25 million over the three years of the moratorium to assure
14 that their current program continues. It's not per year,
15 but it's up to 25 million.

16 We'll call Mr. Williams up as soon as he
17 arrives.

18 JUDGE PRIDGIN: Just please alert me, and
19 we'll keep going.

20 Mr. Byrne, if you would please approach.
21 Mr. Chairman.

22 CHAIRMAN GAW: Good morning, Mr. Byrne. If
23 you would like to respond to any of the questions that I had
24 earlier in general, you may. Otherwise I'll venture into --

25 MR. BYRNE: No, that's okay. I'll just answer

1 any of your questions.

2 CHAIRMAN GAW: Let me start with the fixed
3 billing issue. Tell me what you're going to do in regard to
4 that issue in the Stipulation.

5 MR. BYRNE: Yes. We agreed to study the fixed
6 bill option this winter and potentially implement a pilot
7 program next winter. I guess what we've done so far, we've
8 just, in anticipation of the stipulation going through,
9 we've gotten together a group of people, gas supply folks,
10 engineers, rate people, to take a look at it.

11 I think our anticipation is probably this
12 winter to -- there are a couple of groups that have promoted
13 fixed bill options throughout the country. There's a
14 company called WeatherWise that's talked to us before that's
15 gone around and done a number of these programs. I think
16 our -- we would start probably by talking to WeatherWise,
17 sitting down with them, looking at the options that other
18 people have done, maybe look at some companies in other
19 states that have actually implemented these programs to see
20 what kind of results they have.

21 I guess -- and I think our hope would be to
22 take actual data, customer data from this winter and try to
23 visualize what might have happened had there been a fixed
24 bill program in place.

25 I guess one of the concerns we have, and I --

1 I think we support this, looking at this option. It's
2 always good to look at different options and give customers
3 different options for ways to pay their bill. One of the
4 concerns I have about a fixed bill option is it to some
5 degree or another eliminates the incentive to conserve gas,
6 and gas is sort of a precious natural resource. And if you
7 had a pure fixed bill, if you knew that your bill was going
8 to be the same every month no matter what you did, you'd
9 turn your thermostat up to 90 degrees or not close your
10 windows or not do weatherization, and I don't think we want
11 to give people incentives to do that.

12 On the other hand, there's ways to design
13 these programs, I think, that balance. In other words, by
14 giving people maybe a band of usage so that they just can't,
15 you know, go crazy and doubling their gas usage by leaving
16 their windows open, but fix their bill for a band of usage,
17 I think you can still maybe preserve the incentive to
18 conserve gas but give them the benefits of a fixed bill as
19 well.

20 CHAIRMAN GAW: Is that in the range of things
21 that you're going to be looking at in the Stipulation?

22 MR. BYRNE: Yes. I think that's -- we said we
23 would study a fixed bill option, and I think all the things
24 that I said will be what we study this winter, and then
25 we'll come up with a report on what our findings are and

1 then, I guess, decide whether it's worth it to proceed with
2 the pilot next winter.

3 CHAIRMAN GAW: And just for purposes of
4 explanation, fixed bill is different than budget billing.
5 There's a difference. You might explain what that is.

6 MR. BYRNE: Yes. Budget billing basically
7 gives you -- it gives you the same -- it gives you the same
8 bill every month, but at the end of the year there's a
9 true-up. So you never -- in the end you have to pay for all
10 the gas that you use. Whereas, under a fixed bill option,
11 the true-up element is missing.

12 CHAIRMAN GAW: So Ameren currently has a
13 budget bill?

14 MR. BYRNE: Yes, we do.

15 CHAIRMAN GAW: Might ask you, I recognize that
16 the parties have not agreed to any particular return on
17 equity, but there was some mention earlier about what Staff
18 and Public Counsel's position was in regard to whether or
19 not they believed that the effective return on equity as a
20 result of the increase in revenue allowed in this case was
21 acceptable to them.

22 Do you have anything to add to Ameren's
23 position in regard to that?

24 MR. BYRNE: I think it's very difficult to say
25 what the return on equity is.

1 CHAIRMAN GAW: I understand.

2 MR. BYRNE: There's none specified in the

3 Stipulation, and I think -- I guess I agree with what

4 Mr. Meyer said. If you just took the Staff's cost of

5 service and backed into a return on equity, it might be

6 10 1/2 percent, but I think it's more complicated than that.

7 There are more things, because -- especially because of the

8 ISRS moratorium, how do you -- you know, it's hard to value

9 that. So I -- I guess I can't tell you what I think the

10 return on equity is.

11 CHAIRMAN GAW: Going the other direction for

12 you-all, Ameren had a request in here about, what

13 26.7 million in an increase.

14 MR. BYRNE: Yes, your Honor.

15 CHAIRMAN GAW: And you're agreeing to

16 13.2 million, and Staff had basically said they believed

17 11 1/2 to 12 was appropriate. You're taking a significant

18 reduction off your initial request. Tell me how from

19 Ameren's standpoint you believe that to be in the best

20 interests in your settlement, from your settlement position.

21 MR. BYRNE: Well, I guess from --

22 CHAIRMAN GAW: I recognize that puts you in an

23 awkward position to some extent, but if you could, please.

24 MR. BYRNE: It does. You know, I guess the

25 bottom line is the essence of the settlement is compromise

1 on everybody's part. You know, when we filed our rate
2 increase, which was for \$26.7 million, we supported it with
3 all the data that you'd normally need to support a rate
4 case, and I think it was defensible and still is defensible.

5 But, you know, there are -- there are
6 litigation risks for all parties. You know, we had a
7 12.25 percent return on equity in our filing. The
8 Commission hasn't very frequently awarded a 12.25 percent
9 return on equity. There are positions that we took in our
10 initial filing which, though the company believes are
11 legitimate, there was litigation risk associated with them.

12 And, you know, even in our initial filing, we
13 tried to take steps to mitigate the impact of the rate
14 increase on customers. That's always been a concern. But
15 by getting half our rate increase or less than half of what
16 we proposed, it does mitigate compared to what we originally
17 filed.

18 I guess I'll have to say the same thing that
19 everybody else said. The package of things we believe is a
20 just and reasonable result from both the company's
21 standpoint and the customers.

22 CHAIRMAN GAW: Did anyone reduce to numbers
23 the value of not having the ability to request a surcharge
24 under the ISRS during the anticipated time frame of the
25 moratorium?

1 MR. BYRNE: I know we did internally. I don't
2 know that -- I'm sure every party did internally when they
3 were negotiating the final dollar amount. And I don't know
4 what the amount is, but the way you do it is you calculate
5 the amount of investment and multiply it by the rate of
6 return you think you would get for it. So we did do those
7 calculations, but I don't have them with me.

8 CHAIRMAN GAW: Okay. And I hate to use
9 general terms, although I do it too often, but is that value
10 of significance?

11 MR. BYRNE: Yes, it was.

12 CHAIRMAN GAW: And without the agreement that
13 the company made not to pursue an ISRS, the company would
14 have had a right under the anticipated plans the company
15 has, what you're required to do in regard to infrastructure
16 replacement, to request a surcharge under that statute in
17 the near future or sometime within the moratorium at least
18 once or more; is that correct?

19 MR. BYRNE: Yes. And I think we -- our
20 tentative plans were to request it probably before next
21 winter.

22 CHAIRMAN GAW: Okay. And now you won't be
23 doing that?

24 MR. BYRNE: Now we won't be doing that.

25 CHAIRMAN GAW: How often, if you recall, under

1 the statute could you request additional surcharges during
2 the time frame of the moratorium?

3 MR. BYRNE: I'm not sure, your Honor. I think
4 it's -- I think it's at least once a year.

5 CHAIRMAN GAW: Does someone else want to
6 tackle that? I'm not trying to put Ameren on the spot with
7 this so much as I am just trying to get the information.

8 MR. MICHEEL: What was the question,
9 Commissioner?

10 CHAIRMAN GAW: The question generally was, if
11 it were not for the moratorium in this settlement, and
12 including the fact that there's no ISRS that can be
13 requested, how many times could Ameren potentially request
14 surcharges under that statute during the time frame that the
15 moratorium covers?

16 MR. MICHEEL: It's certainly more than once a
17 year. My recollection of the statute, Commissioner, is once
18 they have qualifying investments, and I believe the
19 threshold is a million dollars, then the company can request
20 an ISRS increase and then the time clock starts ticking for
21 the 120.

22 So it is more than three times. I don't know
23 how many more, because I think it is dependent on the
24 investment that the company is making. That's my
25 recollection of the statute.

1 CHAIRMAN GAW: And as I understand it, the
2 company is, you've already explained will be investing more
3 than the limit for the next three years, two and a half,
4 three years. That's correct, isn't it?

5 MR. BYRNE: That's correct. The limit's a
6 million dollars, I believe.

7 CHAIRMAN GAW: So you could have potentially
8 two, maybe perhaps more, but two anyway during that time
9 frame that consumers will not -- will not be asked to pay
10 for as a result of this settlement?

11 MR. BYRNE: That's correct.

12 MS. SHEMWELL: Correct.

13 CHAIRMAN GAW: I think that's all I have.
14 Thank you.

15 JUDGE PRIDGIN: Mr. Chairman, thank you.
16 Commissioner Clayton?

17 COMMISSIONER CLAYTON: The infrastructure
18 replacement expense in this case is an amount of what,
19 between 15 and 25 million; is that correct?

20 MR. BYRNE: That's correct.

21 COMMISSIONER CLAYTON: And that's over the
22 life of this Stipulation?

23 MR. BYRNE: I think it runs from July 1st,
24 2003 through December 31st, 2006.

25 COMMISSIONER CLAYTON: And how does that

1 spending compare to Ameren's replacement program the last
2 three years?

3 MR. BYRNE: We have been spending over the
4 last several years and we had budgeted to spend in the
5 future the same amount, which was between 3 1/2 and
6 \$4 million.

7 COMMISSIONER CLAYTON: Annually?

8 MR. BYRNE: Annually. And so this is a little
9 higher than what we historically had done and what we had
10 budgeted for in the future.

11 COMMISSIONER CLAYTON: If you took the high
12 end of that, so the last three years that budgeting would
13 leave, what, 12 million of infrastructure replacement
14 expenditures in the past three years?

15 MR. BYRNE: I believe that's approximately
16 correct, yes.

17 COMMISSIONER CLAYTON: Well, what is the
18 justification for the doubling of that, potential doubling
19 of that expenditure?

20 MR. BYRNE: Well, I guess --

21 COMMISSIONER CLAYTON: I guess you can answer
22 that, because my next question is going to be about the main
23 replacement programs and how this fits into your overall
24 plan.

25 MR. BYRNE: Well, I guess our view of it was,

1 we weren't necessarily committing to doubling it. The
2 minimum was 15 million, you know, the maximum 25. So as
3 long as we fell in that range, we would have met our
4 commitment. And I -- you know, I just think we felt we
5 could afford to do that and ought to do that.

6 COMMISSIONER CLAYTON: I understand, but
7 potentially, is there a plan behind those figures? I mean,
8 is there an expenditure or main replacement program or is
9 this just a nice round figure that everyone feels good with?

10 MR. BYRNE: There is a plan. I mean, in terms
11 of we do have a plan to replace our cast iron mains and our
12 unprotected steel service lines. I tried to find out the
13 details of this plan anticipating your question, and I've
14 been told there's 80 miles of cast iron main that are still
15 in service in our service territory. I believe that means
16 we're, relatively speaking, at the end of our program to
17 replace all that line.

18 COMMISSIONER CLAYTON: How much time would it
19 take to replace the 80 miles, generally speaking? And if
20 you doesn't know, I don't want to put you on the spot for
21 something.

22 MR. BYRNE: Well, my understanding is our plan
23 that we will be done in 2008 with all the replacements that
24 we're doing.

25 COMMISSIONER CLAYTON: And how about the

1 unprotected steel mains?

2 MR. BYRNE: The unpro-- well, I think it's
3 cast iron main and unprotected steel service lines. I
4 believe that that 2008 date is the same for the unprotected
5 steel service lines.

6 COMMISSIONER CLAYTON: So does this
7 infrastructure spending plan accelerate the program or just
8 keep it on track?

9 MR. BYRNE: It accelerates it a little bit.

10 COMMISSIONER CLAYTON: Accelerates it a little
11 bit.

12 MR. BYRNE: Although, your Honor, I think the
13 2008 date incorporates that we're assuming the Stipulation
14 will be approved and we'll invest at that level.

15 COMMISSIONER CLAYTON: Before I go any further
16 in talking about this, is Mr. Williams here yet?

17 MS. SHEMWELL: He is.

18 COMMISSIONER CLAYTON: Okay. I think you've
19 answered all my questions, and I'll just have a few for him.
20 Thank you, Judge.

21 MR. BYRNE: Thank you.

22 JUDGE PRIDGIN: Mr. Byrne, thank you.

23 Ms. Shemwell, do you have a witness for me?

24 MR. MICHEEL: Commissioner, if I may, I just
25 want to make a statement for the record just to make it

1 crystal clear. I am not representing the grass roots
2 organizing group here, the consumer group that is here, and
3 I don't believe that they support the Stipulation &
4 Agreement.

5 And I just want to make that clear if my
6 statements today were in any way misconstrued that they
7 supported the Stipulation & Agreement. They're not a party
8 to the case. And we still wholeheartedly support the
9 Stipulation & Agreement.

10 JUDGE PRIDGIN: Mr. Micheel, thank you.

11 Ms. Shemwell, did you have a witness?

12 MS. SHEMWELL: I do, Judge. If I might make
13 just one comment about the fixed bill option. Staff has
14 looked at these in the past. There is a company called
15 WeatherWise that can run them for a company. The company
16 may or may not choose to use that.

17 There is a limit on the amount of gas that the
18 customer can use, so that it discourages over-consumption.
19 So if the customer goes outside of their pattern for the
20 three years prior, they may be charged more. So that the
21 customer cannot use indiscriminately and still have just the
22 fixed bill option.

23 I will call Greg Williams to the stand to
24 discuss gas safety issues.

25 JUDGE PRIDGIN: Thank you. Mr. Williams, if

1 you would, please come forward to be sworn. Would you
2 please raise your right hand to be sworn.
3 (Witness sworn.)
4 JUDGE PRIDGIN: Thank you very much,
5 Mr. Williams. Commissioner Clayton?
6 GREG WILLIAMS testified as follows:
7 QUESTIONS BY COMMISSIONER CLAYTON:
8 Q. I want to know where you found that jacket.
9 A. Leon Bender.
10 Q. Sorry about that. I apologize --
11 A. That's okay.
12 Q. -- for dragging you down here. I had just a
13 couple of questions just to be clear on what Staff does on
14 such a Stipulation & Agreement in making a judgment on
15 infrastructure investments in future years.
16 Could you tell me from Staff's perspective
17 what you-all look at in determining whether a certain
18 infrastructure investment is adequate?
19 A. What we normally look at, we'll look at
20 obviously the leak rates. We get an annual report each
21 year, and we'll go over the number of leak rates and we'll
22 look to see if the leakage rate is decreased, you know, in
23 accordance with the number of miles of main that they have
24 left remaining in the system.
25 Q. Okay. Do you -- I assume that you look at the

1 track record for accidents and explosions, things like that?

2 A. Yes.

3 Q. Well, on both leak rates and explosions, can

4 you just give me a very brief assessment of how Ameren has

5 done in this safety issue over the past couple of years?

6 A. Okay. We've seen a significant number of

7 leaks. They've decreased, both on the cast iron -- we've

8 not had a cast iron incident for some time. It's been quite

9 a long time. And the unprotected steel mains and services

10 have both been coming along real nice and basically --

11 Q. When you say they're coming along real nice,

12 I'm not sure if that's in the legal book or not, but does

13 that mean there's a steady decline going on?

14 A. There is a steady decline, yes. Right now we

15 seem to be having more third-party hits and damages than

16 anything else.

17 Q. What does that mean, a third-party hit?

18 A. Just like when an outside excavator, you know,

19 comes in and they're digging a trench or during a boring

20 installation and they happen to hit a gas main or service.

21 Q. That could ruin your weekend, couldn't it?

22 A. Could ruin your weekend.

23 Q. Do you-all assess the company's progress in

24 the overall main replacement program?

25 A. Yes, we do.

1 Q. And how do you make that assessment? Do you
2 look at it by miles replaced, miles outstanding? Tell me
3 how you do that.

4 A. We look at the miles of main. I mean, the
5 Commission, they have to follow, of course, a certain case
6 filing that they submitted with the Commission, and we look
7 at the number of miles that are replaced.

8 And a lot of things, like cast iron they have
9 to have, like, a replacement prioritization program where
10 you might want to concentrate on the larger diameter that's
11 under pavement first, get that out of the system, because
12 it's -- of course, it's brittle, and the larger diameter
13 doesn't hold up as well as the smaller.

14 Q. And how have they been in replacing those that
15 have considered priorities? How have they done in that
16 area?

17 A. I'm not sure I understand exactly.

18 Q. Well, have they been successful in determining
19 the prioritized mains that need to be replaced and that they
20 are replacing those, in fact?

21 A. Oh, yes, we believe so.

22 Q. Okay. How about the service lines, the
23 unprotected service lines?

24 A. On those we look at the total number of
25 service lines that are replaced each year.

1 Q. And what are those, what's the annual
2 replacement number for those?

3 A. Okay. Let me get that for you. On
4 unprotected steel services and yard lines that were retired
5 or replaced, they vary from year to year, but it varies
6 anywhere from 1,300 to basically 790.

7 Q. 1,300 to?

8 A. During the current year of 2000, they replaced
9 1,303, and then in 2001 792, and in 2002 976.

10 Q. Okay. Now, with that program, is there -- is
11 that program, is it your understanding, will end in 2008?

12 A. My understanding was from the company that
13 they would be done with the cast iron mains by 2008.

14 Q. Okay. And how about the service lines,
15 replacing the service lines?

16 A. I'm not sure on those dates when they're going
17 to be completed.

18 Q. Okay. Now, are you aware that the -- that
19 this Stipulation & Agreement increases the amount of money
20 on an annual basis that will be spent on infrastructure
21 replacement?

22 A. Really what we look at is basically just the
23 total fiscal number. We really don't look at the amount in
24 gas.

25 Q. Let me ask the question again. Are you aware

1 that there's an increase in the amount of expenditures
2 allowed in this Stipulation for infrastructure replacement?

3 A. Yes.

4 Q. You are aware of that. And potentially it
5 could be an amount twice as much as what's been done in
6 years past?

7 A. That's what I've heard.

8 Q. Okay. And is it your understanding that that
9 is for an acceleration of the program, or is it just getting
10 more expensive to make these replacements?

11 A. I can only guess that it's getting more
12 expensive to make the replacements with street repairs.

13 Q. You're just getting now? Okay. You have to
14 answer.

15 A. Yes, I'm just guessing.

16 Q. In your assessment of infrastructure
17 replacement, is it your opinion that in terms of safety this
18 Stipulation & Agreement is a benefit to consumers and people
19 who have to live around these gas lines?

20 A. I believe it is based on the number of leaks
21 that have gone done and the lack of the incidents that
22 they've had.

23 Q. And the replacement is with plastic lines?

24 A. That's correct.

25 Q. Has Ameren had, to the best of your knowledge,

1 any problems with plastic lines over the last couple of
2 years?

3 A. Not to my knowledge. Normally plastic is fine
4 as long as you protect it against sharp objects like rock.

5 Q. Like rock and trees?

6 A. Yes.

7 COMMISSIONER CLAYTON: Okay. Mr. Williams,
8 thank you for coming down. I appreciate you taking the time
9 and answering these questions.

10 Thank you, Judge.

11 JUDGE PRIDGIN: Commissioner Clayton, thank
12 you. Mr. Williams, thank you. You may step down, but if
13 you would please remain available in case we have additional
14 cross-examination for you.

15 Ms. Woods.

16 COMMISSIONER CLAYTON: Just a couple of real
17 quick questions. There's been a lot of talk about programs
18 that will be established for those who perhaps cannot afford
19 their gas bill. There's more than just one program in this
20 Stipulation; is that correct?

21 MS. WOODS: That's correct.

22 COMMISSIONER CLAYTON: Okay. How many
23 programs are we talking in this Stipulation & Agreement?

24 MS. WOODS: Well, from the Department of
25 Natural Resources' perspective, there's the continuation of

1 the weatherization program that Ameren has had in effect for
2 several years now.

3 COMMISSIONER CLAYTON: And how much is in the
4 stipulation for that program?

5 MS. WOODS: I believe that's 155,000 per year
6 for the life of this stipulation.

7 COMMISSIONER CLAYTON: Okay.

8 MS. WOODS: Then there's the experimental
9 program that Staff developed in, I believe it's Scott and
10 Stoddard County.

11 COMMISSIONER CLAYTON: Does DNR have a role in
12 that program?

13 MS. WOODS: We're going to be part of the
14 collaborative effort to firm up the details of that program.

15 COMMISSIONER CLAYTON: And that one's 100,000
16 per year?

17 MS. WOODS: That one's 100,000 per year.

18 COMMISSIONER CLAYTON: Okay. Anything else?

19 MS. WOODS: Well, there's also the energy
20 efficiency program, and that's a program to encourage people
21 to basically change out appliances or other gas-using units
22 that are gas guzzlers and replace them with more energy
23 efficient appliances.

24 COMMISSIONER CLAYTON: Is there a dollar
25 amount attached to that program?

1 MS. WOODS: Well, I knew what it was a second
2 ago. 55? \$55,000.

3 COMMISSIONER CLAYTON: Per year?

4 MS. WOODS: I believe that's a per year.

5 COMMISSIONER CLAYTON: And do you admin--
6 excuse me. Does DNR administer that program?

7 MS. WOODS: It's another one of the
8 collaborative efforts that all of the parties are going to
9 be involved in in determining the details.

10 What the Department of Natural Resources
11 generally does is use the local planning agencies in that
12 area to really do the day-to-day work.

13 COMMISSIONER CLAYTON: I understand. But the
14 check flows through DNR? The checks will flow through DNR?

15 MS. WOODS: I don't believe the check will
16 flow to DNR. I believe AmerenUE will pay the planning
17 agency directly.

18 COMMISSIONER CLAYTON: Okay? Anything else.

19 MS. WOODS: I think that covers it.

20 COMMISSIONER CLAYTON: Starting with the
21 traditional weatherization program, 155,000 per year, is
22 that the same amount that's been done on an annual basis or
23 is that an increase or a decrease?

24 MS. WOODS: I believe that's the same amount
25 that Ameren has been doing over the last -- since the last

1 rate case.

2 COMMISSIONER CLAYTON: And the experimental
3 weatherization program is a new program, so that would be an
4 increase?

5 MS. WOODS: Yes.

6 MR. BYRNE: Your Honor, if I may, the one is
7 an increase. It historically has been 125 and it's raised
8 to 155.

9 MS. WOODS: Thank you.

10 COMMISSIONER CLAYTON: Okay. And how about
11 the energy efficiency program, that's a new program?

12 MS. WOODS: That's a new program, and that
13 will be paid by shareholders.

14 COMMISSIONER CLAYTON: Is the energy
15 department in DNR, you-all are satisfied with this
16 Stipulation & Agreement and the figures going for those less
17 fortunate, you're satisfied with these figures?

18 MS. WOODS: Yes, we are.

19 COMMISSIONER CLAYTON: Did you participate or
20 file pleadings or testimony prior to the settlement of this
21 case?

22 MS. WOODS: Yes, we did.

23 COMMISSIONER CLAYTON: And what was DNR's
24 position on these issues before settlement?

25 MS. WOODS: Before settlement, we had asked

1 for the, I believe it was the -- we had asked for a
2 continuation of AmerenUE's current weatherization program
3 and the --

4 COMMISSIONER CLAYTON: At current funding or
5 at increased funding?

6 MS. WOODS: I believe we asked for an
7 increase. We did. We asked for an increased funding. The
8 energy efficiency program, the one in the Stipulation is --
9 well, the outline of it is from the testimony that we filed.
10 The third, the new program, the new
11 weatherization program, that was proposed by Staff. We did
12 not file any testimony one way or the other on it, but of
13 course, we support it.

14 COMMISSIONER CLAYTON: Okay. The increase
15 that you requested in the traditional weatherization, how
16 much was that?

17 JUDGE WOODRUFF: I believe that was the
18 155,000.

19 COMMISSIONER CLAYTON: The 155,000. Okay. In
20 terms of LIHEAP funding, how is that -- can you testify or
21 give me information on how current LIHEAP funding is in
22 comparison to past years?

23 MS. WOODS: I have some people here who could
24 address that, but --

25 COMMISSIONER CLAYTON: You don't have those

1 figures. It's not important to take the time to do that.
2 Okay. I don't have any further questions.
3 Thank you.
4 JUDGE PRIDGIN: Commissioner Clayton, thank
5 you. Ms. Woods, thank you. I don't have any questions for
6 you.
7 That seems to conclude the questions for
8 counsel. Does counsel have anything else to bring to my
9 attention?
10 MS. SHEMWELL: No.
11 JUDGE PRIDGIN: Seeing nothing further, that
12 will concludes this on-the-record presentation. We are off
13 the record. Thank you.
14 WHEREUPON, the on-the-record presentation was
15 concluded.
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19
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22
23
24
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1	EXHIBITS INDEX	
2		RECEIVED
3	EXHIBIT NO. 1	
3	Staff Spreadsheet	48
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		