

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

On-the-Record Presentation

March 14, 2007  
Jefferson City, Missouri  
Volume 13

In the Matter of Union Electric           )  
Company, d/b/a AmerenUE's                )  
Tariffs Increasing Rates for            )Case No. GR-2007-0003  
Natural Gas Service Provided to        )  
its Customers in the Company's         )  
Missouri Service Areas                 )

MORRIS L. WOODRUFF, Presiding  
DEPUTY CHIEF REGULATORY LAW JUDGE

JEFF DAVIS, Chairman,  
CONNIE MURRAY,  
STEVE GAW,  
ROBERT CLAYTON, III,  
LINWARD "LIN" APPLING,  
Commissioners

REPORTED BY:           Monnie S. VanZant, CCR, CSR, RPR  
Midwest Litigation Services  
3432 W. Truman Boulevard, Suite 207  
Jefferson City, MO 65109  
(573) 636-7551

1                                   A P P E A R A N C E S

2   For Staff of the Missouri Public Service Commission:

3                           Ms. Lera Shemwell  
4                           Staff of the Public Service Commission  
5                           200 Madison Street  
6                           P.O. Box 360  
7                           Jefferson City, MO 65102  
8                           (573) 751-7431

9   For Office of the Public Counsel:

10                          Mr. Marc Poston  
11                          Office of Public Counsel  
12                          200 Madison Street  
13                          P.O. Box 2230  
14                          Jefferson City, MO 65102  
15                          (573) 751-5558

16   For AmerenUe:

17                          Mr. Thomas Byrne  
18                                   and Ms. Wendy Tatro  
19                          Attorney at Law  
20                          1901 Chouteau Avenue  
21                          MC-1310  
22                          St. Louis, MO 63103  
23                          (314) 554-2514

24   For Missouri School Boards Association:

25                          Mr. Richard Brownlee  
26                          Hendren & Andrae  
27                          Riverview Office Center  
28                          221 Bolivar  
29                          Jefferson City, MO 65101

30   For Missouri Retailers Association:

31                          Mr. Samuel E. Overfelt  
32                          Attorney at Law  
33                          618 E. Capitol Avenue  
34                          Jefferson City, MO 65101  
35                          (573) 636-5128

## 1 A P P E A R A N C E S (CONTINUED)

2

For Department of Natural Resources:

3

4 Mr. Todd Iveson  
5 Assistant Attorney General  
6 P.O. Box 899  
7 221 W. High Street  
8 Supreme Court Building  
9 Jefferson City, MO 65102  
10 (573) 751-3640

7

8

For the State of Missouri:

9

10 Mr. Robert Carlson  
11 and Mr. Douglas E. Micheel  
12 Assistant Attorney Generals  
13 221 W. High Street  
14 P.O. Box 899  
15 Jefferson City, MO 65102  
16 (573) 751-445

13

14

15

16

17

18

19

20

21

22

23

24

25

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

2 JUDGE WOODRUFF: Welcome, everyone, this  
3 afternoon to Case No. GR-2007-0003. It's the Union  
4 Electric Company's request for -- to file tariffs  
5 increasing the rates for natural gas service to its  
6 customers in the Missouri service area.

7 We're here today for an on-the-record  
8 presentation, just a discussion of the stipulation and  
9 agreement. And we'll begin by taking entries of  
10 appearance. We'll begin with AmerenUE.

11 MS. TATRO: Wendy Tatro and Thomas Byrne, 1901  
12 Chouteau, St. Louis, Missouri, appearing on behalf of  
13 AmerenUE.

14 JUDGE WOODRUFF: Thank you. And for the Office  
15 of Public Counsel?

16 MR. POSTON: Thank you. Marc Poston, appearing  
17 on behalf of the Office of Public Counsel and the public.

18 JUDGE WOODRUFF: And for the Commission Staff?

19 MS. SHEMWELL: Thank you, Judge. Lera Shemwell,  
20 representing the Staff of the Missouri Public Service  
21 Commission, Post Office Box 360, Jefferson City, Missouri,  
22 65102.

23 JUDGE WOODRUFF: And for the Missouri School  
24 Board Association?

25 MR. BROWNLEE: Richard Brownlee with the law

1 firm of Hendren & Andrae, Riverview Office Center, 221  
2 Bolivar Street, Jefferson City, Missouri, on behalf of the  
3 Missouri School Boards Association.

4 JUDGE WOODRUFF: And for the Missouri Retailers  
5 Association?

6 MR. OVERFELT: For the Missouri Retailers  
7 Association, Samuel Overfelt.

8 JUDGE WOODRUFF: Thank you, Mr. Overfelt. And  
9 for the Missouri Department of Natural Resources?

10 MR. IVESON: Todd Iveson for the Missouri  
11 Department of Natural Resources, P.O. Box 899, Jefferson  
12 City Missouri, 65102.

13 JUDGE WOODRUFF: And I believe the State of  
14 Missouri is the other party.

15 MR. CARLSON: Robert Carlson and Douglas Micheel  
16 for the State of Missouri, P.O. Box 899, Jefferson City,  
17 Missouri, 65102.

18 JUDGE WOODRUFF: And I believe that's all the  
19 parties, unless I've missed somebody.

20 All right. The way we're going to proceed today  
21 is the purpose of this proceeding is simply to allow the  
22 Commissioners to ask questions about the -- about the  
23 stipulation and agreement.

24 So what I'm going to do is just ask Commissioner  
25 Murray to get us started. If you have any questions that

1     you'd like to ask and --

2                   MS. SHEMWELL:  Judge, I had a brief opening.  Do  
3     you want that or not?

4                   JUDGE WOODRUFF:  Go ahead.

5                   MS. SHEMWELL:  Thank you.

6                   JUDGE WOODRUFF:  Yes.  Emphasis on brief.

7                   MS. SHEMWELL:  Yes, sir.

8                                 OPENING STATEMENT

9     BY MS SHEMWELL:

10                   MS. SHEMWELL:  I have handed out documents to  
11     the Commission.  The first document on this is the  
12     stipulation and agreement.  Attached are the tariff sheets  
13     that were changed, but not the entire group of Ameren's  
14     tariff sheets that are filed with the stipulation.

15                   Following that are the other schedules that were  
16     attached to the stipulation.  Wendy Tatro has a couple of  
17     changes to numbers that she will give you in -- in a few  
18     minutes.

19                   I, if it pleases the Commission, would like to  
20     start with -- the overall revenue requirement,  
21     \$6 million was the settled agreement.  This was a black  
22     box settlement.

23                   Greg Meyer is here to explain to you how we  
24     reached the 6 million and to explain that it is in Staff's  
25     range and how Staff is able to recommend the 6 million as

1 just and reasonable.

2           Class cost of service, which is the next item in  
3 the stipulation and agreement, staff used the capacity  
4 utilization of means to perform its analysis, and the  
5 settlement is for an equal percentage across the board  
6 increase for all classes.

7           The stipulation and agreement does involve a  
8 three-year rate moratorium, which, of course, does not  
9 include the price of natural gas. It also does not  
10 restrict Ameren from filing an S-4 replacement that may  
11 qualify in the ROE stated in the stipulation for  
12 enforcement is 10 percent, which is consistent with what  
13 we have done in other stipulations and agreements.

14           As with other gas cases, Staff had recommended a  
15 straight fixed variable or a delivery charge that offered  
16 all of the fixed costs -- and because Staff believes that  
17 promotion of conservation has become critical, and Staff  
18 had recommended the delivery charge of \$22.

19           However, the Office of the Public Counsel and  
20 the company came to an agreement of a \$15 delivery charge,  
21 and Staff did not stand in the way of that agreement  
22 because we feel that we were moving in the right direction  
23 in this case towards decoupling with a higher delivery  
24 charge, and, also, because Ameren and Staff and the Office  
25 of the Public Counsel and DNR have a collaborative since

1 the last rate case that has been working very well in  
2 terms of promoting conservation.

3 Paragraph 18 on page 8 of the stipulation and  
4 agreement discusses the ener -- the energy efficiency  
5 measures that the collaborative may consider using the  
6 following money from the case: Funding for weatherization  
7 increases from \$150,000 to \$263,000. And I believe that's  
8 on page 8 of the stipulation. That money will go to  
9 EIERA, which is a State agency. DNR is here and can  
10 answer questions for you about that if you want.

11 John Buchanan is here and Brenda Wilbers are  
12 both here today. In addition to that money, an additional  
13 \$100,000 will go towards -- to promote energy efficiency.

14 And there was money left over from the last rate  
15 case for the Scott and Stoddard Counties experimental  
16 programs, so an amount -- a one-time amount of 270,000  
17 approximately will go to the collaborative. And, again,  
18 they may consider a wide variety of energy efficiency  
19 measures for which they would use that.

20 In terms of seasonal disconnect charges, which  
21 is the next item, I believe in the stip., Ameren already  
22 has a seasonal disconnect for its residential customers.  
23 They had proposed one for general service but withdrew  
24 that.

25 However, Staff has recommended that for seasonal



1     disconnect, if Ameren receives the monthly charge from an  
2     interim customer, for example, let's say a student leaves  
3     an apartment but subleases it during the summer so that  
4     someone else is paying that monthly charge.

5             Then when the students comes back to reconnect  
6     in their name, they would not be required to pay that  
7     interim charge for reconnection.

8             The parties all agreed to a school aggregation  
9     charge, which has been changed to match other utility  
10    companies. And I believe in the items marked as red the  
11    seasonal disconnect charge is shown on Sheet 5 of the  
12    tariffs which are all marked with red post-it notes.

13            The school aggregation charge has been changed  
14    to .4 cents per CCF, which is in line with what other  
15    utility companies are doing.

16            And the contract with the schools has been  
17    updated and is at 16 in your packet. It starts at 13 and  
18    has substituted the words "new eligible school entities"  
19    in some of the places. And then the contract starts on  
20    16.4 through 16.7, I believe. And Mr. Brownlee is here  
21    representing the schools.

22            Some other charges have been changed. The tab  
23    connection has been changed to \$260 from 250, which covers  
24    the actual costs as has the meter relocation fee changed  
25    to 260. And the reconnection fee has been updated to --

1 to \$70 to reflect the actual cost.

2           One of the items that Ameren wanted to add to  
3 its tariffs this time was the ability to decline service  
4 to a large industrial customer or bigger customer, if  
5 necessary, to protect the integrity of their system. And  
6 Staff did not really have a problem with that because our  
7 concern -- one of our concerns, of course, is reliability  
8 for residential customers.

9           And Ameren wanted the ability to decline to  
10 serve a customer if they felt that they didn't have the  
11 capacity or the natural gas available. So that is now in  
12 their tariffs.

13           Staff agreed to a PGA consolidation. This is  
14 the Ameren gas service territory on the left, and this is  
15 the AmerenUE electric service territory on the right. And  
16 as you can see, they don't -- do not overlap completely.  
17 And Jim Massman is here from Ameren, and he will point out  
18 to you on this map the pipelines that serve the area.

19           Staff declined to include the Rolla area in a  
20 single PGA rate because of the cost that MGC adds to those  
21 customers' cost down in that area. But through  
22 consolidation, we believe that all customers will benefit  
23 because of Ameren's ability to hedge, and its  
24 opportunities to stabilize costs will be made equally  
25 available to all customers.

1           Ameren is one of Panhandle's biggest customers,  
2   and this is Panhandle, which comes out into the Jeff  
3   City/Columbia area. And they believe that, by  
4   consolidating, they will have greater hedging  
5   opportunities to serve all of their customers. And the  
6   transition charge that's shown is a temporary charge to  
7   try to eliminate any benefits or prob -- detriments to  
8   customers.

9           Historically, the separate PGA is -- for the  
10   three areas are served by Panhandle Eastern, MP and  
11   Texaco. And MP serves the fifth -- I was thinking it was  
12   Lutzville, but it's the Marble Hill area. Jim, do you  
13   want to point that out?

14           MR. MASSMAN: Sure. As Lera was mentioning,  
15   there --

16           JUDGE WOODRUFF: You need to get the microphone  
17   over there for him.

18           MR. MASSMAN: Thank you. As Lera was  
19   mentioning, there are three major interstate pipelines  
20   that cut across Missouri to serve our customers.  
21   Panhandle Eastern --

22           MS. SHEMWELL: Sorry.

23           JUDGE WOODRUFF: That's all right.

24           MR. MASSMAN: Okay. Panhandle Eastern cuts  
25   across the center part of Missouri, and that serves

1 Jefferson City, Columbia, Wentzville and those surrounding  
2 areas.

3 Gas is provided from the mid-Continent area of  
4 the United States. We also serve about a hundred thousand  
5 customers in that -- in that particular area of the State.

6 The second largest area of the State is served  
7 by Texas Eastern Transmission Company. We generally call  
8 it TETCO. That line runs through the -- the boot heel of  
9 Missouri through this area here. That area serves the  
10 Cape Girardeau and other surrounding areas. It serves  
11 about 20,000 customers.

12 JUDGE WOODRUFF: Sorry to interrupt. You're not  
13 an attorney, right?

14 MR. MASSMAN: Correct.

15 JUDGE WOODRUFF: Okay. We should really swear  
16 you in as a witness. If you'd raise your right hand.

17 JIM MASSMAN,  
18 being first duly sworn to testify the truth, the whole  
19 truth, and nothing but the truth, testified as follows:

20 JUDGE WOODRUFF: And since you've also --  
21 already given some testimony, do you indicate -- will you  
22 indicate that the testimony you've already given is also  
23 true and --

24 MR. MASSMAN: Yes, it is.

25 JUDGE WOODRUFF: Thank you.

1           MR. MASSMAN: And then, finally, there's the MP  
2 line, which is similar to the TETCO line. There are some  
3 smaller lines that parallel TETCO, and we serve about  
4 2,000 customers off of that one. That's where Ms.  
5 Shemwell was talking about the Fifth -- Fisk and Marble  
6 Hill area. Lutzville is no longer incorporated.

7           MS. SHEMWELL: Okay.

8           MR. MASSMAN: We also have the -- the Rolla  
9 area. It's the city of Rolla, Owensville and -- and Salem  
10 that's served off the Missouri Gas and Missouri Pipeline  
11 Company.

12           Gas is ultimately received off of Panhandle  
13 pipeline and then transported down there. They're the --  
14 the area that has the surcharge, and that's this area  
15 right -- right in there.

16           MS. SHEMWELL: Thank you.

17           MR. MASSMAN: Thank you.

18           MS. SHEMWELL: Mr. Massman did the calculations  
19 on the combination of the areas and will be happy to  
20 discuss them with you. And since he did the calculations,  
21 I'll defer to him.

22           However, I would note that Mid-Continent  
23 Supplies, which are primarily from Panhandle Eastern, have  
24 been the cheapest supply. But we're expecting that TETCO  
25 will at some point become the cheaper supply because it's

1 coming out of the Gulf. And because of the growth of L&G  
2 in that area, TETCO may likely become the cheapest. And  
3 combination of the systems will result in a diminishing of  
4 any benefits to any one area so that all customers should  
5 receive benefits from the combination of the PGA.

6 We have adopted a transition mechanism to try to  
7 reduce any detriments to any customers. And, again,  
8 Mr. Massman can discuss that with you and -- and their  
9 projections in terms of the price of natural gas.

10 One of the things that Staff wanted going into  
11 this case was to work with Ameren to develop a -- a way  
12 that we could improve the ACA process. Ameren has agreed,  
13 as part of the stipulation and agreement, to provide with  
14 their last filing of the year all of the information or  
15 documentation that they have to support their PGA during  
16 that year.

17 And we hope that that will eliminate the  
18 discovery time. And -- and eliminating that lag time, we  
19 can make the process more efficient.

20 Staff is charged with reviewing what the company  
21 knew at the time it made its decisions. And that's the  
22 information that we're expecting to receive at that time.

23 Steve Rackers is here to discuss the Penton and  
24 OPEP Tracker, which is attached as the fourth item, which  
25 is behind the blue tab. It is identical to the one in

1 electric. And he's here to discuss that.

2 Staff recommends adoption of the stipulation and  
3 agreement to the Commission. Thank you, Judge.

4 JUDGE WOODRUFF: All right. Thank you. Did any  
5 other parties wish to make a brief -- very brief opening?  
6 I'm not asking you to, but if you -- if you want to, we'll  
7 give you that opportunity.

8 MR. TATRO: I don't think I need to make an  
9 opening -- I don't think I need to make an opening, but I  
10 wanted to replace one page that's in the agreement that  
11 was incorrectly filed.

12 JUDGE WOODRUFF: All right. Please do so.

13 MS. TATRO: May I approach?

14 JUDGE WOODRUFF: Yes.

15 MS. SHEMWELL: It's the one behind the purple  
16 tab or the magenta tab.

17 JUDGE WOODRUFF: So it's Schedule 2?

18 MS. SHEMWELL: That's correct.

19 JUDGE WOODRUFF: Were the numbers changed? Is  
20 that what --

21 MS. TATRO: The only thing that was changed is  
22 the section labeled Standard Transportation. We just mis  
23 -- mis -- we filed an old version and hadn't filed the  
24 newest version. So that's the -- the correct one.

25 The other change is on page 3 of the stipulation

1 and agreement itself.

2 JUDGE WOODRUFF: Yes.

3 MS. TATRO: Little 2, it says, Monthly  
4 Transportation Charge. On the second line of that, it  
5 says -- there's a number, 1553. I'm sorry. 15--

6 MS. SHEMWELL: 67.

7 MS. TATRO: -- 67. It should be 1553.

8 JUDGE WOODRUFF: Okay. And all the parties have  
9 agreed to those changes?

10 MS. SHEMWELL: Yes.

11 MR. TATRO: Yes.

12 JUDGE WOODRUFF: All right. Thank you. All  
13 right, then. We'll go over here to Commissioner Murray.  
14 Do you have any questions?

15 COMMISSIONER MURRAY: I will just start by  
16 asking Ms. Shemwell a couple of questions. On the rate  
17 design that was agreed to, now, it was my understanding  
18 that Staff was recommending a delivery charge of \$22, is  
19 that correct, but it was settled on \$15 here?

20 MS. SHEMWELL: That's correct.

21 COMMISSIONER MURRAY: So does that mean that  
22 about \$7 of the fixed costs were not covered in that  
23 delivery charge?

24 MS. SHEMWELL: That's right. It remains on the  
25 commodity charge.



1           COMMISSIONER MURRAY: All right. But it was a  
2 movement toward the straight fixed variable rate design;  
3 is that accurate?

4           MS. SHEMWELL: That's correct. The delivery  
5 charge had been about \$10.50, something in that range. So  
6 we considered it a move towards decoupling.

7           COMMISSIONER MURRAY: Okay. And --

8           MS. SHEMWELL: The delivery charge is shown on  
9 page 2 at A, which remains 24.09 cents per CCF.

10          COMMISSIONER MURRAY: All right. And then there  
11 was a -- it was agreed upon that uniform distribution of  
12 the -- the rate increase amongst the classes?

13          MS. SHEMWELL: That's correct.

14          COMMISSIONER MURRAY: And you said your class  
15 cost of service study was based on capacity utilization of  
16 needs?

17          MS. SHEMWELL: That's correct.

18          COMMISSIONER MURRAY: Now, was there  
19 disagreement -- was there agreement by the parties that  
20 the cost of service was covered by each class in this rate  
21 design -- in this design, or is there a contention that  
22 one class may be substituting -- or may be subsidizing  
23 another class?

24          MS. SHEMWELL: We didn't really have that  
25 contention that anything was being subsidized. We do not

1 have an intervenor for industrials that was active in this  
2 case. But Office of the Public Counsel, I believe, has  
3 looked at the small general service as well. I don't want  
4 to speak for you all. But no one objected to that  
5 distribution.

6 MR. POSTON: Yeah. That's correct. There was  
7 no -- there was just more of a -- an agreement just to  
8 have an equal distribution without any agreement or  
9 disagreement on whether there was costs being covered or  
10 not.

11 COMMISSIONER MURRAY: All right. So it really  
12 was not an issue that was discussed in detail?

13 MS. SHEMWELL: That's correct.

14 COMMISSIONER MURRAY: And then the rationale for  
15 continuing with the declining tail block rate -- and I --  
16 I guess I would just ask if the parties have any opinion  
17 as to whether that acts as a dis-incentive for  
18 conservation.

19 MS. SHEMWELL: Are you talking about for other  
20 than residential, the declining block rate?

21 COMMISSIONER MURRAY: It's my understanding  
22 that's for residential as well, is it not?

23 MS. SHEMWELL: There's a single residential rate  
24 class. And there's no difference in delivery charge based  
25 upon blocks of usage, but there is for general service and

1 interruptible.

2 COMMISSIONER MURRAY: Okay. It's general  
3 service and interruptible, then, I'm asking about.

4 MS. SHEMWELL: Yes. And are you asking if that  
5 would continue -- if the company would continue to promote  
6 conservation with that?

7 COMMISSIONER MURRAY: I guess I'm just asking if  
8 there is any thought about moving away from that type of a  
9 rate design.

10 MR. SHEMWELL: We have discussed that in another  
11 case, particularly. We didn't really discuss it in this  
12 case. But I think, as we move to a fixed delivery charge,  
13 then, of course, that would eliminate that difference.

14 COMMISSIONER MURRAY: Okay. I think I -- I will  
15 pass. Thank you.

16 JUDGE WOODRUFF: Okay. Commissioner Gaw?

17 COMMISSIONER GAW: You surprised me. Just to  
18 follow up on the declining block rate, this -- would it --  
19 it would be true, would it not, that in -- inclining block  
20 rate would -- would create more incentive to conserve?

21 MS. SHEMWELL: Yes.

22 COMMISSIONER GAW: Okay. And at least Staff's  
23 positions in the other cases where it's recommended that  
24 straight fixed variable rate have not included other  
25 classes besides residential, have they?

1                   MS. SHEMWELL: No. And I don't know the exact  
2 percentage, but Ameren Gas is overwhelmingly residential.  
3 Perhaps Will Cooper or someone could tell us the  
4 percentage. But it's -- 90 percent? How much?

5                   MR. COOPER: About 80, 90 percent.

6                   MS. SHEMWELL: 80 to 90 percent residential.

7                   COMMISSIONER GAW: Uh-huh. Would the parties  
8 object to an inclining rate block for the other service  
9 classes?

10                  MS. SHEMWELL: I don't know. I mean, we did not  
11 discuss that, so I don't have an answer for you.

12                  COMMISSIONER GAW: I understand.

13                  MS. SHEMWELL: We do have the standard language,  
14 though that says this is a -- the settlement is a package.

15                  COMMISSIONER GAW: Yes, of course. Of course, I  
16 see lots of communication going on behind you. Okay.  
17 So --

18                  MS. SHEMWELL: All right. Well, I'll defer.

19                  JUDGE WOODRUFF: That -- that's apparently  
20 somebody's cell phone or wireless -- no. It's not that.  
21 It's coming over our -- so make sure you've turned off  
22 your wireless devices. Go ahead, Commissioner.

23                  COMMISSIONER GAW: Okay. Thanks.

24                  MR. POSTON: Commissioner, I don't know if you  
25 wanted me to respond to that question --

1           COMMISSIONER GAW: If you want to, yes.

2           MR. POSTON: Our -- our concern would be just  
3 that the over -- overall revenue requirement would be the  
4 same, that switching to that type of an inclining block, I  
5 guess is how you called it, if that would make a change to  
6 the revenue requirement -- or the overall revenue  
7 recovery.

8           COMMISSIONER GAW: Yeah. You'd have to see --  
9 you'd have to see how to do that and keep the -- the  
10 revenue requirement similar to what you've already agreed  
11 to. But if you could do that, is that -- is that an issue  
12 with the parties, with Public Counsel?

13          MR. POSTON: Well, I don't -- I don't think it  
14 would be an issue with us.

15          COMMISSIONER GAW: The -- let's see. On page 3,  
16 sub E under 4, can someone explain that to me, the purpose  
17 of that and -- it's the part dealing with PSC 2,  
18 Sheet 42.1, the tariff has been modified to allow the  
19 company discretion not to serve a new res --  
20 non-residential sales customer with an annual load which  
21 exceeds 40,000 CCF?

22          MS. SHEMWELL: Yes. I would be happy to explain  
23 to you why Staff did not oppose that. Our concern was  
24 reliability for residential customers. And if Ameren did  
25 not feel that it had the capacity or the gas supply to

1     serve -- I mean, this would be an industrial customer.

2     Obviously, residential doesn't get that big.

3             If they felt that they did not have the capacity  
4     on the system or the gas supply to serve a particular  
5     large customer, then they could decline to serve that  
6     customer. That doesn't --

7             COMMISSIONER GAW: Did -- was there a particular  
8     customer that you had in mind there, or was this just a  
9     general statement?

10            MS. SHEMWELL: I think Jim Massman can answer  
11     that specifically if -- whether or not they had a  
12     particular customer. He has been sworn, so perhaps he  
13     could answer that.

14            COMMISSIONER GAW: And I -- I suspect that --  
15     well, I'm not asking for a particular name in open session  
16     here.

17            MS. SHEMWELL: Right.

18            MR. MASSMAN: Yes. As Lera said, our intent is  
19     to protect the system for the existing firm sales  
20     customers.

21            And with all the pipelines close to full  
22     subscription or at full subscription, if a large customer  
23     came onto our system and demanded service, it could  
24     possibly jeopardize our other customers on the system.

25            So we wanted that discretion to be able to

1 control a large customer that may come on to demand  
2 service. The size of 40,000 was intended to be large  
3 enough that it would be a very large commercial or  
4 industrial.

5 In this case, it was sized about the size of a  
6 very large shopping center, such as a mall.

7 COMMISSIONER GAW: Well, okay. I've got a  
8 couple of questions, then. First of all, is -- is there  
9 not any issue -- and I don't know the answer to this.

10 Is there not any issue in regard to Ameren's  
11 obligation to serve under the -- under our statutes?

12 MS. SHEMWELL: We do believe that Ameren has an  
13 obligation to serve. But we also think that they have an  
14 obligation to assure reliability. And our concern was  
15 particularly to the residential customers. And --

16 COMMISSIONER GAW: I -- I understand the tension  
17 there.

18 MS. SHEMWELL: Uh-huh.

19 COMMISSIONER GAW: I'm looking for a discussion  
20 on the legality of that kind of a waiver or -- and  
21 whether, first of all, is that some sort of a waiver of  
22 the statutory obligation? I guess that's my first  
23 question.

24 MS. SHEMWELL: I suppose that that could be one  
25 way of -- of looking at it.

1           COMMISSIONER GAW: Do we have the authority to  
2 waive that statutory provision if that's the case?

3           MS. SHEMWELL: I think the public safety and  
4 health is probably the first obligation, to assure that  
5 public safety and health.

6           COMMISSIONER GAW: You've got those cases for  
7 me, right?

8           MS. SHEMWELL: Sure.

9           COMMISSIONER GAW: Serious --

10          MS. SHEMWELL: Well --

11          COMMISSIONER GAW: Seriously, I'm not expecting  
12 you to know the answer at this moment necessarily. But at  
13 least it begged the question when I read this  
14 subparagraph.

15          MS. SHEMWELL: Yes.

16          COMMISSIONER GAW: And I don't know the answer.  
17 So -- and if -- and anyone else wants to jump in on this,  
18 if they've kind of looked at it and have some sort of an  
19 idea of what the -- what the law is on this particular  
20 topic, I'd like to hear it.

21          MR. BYRNE: I -- I think, your Honor, there are  
22 -- there is case law out there, you know, when -- if  
23 someone is within your service territory but they're far  
24 away from your system, for example, they've got to -- you  
25 know, they've got to be able and willing to have the



1 facilities installed to -- to serve them. And that may be  
2 analogous to this situation.

3 COMMISSIONER GAW: I just -- I just don't know.  
4 I mean, this is a -- I don't ever remember seeing this  
5 kind of a provision before. Does anyone -- do you -- do  
6 you know -- have you ever seen this before?

7 MR. BYRNE: I haven't. But -- but, on the other  
8 hand, I -- I don't think we've been in a situation before  
9 where the pipelines are filled.

10 COMMISSIONER GAW: I'm concerned about -- and  
11 that's my second part of my inquiry here. So if you all  
12 do find anything that's helpful or on this point on this  
13 question legally, I would like to know that.

14 And then the second part of the question is  
15 exactly what you were about to address, and that is if  
16 there is that kind of a strain on the capacity on the line  
17 serving the Ameren service territory, what, if anything,  
18 is likely to make that better in regard to the access to  
19 pipeline capacity on new lines or other things that may be  
20 coming through Ameren's territory?

21 MS. SHEMWELL: The addition of compression on  
22 any of those lines could, of course, make the possibility  
23 for moving more gas through the pipeline.

24 COMMISSIONER GAW: Is that contemplated  
25 currently? I mean, we -- are we talking about something

1     that's in the works, that's going to happen over the  
2     course of the next year or two?

3             MR. MASSMAN:  A number of the pipelines are  
4     considering upgrading their lines.  The largest one on  
5     record right now is the Rocky's Express, which will be  
6     coming from the Rocky Mountain's gas bringing that across  
7     into Missouri about -- about the area of Boling Green or  
8     Curryville, Missouri.

9             COMMISSIONER GAW:  Isn't -- isn't it coming  
10    through your -- close to your territory up around Moberly?

11            MR. MASSMAN:  Yes.  It's coming across the  
12    northern part of Missouri, and it will intersect the  
13    Panhandle line about Curryville, Missouri, around Boling  
14    Green.

15            COMMISSIONER GAW:  So there's actually an  
16    intersection already contemplated with the Panhandle.  
17    Will that increase the capacity back-flow on Panhandle?

18            MR. MASSMAN:  It's -- it's potential that it  
19    can.

20            COMMISSIONER GAW:  Here's -- I'm not asking the  
21    question right, I -- I assume.  But once you have that  
22    intersection, if you're trying to -- to access that  
23    capacity going west off of the Panhandle intersection, is  
24    that capacity already full on Panhandle?

25            MR. MASSMAN:  Yes.  The Panhandle is fully

1 subscribed.

2 COMMISSIONER GAW: Well, this -- so how does  
3 that help you?

4 MR. MASSMAN: If --

5 COMMISSIONER GAW: I mean, maybe it does. I'm  
6 trying to visualize it.

7 MR. MASSMAN: If shippers that are downstream of  
8 us, say Illinois and Ohio, if they drop their Panhandle  
9 capacity and then pick up Rocky's capacity, that could  
10 open up some Panhandle capacity for that area.

11 COMMISSIONER GAW: Okay. I -- I can see that.  
12 It -- is -- is it -- does it increase the back flow  
13 potential off of Panhandle even if that doesn't occur?  
14 And I know this -- I'm trying to hold one thing steady  
15 here while I'm asking this question.

16 If that did not occur, Panhandle subscribed to  
17 the level it is, is there any back-flow potential that you  
18 have once you have that intersection? And I mean going  
19 west.

20 MR. MASSMAN: Physically, the molecules will  
21 always go west to east. There will be some capacity that  
22 may -- may open up, though.

23 COMMISSIONER GAW: Okay. I -- I have to think  
24 that through to under -- understand it a little better,  
25 and I haven't done that. Is there any other point of

1     interconnection that you would have with your lines with  
2     the Rocky Mountain line or that you -- and if this is HC,  
3     then -- then tell me.

4             MR. MASSMAN:  It is generally much further north  
5     of our system than -- the -- the Rockies line is coming in  
6     north of our system there.  We -- we pulled most of our  
7     supply off Panhandle.  And for the Missouri Pipe, Missouri  
8     Gas portion, that also comes from Panhandle.

9             COMMISSIONER GAW:  Where -- where did your map  
10    go of the Ameren gas territory that you had out a while  
11    ago?  Okay.  I -- there's a map there that -- that we've  
12    got on AmerenUE natural gas service territory.

13            And I -- and I could look up the northern part  
14    of your territory there is -- includes Randolph.  And is  
15    that the Rawles over there that I see to the east?

16            MR. MASSMAN:  This is Randolph, Howard, Saline.

17            COMMISSIONER GAW:  I'm looking east.

18            MR. MASSMAN:  Rawles and Pike.

19            COMMISSIONER GAW:  Yeah.  Okay.  Now, is that  
20    Rocky Mountain line going through either Randolph or  
21    Rawles County or Pike?

22            MR. MASSMAN:  I can see better on the other map.

23            COMMISSIONER GAW:  Okay.  I'm glad you can.

24            MR. MASSMAN:  It will be intersecting close to  
25    the Pike County line.

1                   COMMISSIONER GAW: Yeah. You're back to --  
2     you're back to talking about the intersection. I'm  
3     backing up west. Go west from there.

4                   MR. MASSMAN: It will run about through here.

5                   COMMISSIONER GAW: Does that go through your  
6     service territory at all? I'm -- in that -- in that area?  
7     And I don't know if it's physically possible to  
8     interconnect. I'm just asking.

9                   MR. MASSMAN: I haven't seen the actual map of  
10    where it is.

11                  COMMISSIONER GAW: Okay.

12                  MR. MASSMAN: But it's possible.

13                  COMMISSIONER GAW: Okay. I'm -- I'm concerned  
14    about this from an -- an economic development standpoint  
15    if this is -- if this is a restriction on gas service in  
16    the Ameren territory going forward that this -- this  
17    somehow could cause some entity not to locate in the  
18    Ameren service territory if they need a significant volume  
19    of gas. Somebody help me out with this.

20                  MR. BYRNE: I mean, I -- I guess, your Honor,  
21    I'm thinking about it a little bit. I mean, you can't  
22    sell gas that's not there. And I think maybe there's --  
23    there's always been lim -- physical limitations on how  
24    much gas comes into the state.

25                  COMMISSIONER GAW: Right.

1                   MR. BYRNE: And so I -- I think maybe it hasn't  
2     been embodied in a -- in a Commission order and -- or a  
3     stipulation, and so this is kind of unusual. But I -- but  
4     I do think the principle has always applied that if -- if  
5     there isn't enough gas at a particular location, you can't  
6     -- you can't sell it to people.

7                   COMMISSIONER GAW: Well, the question to me  
8     right now is -- is two parts. One is, is there enough  
9     now? And you're telling me that there isn't.

10                  The other question is how -- how much incentive  
11    do I have built in to ensure that that changes if -- if  
12    there's new capacity that's available because of the  
13    construction of this new line that's -- that's already in  
14    the process of having ground con -- ground purchased  
15    easements purchased in some of the territory that's at  
16    least shaded in your area.

17                  How do I -- if this language is in here, how do  
18    I know that -- what guarantees me that somebody's going to  
19    try and fix this problem?

20                  MS. TATRO: Let me take a stab at answering your  
21    question.

22                  COMMISSIONER GAW: Okay.

23                  MR. TATRO: Obviously, the company has an  
24    economic incentive to accommodate all large new customers  
25    that will be coming on.

1           The intent of this was to provide the ability in  
2   very unusual circumstances, and I think the language  
3   contained within it talks about it has to be a threat to  
4   system integrity because of insufficient gas supply  
5   storage and other pipeline capacity.

6           So we tried to draft a very narrow exception  
7   here that would solely be implemented because of this type  
8   of extreme situation. It's not something that the company  
9   at this point is saying will happen or envisions that it  
10   will happen.

11           But I think recognition that gas supplies aren't  
12   becoming more numerous but that are becoming tighter, it  
13   was a restriction that we thought needed to be clearly  
14   laid out.

15           But we clearly have the incentive to supply and  
16   provide service to any on -- new, natural gas customer  
17   that wants to come on to our service.

18           COMMISSIONER GAW: What gas pipeline does Ameren  
19   use to service its gas -- natural gas peaking facilities  
20   that are in -- in the central and north Missouri area?

21           MR. MASSMAN: We use Panhandle to serve several  
22   of the plants. We also use a natural gas pipeline to  
23   serve those. And there's a small plant on TETCO.

24           And, in fact, the Mississippi River  
25   transmission, there's also power plants on that one.

1                   COMMISSIONER GAW: I see. Okay. Let me ask a  
2 -- a different question on a different topic. The --  
3 explain to me, if you would, the new PGA rates in  
4 comparison with the current PGA rates. Thank you.

5                   MS. SHEMWELL: Uh-huh.

6                   MR. MASSMAN: Okay. Thank you.

7                   MS. SHEMWELL: Should I hand these out?

8                   MR. MASSMAN: Okay. Go ahead. Thank you.

9 Well, Lera has handed out a spreadsheet that shows the  
10 comparison of the change in our PGA from where it was  
11 filed in November of 2006 and how that might be affected  
12 with a single PGA.

13                   Now, take a look at the Jefferson City,  
14 Columbia, Wentzville and Rolla area. Again, the pipeline  
15 that provides that is Panhandle Eastern. And that cost  
16 would go up about 2.83 cents per CCF, which would be a  
17 monthly increase of about \$1.70.

18                   The Cape Girardeau area would decrease  
19 approximately by about 15.43 cents per CCF, which is a  
20 monthly decrease of \$8.47.

21                   And then the Fisk/Marble Hill area, the area  
22 served by MP, would decrease about .65 cents per CCF,  
23 which is about a 35 cent per month decrease for those  
24 customers.

25                   COMMISSIONER GAW: Is it -- is it the -- the



1 Staff's position that -- that the current PGA mechanism  
2 for the areas that we have is inaccurate in regard to the  
3 cost of gas on the lines that actually supply the three  
4 regions?

5 MS. SHEMWELL: I'm not sure what you're asking,  
6 but I don't think there's any inaccuracy --

7 COMMISSIONER GAW: Oh, okay.

8 MS. SHEMWELL: -- among the rates because the  
9 rates are not on the various lines.

10 One of the considerations, however, was that  
11 Ameren has significant bargaining power on Panhandle  
12 because it's one of their biggest customers.

13 COMMISSIONER GAW: And the cust -- the customers  
14 that are served by Panhandle are currently being charged a  
15 PGA that is commensurate with cost on -- cost on the gas  
16 on those lines?

17 MS. SHEMWELL: That's correct.

18 COMMISSIONER GAW: On that line.

19 MS. SHEMWELL: But here's another concern or  
20 consideration is that we expect that TETCO or Texas  
21 Eastern will in the future become cheaper because the area  
22 that -- from which Panhandle serves, which is a  
23 Mid-Continent production, is declining in that area.

24 And production is increasing from the Gulf Coast  
25 because of L&G facilities going in and coming out of the

1 Gulf so that TETCO will, at some point, be cheaper than  
2 Panhandle.

3           However, Ameren still will have the greatest  
4 bargaining power on Panhandle. But we ex -- and we don't  
5 know when that will happen exactly, but we think that,  
6 overall, there is a benefit, and Ameren will not benefit  
7 by this, but to the customers of by combining those two  
8 areas.

9           COMMISSIONER GAW: This isn't -- this isn't an  
10 Ameren issue necessarily. This is an issue to the  
11 customers that are paying.

12           MS. SHEMWELL: That's right. And let me say on  
13 the sheet that we handed out that this is simply a  
14 snapshot, that the overall difference for Jeff City, and  
15 Rolla was 50 cents over the last five years. Right now,  
16 there's a greater difference.

17           COMMISSIONER GAW: Go ahead. I'm sorry,  
18 whatever that noise was.

19           MS. SHEMWELL: But we expect that -- this to be  
20 a very interim difference. We did the surcharge and the  
21 credit because those were the credits that over five years  
22 would have evened out the difference so that no one would  
23 receive a detriment. Am I making sense with that?

24           COMMISSIONER GAW: I didn't understand that last  
25 thing.

1                   MS. SHEMWELL: Over the last five years, the --  
2     the 50 cent credit to the Panhandle area, that would be  
3     the difference. So that would cover the traditional  
4     difference between the two areas. And the surcharge for  
5     Cape Girardeau area would cover that difference.

6                   But as the gas on TETCO becomes cheaper and  
7     Panhandle becomes higher, that difference should change to  
8     potentially zero. We expect that when that happens Ameren  
9     will come back in and ask that the credit and surcharge be  
10    eliminated because there will be no detriment for  
11    customers.

12                  COMMISSIONER GAW: Well, why don't we just leave  
13    it like it is now till that occurs?

14                  MS. SHEMWELL: Well, the reason that they -- one  
15    of the reasons they wanted to combine is that they have  
16    storage off of Panhandle and to increase -- again, it's a  
17    bargaining power.

18                  They can increase their hedging mechanisms by  
19    combining all areas and hedging in all areas together and  
20    getting their hedging packages for all areas. They expect  
21    there to be a benefit to customers.

22                  COMMISSIONER GAW: You're going to have to  
23    explain that to me. I don't understand how you -- how  
24    that's going to occur based on that explanation. Go -- go  
25    ahead.

1 MS. SHEMWELL: Go ahead.

2 MR. MASSMAN: If I may, the largest component --  
3 the largest component of the -- of the PGA is the  
4 commodity cost of the gas.

5 COMMISSIONER GAW: Yes.

6 MR. MASSMAN: Transportation now is a much  
7 smaller component of that.

8 COMMISSIONER GAW: Yes.

9 MR. MASSMAN: Typically, the different PGAs were  
10 there -- were there to represent the differences to  
11 different commodity costs and the pipeline costs.

12 The -- the problem that we have with the  
13 separate PGAs is the smaller sometimes had less  
14 opportunities to hedge that large risk of the commodity  
15 cost in there.

16 We have the Panhandle system, which is -- which  
17 is large opportunity there. We have ample storage there.  
18 It's a very liquid point to trade and to hedge those  
19 packages.

20 Once you get into the -- the Cape Girardeau area  
21 and Fisk/Marble Hill area, it's much smaller, and the  
22 opportunities to hedge are much more difficult. Our --

23 COMMISSIONER GAW: I'm following you up to that  
24 point -- go ahead.

25 MR. MASSMAN: Okay. Our risk management policy

1 is basically dollar cost averaging. We layer in different  
2 packages along the way. Larger systems, we have more  
3 opportunity to layer in several of those -- those packages  
4 over time.

5 The smaller systems, par -- particularly, the MP  
6 system with Fisk/Marble Hill, we have one opportunity to  
7 hit that one, and that essentially hits the PGA. If costs  
8 are good, when we hit it, which we see in the past we'll  
9 have good PGA. If increases are high when we hit that  
10 one, well, we have a high PGA.

11 COMMISSIONER GAW: I understood all that. But I  
12 under -- I understood the explanation earlier from Ms.  
13 Shemwell to be you're going to be able to hedge more than  
14 you're currently, not that you're going to share the risk,  
15 which is what I'm hearing you say.

16 MR. MASSMAN: We're going to be able to more  
17 effectively hedge.

18 COMMISSIONER GAW: More effectively hedge from  
19 whose perspective?

20 MR. MASSMAN: It will be a larger pool of gas  
21 that we'll be able to hedge. It will actually help  
22 everybody. The Panhandle area will have a larger pool  
23 because of TETCO, and the MP customers will be in there.  
24 TETCO and MP will definitely be in there because they --

25 COMMISSIONER GAW: Are these financial hedges or

1 actual gas that you're storing? Because you can't get the  
2 gas off of the Panhandle system to TETCO, so explain this  
3 to me.

4 MR. MASSMAN: It's actually both. We -- we use  
5 storage. And some of the pipelines have greater storage  
6 capability than others and we also us financial and fixed  
7 price.

8 COMMISSIONER GAW: I understand that. What's  
9 different about what you're going to do after the PGAs are  
10 put together than what you're currently doing?

11 MR. MASSMAN: We can apply the most effective  
12 hedge tool. For example, Panhandle has more storage. We  
13 can use that and hedge more for that storage and use NIMEX  
14 (ph.) contracts for that. And

15 Although the molecules aren't going through  
16 TETCO, they're part of the larger pool. And the larger  
17 pool will benefit from -- from this hedging.

18 COMMISSIONER GAW: Let me see if I can say it in  
19 a different -- in a different way, and you tell me whether  
20 this is what you're telling me. Are you saying that  
21 you're going to -- to have a greater amount of storage as  
22 a hedge on the Panhandle system than what you have you had  
23 historically as a result of this?

24 MR. MASSMAN: No.

25 COMMISSIONER GAW: Okay. Then what -- okay.

1     What is it that you're going to increase as far as your  
2     hedging?

3                 MR. MASSMAN:   Well, it will be more financial  
4     contracts and base load contracts on Panhandle.   And as  
5     it's part of the pool, the smaller systems will -- will  
6     benefit from that.

7                 COMMISSIONER GAW:   So -- so what you're  
8     doing is -- is you're -- as a part of the overall  
9     portfolio of financial and actual hedges that you -- that  
10    you have, you were -- you were able -- you're saying that  
11    you're going to increase the total overall percentage of  
12    hedging that you're doing over and above what you're  
13    currently doing?

14                MR. MASSMAN:   Right now, we hedge about  
15    two-thirds to three-fourths of our -- of our winter  
16    supply.   And we have some limitations on the -- the TETCO  
17    system and the NGPL system, which we can use the Panhandle  
18    system to bolster.

19                COMMISSIONER GAW:   Help me out, Mr. Byrne.

20                MR. BYRNE:   Let me -- let me try.   I think I  
21    know.   What -- what -- we want -- we want to hedge between  
22    two-thirds and three-quarters of our winter supply, as  
23    Mr. Massman said.

24                COMMISSIONER GAW:   What are you doing now?  
25    That's what he said you were doing.

1           MR. BYRNE: That is -- that is what they do on  
2 Panhandle, but it's -- but it's very hard to do on these  
3 small systems. Sometimes we can't do them on the small  
4 systems.

5           COMMISSIONER GAW: Well, you don't have storage  
6 necessarily.

7           MR. BYRNE: We don't have storage, and the  
8 volume of gas is so small that you can't get a financial  
9 contract.

10          COMMISSIONER GAW: I understand.

11          MR. BYRNE: So -- so these -- these customers on  
12 these small systems don't have -- we don't have any  
13 effective way to hedge for those small systems. They're  
14 much less effective. And we have unused -- you know, you  
15 could hedge a hundred percent of the Panhandle, but we  
16 just -- you know, that's not our target.

17                 So what we're doing is, I think -- and correct  
18 me if I'm wrong, Mr. Massman, we're using some of the  
19 unused hedging ability that we wouldn't -- if the  
20 Panhandle system wasn't there at all, we wouldn't use it  
21 at all because we only want to hedge two-thirds to  
22 three-quarters.

23                 We're taking some of that unused hedging on  
24 Panhandle and trying to use it to help these other  
25 customers. Isn't that right, Mr. Massman?



1                   MR. MASSMAN: That's correct. Plus, it will  
2 also dampen out some of the single hedges that we have in  
3 the MP. We picked that one because we only have one  
4 package we can hedge on there. That impacts volatility,  
5 and that one will be dampened out by the larger pool that  
6 participates in it.

7                   COMMISSIONER GAW: And the people that are on  
8 the Panhandle are going to pay for this additional cost or  
9 risk so that the other people in the other areas will get  
10 a decrease?

11                  MR. MASSMAN: Traditionally, the Panhandle  
12 pipeline customers have enjoyed lower supply costs.  
13 Again, supply is the lowest component of the RPGA. But  
14 the markets are changing right now.

15                  What you see basically is a snapshot in time.  
16 And we're seeing very large differences and -- or higher  
17 prices in the Gulf Coast line since -- since the hurricane.  
18 So you're seeing a big difference between Panhandle  
19 Mid-Continent and the Gulf Coast prices.

20                  But the gas markets are charging. And in the  
21 Panhandle area, which is the lower cost right now,  
22 reserves are depleting there. Gulf Coast supplies, which  
23 is TETCO are actually increasing with L&G.

24                  So we're expecting over the next few years, and  
25 we're seeing this actually in the future's prices, where

1     those prices are coming together. I think last year we  
2     saw about a 30 cent difference between those two.

3             As you look forward in time to about 2009, we're  
4     seeing about a six cent difference. So although this  
5     snapshot shows that Panhandle will be paying a little more  
6     right now, that will be eroding away over the next few  
7     years.

8             And that was the purpose of PGA transition  
9     mechanism, to take a step towards helping recovery of  
10    that. And that mechanism was actually based on looking at  
11    the last five years -- or six years of PGAs and then  
12    looking at the forward curve on the natural gas.

13            And that's where we came up with the resultive  
14    50 cent difference. We used \$1.70 here because that's  
15    what you're going to see going from the November rate to  
16    -- well, this is how the November rate would have been  
17    affected if the PGAs have been consolidated at that point.

18            COMMISSIONER GAW: And Jeff City, Columbia and  
19    Wentzville and Rolla -- well, Rolla as well, but those  
20    areas that are served by Panhandle on the system -- gosh,  
21    it seems like you've forgotten a few towns along the way  
22    in that group. But those -- those areas are north of Cape  
23    Girardeau, and, therefore, likely to be using more volumes  
24    of gas, correct?

25            MR. MASSMAN:: They do have a higher annual

1 usage.

2 COMMISSIONER GAW: So you are increasing the  
3 total they're paying for the PGA even though their cost  
4 isn't actually going up, plus, you -- the multiplier  
5 effect is even greater because they're farther north?

6 MR. MASSMAN: Those -- those are factored in  
7 this calculation, the actual, the average per customer  
8 usage for Panhandle customer and MP customer and a TETCO  
9 customer.

10 COMMISSIONER GAW: This is an average use --

11 MR. MASSMAN: Yes.

12 COMMISSIONER GAW: -- in that particular area?

13 MR. MASSMAN: Yes.

14 COMMISSIONER GAW: Is that an average use for  
15 the Jeff City, Columbia, Wentzville, Rolla area?

16 MR. MASSMAN: Rolla is -- has a slightly  
17 different usage. But the other is more representative of,  
18 say, the Columbia area.

19 COMMISSIONER GAW: Okay. Do you have any gas  
20 service north of Columbia?

21 MR. MASSMAN: Actually, we -- we do. When I --  
22 when I show Jeff City, Columbia, Wentzville, Rolla, that's  
23 really just representative of all the customers we have on  
24 the Panhandle system, as well as Cape Girardeau is all the  
25 customers on TETCO.

1 COMMISSIONER GAW: Okay. That's all I have.

2 Thank you.

3 JUDGE WOODRUFF: Thank you. Commissioner  
4 Clayton?

5 COMMISSIONER CLAYTON: Yeah. I -- I want to  
6 just follow up because I'm confused, also, on this PGA  
7 consolidation. First of all, today, how many PGA  
8 districts are there? Are there three, or are there more  
9 than that?

10 MR. MASSMAN: There's a separate PGA for the  
11 Panhandle area.

12 COMMISSIONER CLAYTON: So the three -- the Jeff  
13 City, Columbia, Wentzville, Rolla, that's one today?

14 MR. MASSMAN: Rolla has an additional surcharge.

15 COMMISSIONER CLAYTON: Okay. So there are four?

16 MR. MASSMAN: Correct.

17 COMMISSIONER CLAYTON: Four today?

18 MR. MASSMAN: Correct.

19 COMMISSIONER CLAYTON: And those -- those areas  
20 will not change under this?

21 MS. SHEMWELL: It will become two.

22 COMMISSIONER CLAYTON: It will become two.  
23 Okay. That will be all of them. And then Rolla is the  
24 second one?

25 MS. SHEMWELL: Rolla has a separate surcharge

1 because of the MGC pipeline.

2 COMMISSIONER CLAYTON: Now, did I hear you  
3 correctly that -- that these changes in PGA are -- are --  
4 they're not based on current costs, they're based on  
5 forward-looking estimates, is that right, what you're  
6 anticipating to happen in the future?

7 MR. MASSMAN: Well, this PGA is based on taking  
8 a look at our filing in November and had the -- comparing  
9 with separate PGAs and then comparing it with a  
10 consolidated PGA, had we gone to a consolidated PGA in  
11 November of 2006. Of course, the markets have changed  
12 since then.

13 COMMISSIONER CLAYTON: So -- so an increase, but  
14 the 2.38 cent increase in CCF for -- that's just -- well,  
15 what is the -- what is the CCF right now for Jeff City,  
16 Columbia, Wentzville today?

17 MR. MASSMAN: It's about 86.5 cents per CCF.

18 COMMISSIONER CLAYTON: Okay. And what is Cape  
19 Girardeau, approximately?

20 MR. MASSMAN: It is about 99 -- Cape Girardeau  
21 is about 99.7 cents, roughly.

22 COMMISSIONER CLAYTON: And Fisk/Marble Hill?

23 MR. MASSMAN: Is about 95 cents.

24 COMMISSIONER CLAYTON: Okay. And then what will  
25 the consolidated rate be?

1 MS. SHEMWELL: Commissioner Clayton, going  
2 forward, this will vary with the price of natural gas. So  
3 -- and the price of natural gas has fallen recently, so  
4 that this -- the increase cost as the price of natural gas  
5 goes down. And that's what we've seen recently, that --

6 COMMISSIONER CLAYTON: You're sure it's going to  
7 go down? Is that what you're saying?

8 MR. MASSMAN: It has gone down is what I'm  
9 saying. And Mr. Massman could --

10 COMMISSIONER GAW: Could we get that from Ameren  
11 right now while we're --

12 MS. SHEMWELL: Well, we're just looking at the  
13 current -- the current prices, and they have been coming  
14 down. And then Mr. Massman's discussion of why he feels  
15 that TETCO, because of where they're pulling gas, that  
16 that system and the price of gas on that system will go  
17 down on Panhandle will go up where we're looking at things  
18 on a going-forward looking basis.

19 COMMISSIONER CLAYTON: What is -- what is the  
20 consolidated PGA under this going to be?

21 MR. MASSMAN: I don't have that number with me.  
22 And I refer to things as the -- the regular PGA because  
23 when you look at the actual PGAs, which are the numbers I  
24 quoted, there is an adjustment in there for the -- th ACA  
25 accounts. So those have to be -- be considered.

1           COMMISSIONER CLAYTON: How will -- how will the  
2 ACA -- will it be calculated differently moving forward?

3           MR. MASSMAN: It will be a single ACA after this  
4 current ACA period ends, which is August 31st.

5           COMMISSIONER CLAYTON: Okay. And -- and the ACA  
6 has to do with over or under-collections of -- of funds on  
7 the PGA side of the bill, correct?

8           MR. MASSMAN: Correct.

9           COMMISSIONER CLAYTON: So how do you determine  
10 what is an over or an under-collection by a particular  
11 area? Is it based on usage or -- explain to me how this  
12 will work on a consolidated basis.

13          MR. MASSMAN: Okay. Right now, we'll take a  
14 look at the revenues we received and the costs incurred  
15 for that. We'll take a look at the -- and -- and keep an  
16 actual cost account -- or adjustment account for that --  
17 take a look at the over and under for that.

18          We will combine those, and it will be a single  
19 ACA going forward. So we will take a look at the total  
20 revenues and costs after August 31st.

21          COMMISSIONER CLAYTON: Is there a -- is there a  
22 penalty for the areas that are colder that would use more  
23 gas?

24          MR. MASSMAN: I would have to think about that.

25          COMMISSIONER CLAYTON: If they're going to use

1 more -- they're going to use more gas?

2 MR. MASSMAN: It would be a pool of the gas  
3 costs. The costs should be commensurate with -- with the  
4 -- the volume of gas that they use.

5 MR. BYRNE: I mean, one -- one type of penalty  
6 is they'll -- they'll use more gas, so they'll pay more  
7 for -- because of the greater volume of gas. But I don't  
8 think -- the rate's not going to go up, I don't -- I don't  
9 believe.

10 COMMISSIONER CLAYTON: Well, with consolidated  
11 -- where you're going to have different regions that have  
12 different usage matters, I just want to know when you  
13 consolidate them what the impact is on the ACI -- on the  
14 ACA analysis side of it in terms of over or  
15 under-collection where you've got different groups that  
16 are -- that are going to be using -- presumably using more  
17 gas. That's an assumption. They may not.

18 MS. SHEMWELL: It's going to be overall, right?  
19 So there won't be over-collection or under-collection in  
20 any particular area.

21 COMMISSIONER CLAYTON: Okay. Well, let me --  
22 let me go to something else here.

23 MS. SHEMWELL: Commissioner Clayton?

24 COMMISSIONER CLAYTON: Yes.

25 MS. SHEMWELL: I think that they won't look at



1 any particular for any particular area. It will just be  
2 the pool of customers. And when they set the ACA, it will  
3 apply to all customers, so it will be over or  
4 under-collection for the entire area.

5 The customers who use less gas will pay,  
6 obviously, less because of the PGA charge. I mean, they  
7 won't -- they won't be charged as much because their  
8 volume is less. So they will pay less. But in terms of  
9 over or under-collection, it will be the entire area.

10 COMMISSIONER CLAYTON: So you're saying that  
11 colder areas are not being discriminated against --  
12 against in this -- in this consolidation?

13 MS. SHEMWELL: They may pay more because of  
14 their usage, but --

15 COMMISSIONER CLAYTON: But that's not being  
16 discriminated against. I'm talking about the calculation  
17 of their rates. If it's warmer in the southern part of  
18 the state, they pay in less --

19 MS. SHEMWELL: Because they use less.

20 COMMISSIONER CLAYTON: So is there going to be  
21 an under-collection there that the north would have to  
22 make up for? That's what I'm asking.

23 MR. MASSMAN: I don't believe that's the case.

24 COMMISSIONER CLAYTON: Okay. Okay.

25 MS. SHEMWELL: And how we're going to get to the

1 zero balance is shown on page 5 of the stipulation and  
2 agreement. In combining the areas, we have said how we're  
3 going to get there.

4 COMMISSIONER CLAYTON: Okay. Let me -- can I go  
5 to the -- the non-gas side for a second? Is there just  
6 one -- one rate for non-gas costs?

7 And I say one rate. I mean, is the charge --  
8 fixed charge and the volumetric commodity charge or  
9 delivery charge, is that the same for the whole state, or  
10 does it vary from area to area?

11 MS. SHEMWELL: For residential, it's the same.

12 COMMISSIONER CLAYTON: Uh-huh. Okay. So -- so  
13 today, customers are paying a fixed charge of \$10.26 per  
14 month, plus, they're playing -- paying a delivery charge  
15 of 28.5 cents per CCF?

16 MS. SHEMWELL: Actually, Rolla has been paying a  
17 little less. I perhaps misunderstood your -- Rolla has  
18 been paying, I think, a \$6 monthly fee. That was never  
19 actually cost-based because Aquila had subsidized that  
20 area.

21 COMMISSIONER CLAYTON: Okay. Excluding Rolla,  
22 all Ameren gas customers are paying today -- in fact, I  
23 just got -- got my bill a couple of days ago for Columbia,  
24 but I didn't look that closely at it. It's usually more  
25 comforting when I do not look at it. No offense.

1           The fixed charge is \$10.20 per month, and then  
2   the delivery charge is 28.53 per CCF?

3           MR. MASSMAN: Correct.

4           COMMISSIONER CLAYTON: That's the non-gas side  
5   of Ameren's bill today. And that's the same throughout  
6   the territories with the exception of Rolla?

7           MR. MASSMAN: Yes.

8           COMMISSIONER CLAYTON: Okay. Now, that rate  
9   will increase to -- \$15 is the fixed charge?

10          MS. SHEMWELL: Yes.

11          COMMISSIONER CLAYTON: And \$15 per month in  
12   fixed charges and 24.09 --

13          MS. SHEMWELL: Correct.

14          COMMISSIONER CLAYTON: -- cents per CCF on the  
15   fixed -- on the fixed side?

16          MS. SHEMWELL: Correct. It's on page 200-A.

17          COMMISSIONER CLAYTON: Okay. On the -- on the  
18   -- on the non-gas side, what level of increase is that  
19   since the -- with the exception of Rolla. And I'll get to  
20   Rolla in just a second. Everyone except Rolla, what  
21   percentage increase in their bill is that rate that --

22          MS. SHEMWELL: That's went from \$10 in change to  
23   15. So -- I believe, that's 9.3 percent.

24          COMMISSIONER CLAYTON: 9.3 percent increase.  
25   And that's a 9.3 percent increase in -- in the cost

1 experience and the -- basically, the revenue? The revenue  
2 is -- revenue requirement is increased by that as well?  
3 Is that an accurate apples to apples comparison?

4 MS. TATRO: I believe that's correct.

5 COMMISSIONER CLAYTON: Okay. And what  
6 percentage of the non-gas costs will be in -- in the fixed  
7 charge is it estimated? In the ATMOS case, 100 percent  
8 went to the fixed charge. In this case, what component of  
9 that would be in the fixed charge?

10 MR. TATRO: If you give me a second, I'll get  
11 that for you.

12 COMMISSIONER CLAYTON: Okay.

13 MR. BYRNE: Your Honor, it's 53 percent in the  
14 customer charge and 47 percent in the volumetric charge.

15 COMMISSIONER CLAYTON: Okay. Office of Public  
16 Counsel, you all are signatories to this agreement?

17 MR. POSTON: Yes, sir.

18 COMMISSIONER CLAYTON: Explain to me why you all  
19 are in agreement with the seasonal disconnect language  
20 located on Sheet No. 5 of the residential service tariff  
21 sheet.

22 Explain to me how this case is different from  
23 others where you've objected to the seasonal disconnect.

24 MR. POSTON: Well, I believe the only change  
25 that's being made here -- and you can correct -- correct

1 me if I'm wrong -- is that when there's a -- I guess an  
2 intervening party that comes in and -- and lives there  
3 that --

4 COMMISSIONER CLAYTON: I'm -- I'm aware of what  
5 the provision change is.

6 MR. POSTON: Okay.

7 COMMISSIONER CLAYTON; I'm asking -- I'm asking  
8 -- well, I guess maybe I'd ask the question differently.  
9 How about I ask this way? Did Office of Public Counsel  
10 seek to modify paragraph 5 of the residential service  
11 tariff -- the residential service rate on Sheet 5? Did  
12 you all seek to change the seasonal disconnect language in  
13 this case?

14 MR. POSTON: Yes. Yes. We did seek a  
15 modification.

16 COMMISSIONER CLAYTON: You did?

17 MR. POSTON: Yes.

18 COMMISSIONER CLAYTON: And you filed testimony  
19 and everything in that case?

20 MR. POSTON: I don't believe we filed testimony  
21 on that. Yeah. We did not raise these as concerns in --  
22 in testimony. Yeah. We -- we would have raised these in  
23 rebuttal, which was not filed.

24 COMMISSIONER CLAYTON: Okay. Then explain to me  
25 what your rationale for signing off on this agreement and

1 including the seasonal disconnect language when you have  
2 opposed it in other cases, I know. At least I think  
3 you've opposed it. So I -- I guess what's the difference  
4 between the other cases and this one?

5 MR. POSTON: Well, I think this is one of the  
6 big picture of what the settlement does. You know, our --  
7 our primary issue was rate design.

8 And Ameren came in with a \$15 proposal, which is  
9 what the agreement agrees to. Staff came in with a  
10 straight fixed variable rate design. And I thought they  
11 had proposed a 27 to \$29 arrangement. Ms. Shemwell said  
12 \$22. Either way, it was a significant increase to us.

13 And, you know, we -- we objected to that fixed  
14 variable to the same reasons we've objected -- objected to  
15 it previously.

16 And we believe that a \$15 compromise coupled  
17 with a decrease in the volumetric piece of that was in the  
18 consumers' interests that the Commission -- the  
19 possibility that the Commission would have probably  
20 approved the fixed variable rate design.

21 COMMISSIONER CLAYTON: Judge, maybe we can swear  
22 in -- I mean, unless she doesn't want to, maybe we could  
23 swear her in directly so she could go ahead and answer  
24 directly.

25 MR. POSTON: That may be a good idea. She has a

1 lot to add.

2 COMMISSIONER CLAYTON: I thought she would like  
3 that.

4 JUDGE WOODRUFF: Ms. Meisenheimer, right? Okay.  
5 Barbara Meisenheimer. All right. If you'd please raise  
6 your right hand.

7 BARBARA MEISENHEIMER,  
8 being first duly sworn to testify the truth, the whole  
9 truth, and nothing but the truth, testified as follows.

10 JUDGE WOODRUFF: All right.

11 COMMISSIONER CLAYTON: All right. Now, explain  
12 to me from the Public Counsel's perspective where the line  
13 is drawn on when seasonal disconnection charges that are  
14 above cost is appropriate from your all's perspective.

15 Obviously, you thought it was appropriate by  
16 signing off on the agreement on these tariff sheets in  
17 this case. Where do you draw the line?

18 MS. MEISENHEIMER: This -- this is a total sell  
19 -- settlement. There are elements that we may not be  
20 entirely happy with, but as a package overall, we agreed  
21 to.

22 Generally, we have opposed the seasonal  
23 disconnect charge, feeling that it makes captive  
24 ratepayers even more captive and have opposed it in this  
25 case.

1           The company had one in place. We attempted to  
2 negotiate to improve the language that was there and  
3 ultimately settled for -- for something different than we  
4 might have written testimony on had we written it.  
5 But that's part of the total package settlement.

6           MS. SHEMWELL: May I add, that Ameren had a  
7 seasonal disconnect charge in place coming into the rate  
8 case.

9           COMMISSIONER CLAYTON: Do you know how old that  
10 seasonal disconnect language is?

11          MS. SHEMWELL: I -- I'm not sure.

12          COMMISSIONER CLAYTON: Yes? Okay.

13          MS. SHEMWELL: But we then added what we think  
14 was a benefit to consumers that if there is an interim  
15 customer paying, then the customer coming back would not  
16 have to pay that because those fixed charges are going to  
17 continue all of the time.

18          Regardless of whether you are on their payroll,  
19 insurance, trucks, all of those costs continue. But if  
20 Ameren is representing the monthly charge, and at \$15 we  
21 believe it is below cost, their total fixed cost, because  
22 we still have a volumetric fee.

23          So the \$15 is not like the straight fixed  
24 variable where all of the delivery costs would be included  
25 in the delivery charge.



1                   COMMISSIONER CLAYTON: Did the Staff perform a  
2 class cost of service study in this case?

3                   MS. SHEMWELL: Dan Beck performed a study based  
4 upon capacity utilization of mains.

5                   COMMISSIONER CLAYTON: What -- is that a yes or  
6 a no?

7                   MS. SHEMWELL: Yes.

8                   COMMISSIONER CLAYTON: It is? And so -- so the  
9 -- the fixed charge, the volumetric commodity charge, or  
10 delivery charge, those are based on actual costs in the  
11 system? They're not based on revenues as in other recent  
12 cases?

13                  MS. SHEMWELL: I'm sorry. Mr. Imrick (ph.) was  
14 pointing out to me that this has been in effect since  
15 February of '04.

16                  COMMISSIONER CLAYTON: The seasonal discount  
17 language?

18                  MS. SHEMWELL: Yes. So I'm sorry. I missed the  
19 question.

20                  COMMISSIONER CLAYTON: Oops. February of '04.  
21 I was still a rookie. So -- okay. The class cost of  
22 service, does that mean that these -- these costs are --  
23 are -- or these charges are cost based, they're not  
24 revenue based?

25                  MS. SHEMWELL: The \$15 charge or the seasonal

1 disconnect?

2 COMMISSIONER CLAYTON: The -- this time I'm  
3 talking about the fixed delivery charge and the volumetric  
4 delivery charge.

5 MS. SHEMWELL: Those are cost based.

6 COMMISSIONER CLAYTON: Those are cost based.

7 MS. SHEMWELL: Right? No? Do I need to ask --

8 COMMISSIONER CLAYTON: Ms. Meisenheimer, what's  
9 your understanding?

10 MS. MEISENHEIMER: From Staff's perspective,  
11 they may be cost based. From our perspective, they were  
12 not.

13 I did prepare filed testimony with direct  
14 testimony, and we had different cost results than did the  
15 Staff.

16 COMMISSIONER CLAYTON: Is there a difference in  
17 a -- what -- the type of analysis that you did, Ms.  
18 Meisenheimer, with this capacity study that Ms. Shemwell  
19 mentioned? And I may just be missing the point in the  
20 language. I'm not sure if there's a difference in the  
21 type of study.

22 MS. MEISENHEIMER: It's that -- the typical  
23 class cost of service studies in a gas case that -- that  
24 we would testify to you about the difference is what I  
25 think -- which she was primarily referring to is the means

1 allocated or the Staff used, this capacity utilization.

2 And that's why I think she was calling it that  
3 as opposed to just class cost of service like you normally  
4 do.

5 COMMISSIONER CLAYTON: Is it the same thing, or  
6 is it not the same thing?

7 MS. MEISENHEIMER: The class -- yes. The  
8 capacity utilization is one allocator within the class  
9 cost of service study.

10 COMMISSIONER CLAYTON: So did the Staff, in your  
11 opinion, do a full cost of study analysis?

12 MS. MEISENHEIMER: Yes.

13 COMMISSIONER CLAYTON: Okay. Okay. Well, I --

14 MS. MEISENHEIMER: They just used one major  
15 allocator -- it was different than -- it was -- they used  
16 a different method than ours.

17 MS. SHEMWELL: And often that is the area of  
18 argument between industrial customers, Staff, and those  
19 representing residential.

20 COMMISSIONER CLAYTON: Well, that -- that would  
21 be different than what occurred in the ATMOS case. In the  
22 ATMOS case, the -- the charges were based on estimated  
23 revenues rather than actual costs.

24 And that would be a difference in analysis  
25 between this case and the ATMOS case; is that correct?

1 Are you aware?

2 MS. SHEMWELL: I'm not aware. But I will say  
3 that --

4 COMMISSIONER CLAYTON: Is anyone aware of it?

5 MS. MEISENHEIMER: There was -- I would -- I  
6 will -- did cost studies in both cases. In the ATMOS  
7 case, there was less information, company-specific  
8 information, available.

9 And so there were more allocations based, I  
10 think, on the revenue that you're discussing, how revenues  
11 were currently collected because there was not as much  
12 information available specific to cost, specific to area.

13 MS. SHEMWELL: Okay. Ann Ross has a comment she  
14 would like to add. Would you like to swear her, Judge?

15 JUDGE WOODRUFF: Sure. Why don't you come up to  
16 the podium?

17 ANN ROSS,  
18 being first duly sworn to testify the truth, the whole  
19 truth, and nothing but the truth, testified as follows:

20 JUDGE WOODRUFF: Thank you.

21 MS. ROSS: With an equal percentage increase  
22 recommendation, those would be revenue-based because  
23 you're taking the -- the revenues -- excuse me -- that are  
24 currently collected from each class, and you're applying  
25 -- applying that percentage to the new level of revenues

1     that will be collected.

2                 COMMISSIONER CLAYTON: In this case as well as  
3     in ATMOS? Or just the ATMOS case?

4                 MS. ROSS: No. In this case --

5                 COMMISSIONER CLAYTON: In this case.

6                 MS. ROSS: -- as well because a --

7                 COMMISSIONER CLAYTON: So if you're looking at  
8     revenues, that means -- if you've got a volumetric  
9     component to it, that means the colder areas are paying  
10    higher revenues based on higher usages of gas. So it's  
11    not an actual cost-based study; is that correct?

12                MS. ROSS: I would say yes, but not for that  
13    reason. I -- I would say yes, that it's -- it's not a  
14    cost-based study, but it's an equal percentage of increase  
15    so it's a revenue-based allocation. So --

16                COMMISSIONER CLAYTON: Okay.

17                MS. SHEMWELL: Was the study cost based, Ann,  
18    but it became revenue based because of the equal  
19    percentage? Sorry.

20                MS. ROSS: Yeah. Everyone's study was cost  
21    based.

22                COMMISSIONER CLAYTON: Okay. Okay. Well, let  
23    me move on to -- I think I've just got one more area. I  
24    want to talk about the -- the -- the energy efficiency  
25    conservation weatherization issues. Who would I want to

1 talk to about that, Ms. Shemwell?

2 MS. SHEMWELL: Ann Ross. I can try to answer  
3 some. Ann Ross, Barb Meisenheimer and DNR are all  
4 available.

5 COMMISSIONER CLAYTON: Well, let me ask you this  
6 -- the basics for. What is the total amount of money for  
7 weatherization in this case?

8 MS. SHEMWELL: It is 263,000.

9 COMMISSIONER CLAYTON: And is that Ameren  
10 funded, or is that ratepayer funded?

11 MS. SHEMWELL: Ratepayer funded. And --

12 COMMISSIONER CLAYTON: And is that -- is that  
13 funded from past monies? Is that just -- is this new  
14 money, or is this from the old Scott/Stoddard pile-up?

15 MS. SHEMWELL: Some of the money is from the  
16 Scott/Stoddard pile-up, if the collaborative  
17 determinations, go to -- there would be additional money.  
18 We don't know what the collaborative will decide at this  
19 point.

20 COMMISSIONER CLAYTON: So how much of new money  
21 is -- in the weatherization was there?

22 MS. SHEMWELL: It's gone from 255,000 up to  
23 263,000.

24 MR. TATRO: And just to clarify, that  
25 Scott/Stoddard plan, which we think is around 270 now, is

1 not part of the 263 she was talking about.

2 COMMISSIONER CLAYTON: Okay.

3 MS. TATRO: That would be additional funds that  
4 the collaborative was going to determine the best way to  
5 use.

6 COMMISSIONER CLAYTON: Okay.

7 MS. TATRO: And it would be weatherization.

8 COMMISSIONER CLAYTON: And the weatherization is  
9 low income weatherization?

10 MS. SHEMWELL: Yes. The collaborative, however,  
11 may look at some measures for middle income included --

12 COMMISSIONER CLAYTON: Let me -- let me -- don't  
13 jump ahead just yet. Now, you've got funds set aside for  
14 energy efficiency?

15 MS. SHEMWELL: 100,000.

16 COMMISSIONER CLAYTON: And that is new money?

17 MS. SHEMWELL: Yes.

18 COMMISSIONER CLAYTON: And is that ratepayer or  
19 Ameren funded?

20 MS. SHEMWELL: It's ratepayer.

21 COMMISSIONER CLAYTON: Okay. And the  
22 collaborative will decide how to spend that money, is that  
23 correct, or is it budgeted for something right off the  
24 bat?

25 MS. SHEMWELL: It's budgeted for energy

1 efficiency programs. And, Barb, will the collaborative  
2 decide that?

3 MS. MEISENHEIMER: Yes.

4 COMMISSIONER CLAYTON: Okay. How many -- how  
5 many efficiency programs are in the Ameren's tariffs right  
6 now? This may be best for an Ameren person to tell me.  
7 You all have a compliance rebate program right now, I  
8 think?

9 MR. BYRNE: Yes.

10 MS. TATRO: I'm not sure it's still ongoing.

11 MR. BYRNE: We have had one recently.

12 COMMISSIONER CLAYTON: Maybe -- is there some --  
13 have you got any ideas? Is there someone from DNR here --

14 MS. SHEMWELL: John Buchanan is happy to be  
15 sworn in. This is John Buchanan from DNR.

16 JUDGE WOODRUFF: All right. Mr. Buchanan,  
17 please raise your right hand.

18 JOHN BUCHANAN,  
19 being first duly sworn to testify the truth, the whole  
20 truth, and nothing but the truth, testified as follows:

21 JUDGE WOODRUFF: Thank you.

22 COMMISSIONER CLAYTON: Tell me --

23 JUDGE WOODRUFF: No. It's -- there's  
24 interference from somebody's cell phone in the room.

25 MR. BUCHANAN: Yes. You had a question with



1 regard to the existing appliance rebate program?

2 COMMISSIONER CLAYTON: Well, I was first  
3 thinking maybe the Judge should give amnesty to whoever's  
4 cell phone keeps going off, and they could turn it off  
5 right now without penalty. Otherwise, we're going to  
6 start searching people.

7 Sir, can you tell me what is currently in --  
8 what currently Ameren does in its -- in its terms of  
9 energy efficiency, weatherization, whatever programs?

10 MR. BUCHANAN: Yes, sir. With respect to the  
11 company's last rate case that was GR-2002-0517, we  
12 established a -- an appliance rebate program that funded  
13 \$165,000 over a three-year period.

14 So, essentially, \$55,000 per year was dedicated  
15 to an appliance rebate program that helped to promote the  
16 Energy Star program within Ameren's service area.

17 COMMISSIONER CLAYTON: Okay.

18 MR. BUCHANAN: It is ongoing. And it -- it will  
19 continue to operate until September of 2007.

20 COMMISSIONER CLAYTON: Okay. And then is it  
21 going to be discontinued?

22 MR. BUCHANAN: No, sir. Under the stipulation,  
23 we're going to continue that program after that date with  
24 new funds that's embraced by this stipulation.

25 COMMISSIONER CLAYTON: The hundred thousand?

1 MR. BUCHANAN: Yes, sir.

2 COMMISSIONER CLAYTON: And is that divided by  
3 three? Is that --

4 MR. BUCHANAN: No. That is annual.

5 COMMISSIONER CLAYTON: Annual. Hundred thousand  
6 dollars per annual?

7 MR. BUCHANAN: Yes, sir.

8 COMMISSIONER CLAYTON: The 165,000 in that, was  
9 that ratepayer or was that utility funded? Do you recall?

10 MR. BUCHANAN: If I recall correctly, sir, that  
11 was from the company, from the shareholder. Yes, sir

12 COMMISSIONER CLAYTON: From Ameren. Okay. Are  
13 there any other energy efficiency programs other than the  
14 appliance rebate program you just mentioned?

15 MR. BUCHANAN: Well, with the exception of the  
16 low income weatherization program, those are the two most  
17 obvious that we have in place today.

18 COMMISSIONER CLAYTON: Okay. How much is going  
19 to weatherization today before --

20 MR. BUCHANAN: As of today, as of the last rate  
21 case, we had 155,000 per year. So I would like to add  
22 that since 1997, Ameren has participated annually in the  
23 weatherization program through -- through today.

24 COMMISSIONER CLAYTON: And that 155,000, that  
25 was Ameren money, or was that ratepayer money?

1           MS. SHEMWELL: You know, when this is a black  
2 box settlement, I guess it's a suggestion that the money  
3 is included, in Staff's opinion, in rates.

4           COMMISSIONER CLAYTON: Are there any -- other  
5 than those two programs? That's it on energy conservation  
6 weatherization?

7           MR. BUCHANAN: That I'm aware of, yes.

8           COMMISSIONER CLAYTON: All right. Who is part  
9 of the collaborative?

10          MR. BUCHANAN: The collaborative consists of  
11 Staff, OPC, the Office of Public Counsel, the company and  
12 Missouri Department of National Resources Energy Center.

13          COMMISSIONER CLAYTON: That's you?

14          MR. BUCHANAN: Yes.

15          COMMISSIONER CLAYTON: Okay. Do you see -- are  
16 -- are you all going to be looking at adding programs,  
17 changing focus? What -- what do you see as the important  
18 issues associated with energy efficiency and conservation,  
19 from -- from DNR's perspective?

20          MR. BUCHANAN: From DNR's perspective, yes, it's  
21 a very important element. And I think it's an element  
22 that's embraced by the stipulation and agreement.

23                 For example, we have an amount of around 270,000  
24 of unspent funds that was originally dedicated under the  
25 company's last rate case for an experimental program in

1 Scott/Stoddard County. And we're now focusing those funds  
2 to the company and to the collaborative to use for future  
3 programs.

4           Within the -- within the stipulation, by the  
5 way, on page 8, Item 18, you'll notice that there's at  
6 least two basic programs that we'll be examining, among  
7 others.

8           Those include a possibility of an audit program  
9 as well as low interest loan programs. But there are  
10 other programs that may be workable as well. And it's  
11 something that the collaborative will be looking at as we  
12 go through this process over the next six to twelve  
13 months.

14           We may have programs that deal with high  
15 efficiency water heaters, as an example. We may even have  
16 programs that deal with -- I know there's been a lot of  
17 programs expressed by the Office of Public Counsel on pay  
18 as -- page as you save program.

19           So there are a lot of different programs that  
20 are out there. But I think it's important to evaluate  
21 each of those programs to determine how effective they  
22 will be in the company -- company's service area.

23           COMMISSIONER CLAYTON: From DNR's perspective,  
24 are the amount of funds adequate to address energy  
25 efficiency concerns?

1           MR. BUCHANAN: That's a very good question, sir.  
2 I think -- I think as we did with the weatherization  
3 program starting in 1997 where the company funded at  
4 125,000, we moved that up to \$150,000, basically.

5           What we found was there was a growing need for  
6 assistance in the low income community. And as a -- as a  
7 result, the number that you see there, the funds that are  
8 being dedicated to low income are based on real figures  
9 generated by the seven agencies that administer the low  
10 income program within Ameren's gas territory state-wide.

11           And I think that's what the collaborative will  
12 be looking at is the current mosaic, if you would, of the  
13 use of natural gas in that area and determine exactly what  
14 type of programs would be most suitable for the company's  
15 dollars.

16           COMMISSIONER CLAYTON: Do you con -- do you  
17 consider Missouri a leader on energy efficient  
18 conservation issue?

19           MR. BUCHANAN: No, I don't.

20           COMMISSIONER CLAYTON: What state would you see  
21 as -- as being a leader in issues?

22           MR. BUCHANAN: Off the top of my head, I would  
23 have to say California would be rated up there in the No.  
24 2 bracket, followed by New York.

25           COMMISSIONER CLAYTON: Do you know how much they

1 have paid?

2 MR. BUCHANAN: No, I don't know how much. But  
3 it's considerably more.

4 COMMISSIONER CLAYTON: Well, they're a larger  
5 state, too.

6 MR. BUCHANAN: Right.

7 COMMISSIONER CLAYTON: But is there a rule of  
8 thumb on how much should be spent on -- on these issues to  
9 reduce overall demand or to try to control the growth and  
10 demand?

11 MR. BUCHANAN: There are national studies that  
12 are available that show that investments in energy  
13 efficiency within natural gas service areas is  
14 approximately a half percent to a full percent. And that  
15 would be considered minimal.

16 COMMISSIONER CLAYTON: Minimal?

17 MR. BUCHANAN: Yes.

18 COMMISSIONER CLAYTON: Okay. Okay. Thank you.  
19 Thank you very much.

20 MR. BUCHANAN: Thank you very much.

21 JUDGE WOODRUFF: Chairman Davis?

22 CHAIRMAN DAVIS: I'm -- I'm sorry, sir. What's  
23 your name again?

24 MR. BUCHANAN: John Buchanan.

25 CHAIRMAN DAVIS: Okay. Can you tell me,

1 Mr. Buchanan, what was the original amount invested in the  
2 -- the -- I guess I'd call it the experimental program  
3 developed for Stoddard and Scott Counties?

4 MR. BUCHANAN: Well, since that wasn't a  
5 proposal by the Department of Natural Resources, I don't  
6 recall the exact figure. What happens --

7 CHAIRMAN DAVIS: Okay. Maybe someone from  
8 Ameren can help.

9 MS. SHEMWELL: Actually, Greg Meyer probably  
10 can, too.

11 MS. TATRO: It -- it was 100,000 a year, so it  
12 was a total of 300,000.

13 CHAIRMAN DAVIS: It was a total of 300,000. And  
14 we have approximately \$260,000-plus left over?

15 MS. SHEMWELL: That's right.

16 MR. TATRO: The program was not a success.

17 CHAIRMAN DAVIS: That's the understatement of  
18 the day. All right.

19 MS. SHEMWELL: But we do intend to make good use  
20 of that money.

21 CHAIRMAN DAVIS: Okay, Ms. Shemwell. Are you  
22 familiar with Scott or Stoddard County?

23 MS. SHEMWELL: Yes, sir.

24 CHAIRMAN DAVIS: Okay. So you know that -- so  
25 you know that there are portions of Stott -- or of Scott

1 and Stoddard County that are not only among the poorest  
2 counties in the state, but amongst -- their -- their  
3 poverty rate would rival anywhere in this country and in  
4 some third world countries?

5 MS. SHEMWELL: That's why we chose them for the  
6 experimental program was that knowledge.

7 CHAIRMAN DAVIS: Then how in the world can we  
8 not get anything done there in three years?

9 MS. SHEMWELL: Well, Mr. Chairman --

10 CHAIRMAN DAVIS: Housing is affordable there?

11 MS. SHEMWELL: Yes, sir. And, in fact, the  
12 housing may be so affordable that it does not qualify for  
13 energy efficiency measures because putting in a new  
14 furnace would be of no value. That's one of the issues.  
15 Let me say we don't completely know why it failed.  
16 However, the money --

17 CHAIRMAN DAVIS: Well, who is responsible? Who  
18 is in charge? Who is the one person in charge of this  
19 program?

20 MS. SHEMWELL: Actually. It was the cap agency  
21 that was intended to -- and one of the agencies did use  
22 the money for weatherization where they could.

23 CHAIRMAN DAVIS: All right. Now -- okay. And  
24 -- and what was the name of that cap agency again?

25 MS. SHEMWELL: I -- I don't know. Ann, do you



1 know the name of the cap agency?

2 MS. ROSS: DAEOC.

3 MS. SHEMWELL: DAEOC.

4 CHAIRMAN: DAEOC. DAEOC.

5 MS. ROSS: Delta Area Economic --

6 CHAIRMAN DAVIS: Economic Opportunities

7 Corporation.

8 MS. ROSS: Yes.

9 MS. SHEMWELL: Part of what we were asking -- we

10 were --

11 CHAIRMAN DAVIS: Did anybody at any time prior

12 to now go up to DAEOC and say, Folks, you're just not

13 getting the job done here? I -- do I hear -- do I see a

14 hand in the back?

15 MS. ROSS: You do.

16 JUDGE WOODRUFF: Ms. Ross, come on up.

17 CHAIRMAN DAVIS: Ms. Ross, come on down.

18 MS. ROSS: Okay.

19 JUDGE WOODRUFF: Or down.

20 CHAIRMAN DAVIS: Wait. Mr. DNR, don't go --

21 don't go far.

22 MR. BUCHANAN: I'll wait right here.

23 MS. ROSS: Is this your stuff? Okay. I was

24 involved in setting up the program with OPC and the

25 company.

1           CHAIRMAN DAVIS: And -- and did you monitor the  
2 program?

3           MS. ROSS: Yes, sir, we did. They gave us  
4 annual reports. When we saw the first report and we saw  
5 that there had been no takers, we talked to DAEOC -- well,  
6 we went down before -- before we even formed the -- the  
7 program, before we even set it up, Greg Meyer and I went  
8 down to DAEOC and talked to them, okay, about what they  
9 could do, how they thought it would best work. You know,  
10 they know that area a lot better than I do.

11          CHAIRMAN DAVIS: I would hope that they would.

12          MS. ROSS: Okay. So we got the first report,  
13 and there had been no takers, so we talked to them.

14          MS. SHEMWELL: Describe the two components, Ann.  
15 There were takers for weatherization.

16          CHAIRMAN DAVIS: Right.

17          MS. ROSS: The weatherization -- well, there was  
18 three actually. There were weatherization, there were  
19 bill credits, and there was an arrearage forgiveness  
20 component that went up to 200 percent of poverty. So we  
21 said what's going on, why is --

22          CHAIRMAN DAVIS: Which covers most of the people  
23 -- a lot of the people in those counties.

24          MS. ROSS: That's why we picked those counties.

25          CHAIRMAN DAVIS: Okay. And so they still --

1 they still wouldn't take the program?

2 MS. ROSS: Well, the first year, we were told  
3 there was a lot of changes in the agency. Their  
4 weatherization guy went to Iraq. Their other  
5 weatherization guy had a heart attack. The Executive  
6 Director quit. Okay? So they -- we talked to them. They  
7 sent out another letter.

8 CHAIRMAN DAVIS: I think I vaguely remember some  
9 newspaper reports about there being some possible  
10 litigation there. Okay. Continue.

11 MS. ROSS: Oh. We sent out -- we -- they said  
12 they would send out another letter. And we looked at the  
13 letter, you know, gave them comments, feedback on it.

14 They sent that out. They still didn't have any  
15 takers. And I don't know why. But every year, we talked  
16 to them, and -- and --

17 CHAIRMAN DAVIS: Has anybody from Ameren got any  
18 suggestions as to why this program failed so miserably?

19 MR. TATRO: Well, the individual who monitors it  
20 I don't have with me. But the discussions that I have  
21 had --

22 CHAIRMAN DAVIS: And who is that -- who is that  
23 person?

24 MR. TATRO: Molly Martin.

25 CHAIRMAN DAVIS: Molly Martin.

1           MR. TATRO: Discussions I have had with her  
2 about this program, we've had conference calls. A year  
3 ago, we had a conference call with the agency and all the  
4 parties in the collaborative to talk about this.

5           When the program was set up, they identified  
6 individuals they thought would be eligible, and letters  
7 were sent to those specific people. I mean, great pains  
8 were taken to attempt to reach these people.

9           Some of the thoughts that I have heard like for  
10 the bill credits and bill forgiveness, it required people  
11 to pay -- to start making current -- payments on their  
12 current bills in order to get the forgiveness. And  
13 perhaps that was too stringent of a requirement for that  
14 area.

15           MS. ROSS: For -- oh, go ahead. I'm sorry.

16           MS. TATRO: There were lots of different design  
17 details that, maybe in the wisdom of the collaborative,  
18 turned out to be too stringent because the area couldn't  
19 support that.

20           CHAIRMAN DAVIS: Right.

21           MS. TATRO: And that bill, keeping current by  
22 paying on your current bill might be one of them.

23           CHAIRMAN DAVIS: Did anyone ever bother to look  
24 at the literacy rates in these counties to know that --  
25 it's been some years since I've looked at this issue, but

1 to the best of my recollection, would it surprise you to  
2 know that probably upwards of 20 percent of the people in  
3 those counties are functionally illiterate which would  
4 probably be some of people that you're trying to reach?

5 MS. TATRO: Probably. And didn't -- in our last  
6 call, didn't we -- I believe we asked them to make phone  
7 calls to attempts to reach those individuals.

8 MS. ROSS: Yes. Yes. And -- and, yes, we did  
9 look at the -- we looked at high school graduation. We  
10 looked at the value of homes. I mean, we -- we looked at  
11 so many factors.

12 CHAIRMAN DAVIS: You picked the right  
13 demographic area -- one of the good demographic areas,  
14 but --

15 MS. ROSS: I think one of the problems was that  
16 -- was that 20 and \$40 -- is that what they were getting?  
17 I just am not sure that was enough to -- to incent them to  
18 -- to get on a program that had restrictions.

19 MS. SHEMWELL: Or to stay on year round. A lot  
20 of them get off.

21 CHAIRMAN DAVIS: Ms. Meisenheimer, do you have  
22 any -- any words of wisdom for me with this? And this is  
23 just more or less the post mortem for this program. I  
24 mean, there's nothing we can do about it now, but I am  
25 sincerely interested in this program's failure and -- and

1     what we -- what we can learn from it.

2                 MS. MEISENHEIMER: I was very disappointed with  
3     the way this program turned out. Obviously, as you've  
4     pointed out, there is a significant amount of money that  
5     never even got tapped into for this program over its  
6     three-year life.

7                 When the -- when, ultimately, Public Counsel  
8     agreed to this program design, it was not our first choice  
9     of program design. However, we did agree to it, so I have  
10    to admit, you know, we were on board.

11                Over the life of this program, there were times  
12    when we discussed how the program was doing. When I --  
13    when I took a closer look at it and spoke with Ann and  
14    found how miserably the program was doing, we -- we did  
15    have a phone conference.

16                And on that phone conference, I'm not sure if  
17    she was the Director of DAEOC --

18                MS. ROSS: I believe it was. I believe it was  
19    the Executive Director.

20                MS. MEISENHEIMER: And we did -- I did ask her,  
21    you know, specifically what's the problem, why aren't you  
22    able to reach these customers, what measures are you  
23    taking to reach these customers.

24                And the response to me was the people aren't  
25    interested in it. I find that fairly hard to believe.

1 And I -- I can't explain everything --

2 CHAIRMAN DAVIS: Right.

3 MS. MEISENHEIMER: -- you know, that went wrong.

4 My bet is that there was not enough effort to reach the  
5 people.

6 I cannot believe that when you're offering  
7 people a discount on their bill and the ability to repay a  
8 large balance, if it was effectively delivered to people  
9 and, as you say, the mechanisms -- well, I guess they're  
10 not your words -- but if people need more direct marketing  
11 to reach them, if you will --

12 CHAIRMAN DAVIS: Right.

13 MS. MEISENHEIMER: -- that -- that a program  
14 would not do better. And, in fact, we've bet on that  
15 elsewhere around the state, and we've seen better results  
16 in many other states than we have in this program.

17 I'm, frankly, very disappointed in how this  
18 particular program in this particular area resulted.

19 MS. ROSS: One component of the program was  
20 arrearage forgiveness, and Ameren would match up to \$400,  
21 I believe.

22 CHAIRMAN DAVIS: Right.

23 MS. ROSS: That -- that was targeted at people  
24 from 150 to 200 hundred percent poverty. And I know what  
25 the problem was. It was those are not DAEOC's regular

1 clients.

2 CHAIRMAN DAVIS: Right.

3 MS. ROSS: Theirs are normally 125 or 150 for  
4 weatherization. So I believe they had some problems  
5 reaching them.

6 MR. CHAIRMAN: Right.

7 MS. ROSS: And, obviously --

8 CHAIRMAN DAVIS: And -- and those people  
9 wouldn't -- wouldn't necessarily normally know that  
10 they're actually qualified for that support. And -- and I  
11 don't know that -- you know, 150 to 200 percent of  
12 poverty, I guess I would consider to be the -- the, quote,  
13 working poor. Is that a --

14 MS. ROSS: Yeah.

15 CHAIRMAN DAVIS: Is that a fair statement?

16 MS. ROSS: That could include people --

17 CHAIRMAN DAVIS: And so they -- obviously, they  
18 might not know that -- that they would meet those  
19 criteria. And like I say, they had probably looked into  
20 most DAEOC programs before. And if it was 125 or 150 was  
21 the cut-off level, then there probably wasn't any -- any  
22 LIHEAP (ph.) or assistance available to them or anything.

23 MS. ROSS: Yes. Yes.

24 MS. SHEMWELL: Ann, explain the specific reason  
25 we targeted them.



1 MS. ROSS: The 150 to 200s? Because they  
2 weren't getting help from other programs.

3 CHAIRMAN DAVIS: Right. They -- right.

4 MS. ROSS: You can -- you can make minimum wage  
5 and work full-time, and you're going to be down in that  
6 area of the poverty level.

7 CHAIRMAN DAVIS: Right.

8 MS. ROSS: So we tried to do what we -- you  
9 know, what we thought would help them because we did see  
10 some arrearages in that group.

11 MS. SHEMWELL: And we were hoping that that  
12 would be a group that if their arrearage could be caught  
13 up, if we could assist them in that that they could become  
14 regular paying customers.

15 I will agree with Ms. Meisenheimer. We're  
16 disappointed that this did not work. We don't know why.  
17 We can only speculate.

18 CHAIRMAN DAVIS: Right. Well, we don't have --  
19 we don't have -- we don't have enough time to post mortem  
20 this issue today, but I certainly do want to do some --  
21 want to do some more investigative work.

22 Because, I mean, at a minimum, if -- if nothing  
23 else, for future reference, I would like for -- for Staff  
24 or someone to notify us when we have a program of this  
25 nature and it's not being utilized because it's not --

1 it's not helping anyone.

2 MS. ROSS: It was helping a few people because a  
3 few people did come in and get weatherized through it.  
4 And those --

5 CHAIRMAN DAVIS: Right. So approximately  
6 30-something thousand was spent on weatherization, and  
7 we've had testimony here in prior proceedings that the  
8 average weatherization expense, you know, is somewhere in  
9 the neighborhood of 25 to \$2800 per household. So you're  
10 roughly talking about a dozen? Maybe a few more?

11 MS. ROSS: Well, but that -- they do leverage  
12 those funds, so they could have gone to more people and --

13 CHAIRMAN DAVIS: Right.

14 MS. ROSS: -- helped more people in a -- you  
15 know, in conjunction with the energy -- the DOE plan,  
16 Diagnosis DNR. LIHEAP -- not LIHEAP. Weatherization  
17 assistance.

18 CHAIRMAN DAVIS: But -- correct me if I'm wrong,  
19 Ms. Ross. But at a maximum, the number of people that  
20 were assisted with this program -- or the weatherization  
21 program in this area, I mean, we're talking a few dozen at  
22 most?

23 MS. ROSS: Oh, yeah. Yeah.

24 CHAIRMAN DAVIS: At -- at most. And that's out  
25 of, I would say, at least two or 3,000, if not more, you

1 know, low income households there.

2 MR. ROSS: Now, one -- one problem I think that  
3 there was was that Ameren is not the -- the major natural  
4 gas provider in that area.

5 CHAIRMAN DAVIS: Right. You've got - you've got  
6 ATMOS.

7 MS. ROSS: ATMOS. And that was given to us as  
8 the reason that they were having trouble, you know,  
9 reaching people because they're just -- I don't know what  
10 percentage are Ameren customers, but --

11 CHAIRMAN DAVIS: Right. Well, I know -- I know  
12 ATMOS has a significant presence in -- in the area.  
13 But --

14 MR. ROSS: And we wanted -- we wanted to do that  
15 area because they are so poor. That's why we picked them.

16 CHAIRMAN DAVIS: Okay. Well, you've beat me  
17 into submission on that issue. I'll -- I'll have to move  
18 on. Thank you, Ms. Ross.

19 MS. ROSS: You're welcome.

20 CHAIRMAN DAVIS: Is there anyone here in this  
21 courtroom today who objects to this settlement as a  
22 resolution to the gas case?

23 Is there anyone here in the crowd -- are there  
24 any attorneys -- is there anyone here who is objecting?  
25 Speak now or forever hold your peace.

1           Judge, let the record reflect that there is no  
2 one here to object to the settlement.

3           JUDGE WOODRUFF: Yes.

4           CHAIRMAN DAVIS: Okay. Next question. For all  
5 of our attorneys here who are present today, is there  
6 anything in this agreement that you could conceive of that  
7 could be considered as being ambiguous?

8           Is there anything that you think parties might  
9 have a material difference of opinion on or a dispute over  
10 at a later date that we need to be aware of right now?

11          MS. SHEMWELL: This was certainly run through  
12 every attorney involved for their approval to read it, to  
13 make changes. Many of the attorneys made changes.  
14 They've been adopted and incorporated into the agreement.  
15 The ambiguous question, I don't know.

16          CHAIRMAN DAVIS: Well, Ms. Shemwell, is there  
17 anything in here that you find ambiguous?

18          MS. SHEMWELL: No, sir.

19          CHAIRMAN DAVIS: So none -- none of the  
20 attorneys for any of the parties representatives --  
21 represented are going to come in here any time in the next  
22 three years and somehow have an argument over -- over the  
23 meanings of the words?

24          MS. SHEMWELL: Well, we can't rule that out as a  
25 possibility, Mr. Chairman, I don't think.

1 CHAIRMAN DAVIS: Okay.

2 MS. TATRO: I -- I would say, Chair Davis, we  
3 did attempt to define some things. We defined what  
4 dominimus was so we couldn't disagree with that later.

5 CHAIRMAN DAVIS: Okay.

6 MS. TATRO: We laid out specifically what the  
7 tariffs would include.

8 CHAIRMAN DAVIS: Right.

9 MS. TATRO: Made significant efforts to be very  
10 specific in order to avoid that very problem and to avoid  
11 arguments, make sure we all know what we're agreeing to,  
12 and we agreed to it.

13 CHAIRMAN DAVIS: There's no earnings test in it?

14 MS. TATRO: There is no earnings test language.

15 CHAIRMAN DAVIS: And there's nothing that can be  
16 construed as an earnings test by any of the parties?

17 MS. TATRO: I do not believe so.

18 CHAIRMAN DAVIS: Okay. Just -- just making  
19 sure. Mr. Iveson?

20 MR. IVERSON: Yes, sir.

21 CHAIRMAN DAVIS: Did you represent DNR in these  
22 negotiations?

23 MR. IVESON: Yes, your Honor.

24 CHAIRMAN DAVIS: Okay. Is that your signature  
25 on the stipulation and agreement?

1           MR. IVESON: It is not. The internal counsel  
2 for DNR elected to enter his appearance and signed on  
3 behalf of DNR.

4           CHAIRMAN DAVIS: He -- he elected to enter when  
5 -- okay. So did you go back to the -- to the client, who  
6 is DNR, and -- and get their approval on this stipulation  
7 and agreement?

8           MR. IVESON: Yes, I did, your Honor.

9           CHAIRMAN DAVIS: Okay. And then so you asked  
10 the client to --

11          MR. IVESON: I --

12          CHAIRMAN DAVIS: -- I'm not going to sign it,  
13 you've got to sign it?

14          MR. IVESON: No. Actually, I said to the  
15 client, I'm prepared to sign it, but if you would prefer  
16 to do so, that's all right with us as well. And they  
17 elected to sign it on -- on their own behalf with their in  
18 -- in-house counsel.

19          CHAIRMAN DAVIS: Okay. So there was no  
20 equivocation, mental reservation or hesitation on the --  
21 on behalf of -- of you as their counsel to sign this  
22 document?

23          MR. IVESON: There was not.

24          CHAIRMAN DAVIS: Okay.

25          MR. IVESON: We made that offer.

1           CHAIRMAN DAVIS: Okay. So just to -- just to  
2 establish what the -- what the procedure normally is, I  
3 mean, when the Attorney General's office is representing  
4 DNR on an issue, they go back to the client and ask them  
5 to approve any settlements? Is -- is that the way it  
6 works?

7           MR. IVESON: Typically, that's true, yes.  
8 They're the client, so we ask them to approve the  
9 settlement.

10          CHAIRMAN DAVIS: Okay. Okay. So is there -- is  
11 there any -- you said typically. Is there any -- describe  
12 any -- can you describe a set of circumstances that  
13 wouldn't be typical?

14          MR. IVESON: I -- I have never worked on a case  
15 on behalf of DNR where I haven't gone to them and said, Do  
16 you approve of this settlement. I can't rule out that  
17 there might have -- have been other cases where that  
18 happened.

19          But I have never worked on a case where I have  
20 not gone to the client, as I did in this case, and say,  
21 Here's the terms, here's the -- how I understand the  
22 terms, do you agree with these terms and the -- we did not  
23 agree to enter the settlement until we had their agreement  
24 on it as well. And that's true in this case.

25          CHAIRMAN DAVIS: Well, all right. Thank you,

1 Mr. Iverson. Is it Iveson or Iverson?

2 MR. IVESON: Iveson without the R.

3 CHAIRMAN DAVIS: Iveson. Okay. All right.

4 Thank you, Mr. Iveson. All right. Mr. Micheel, welcome

5 back.

6 MR. MICHEEL: Good to be back.

7 CHAIRMAN DAVIS: Okay. Now, the State has not

8 signed on to this settlement, correct?

9 MR. MICHEEL: Correct.

10 CHAIRMAN DAVIS: Okay. The DED has not signed

11 on to this settlement, correct?

12 MR. MICHEEL: Correct.

13 CHAIRMAN DAVIS: Okay. Did you go back to -- to

14 DED as the client and ask them to approve this settlement?

15 MR. MICHEEL: They were aware at the outset of

16 our representation that we were not going to be active in

17 the gas case.

18 CHAIRMAN DAVIS: Okay. All right.

19 MR. MICHEEL: We made a resource decision at the

20 outset.

21 CHAIRMAN DAVIS: Okay. And what about -- and

22 what about the State?

23 MR. MICHEEL: The same.

24 CHAIRMAN DAVIS: Okay. So you didn't file any

25 testimony in the gas case? You didn't file a revenue



1 requirement or anything?

2 MR. MICHEEL: We -- we filed nothing in the gas  
3 case, your Honor.

4 CHAIRMAN DAVIS: Okay. So you filed -- you  
5 filed nothing in the gas case?

6 MR. MICHEEL: We filed an intervention in the  
7 gas case because there was an intervention deadline.  
8 And --

9 CHAIRMAN DAVIS: Okay. You did intervene in the  
10 gas case, but it was more or less for purposes of  
11 monitoring the gas case?

12 MR. MICHEEL: We intervened at the request of  
13 OA, and then we sat down and discussed various -- which --  
14 because the cases were filed simultaneously.

15 CHAIRMAN DAVIS: Right. Okay. Mr. Micheel,  
16 does silence constitute acceptance?

17 MR. MICHEEL: I think under the Commission's  
18 rules, it certainly does. I think this Commission, if  
19 it's a non-unanimous stipulation and a hearing is not  
20 requested, we're not requesting a hearing, this Commission  
21 is going to treat it as a unanimous stipulation.

22 CHAIRMAN DAVIS: All right. Thank you,  
23 Mr. Micheel.

24 Ms. Shemwell, what was Staff's original revenue  
25 requirement for -- for Ameren in the gas case?

1 MS. SHEMWELL: 3,500,000, essentially. I  
2 believe it was 3,495,000.

3 CHAIRMAN DAVIS: Okay. Approximately --  
4 approximately three and a half million.

5 Ms. Meisenheimer, did you have a -- did you have  
6 a revenue requirement in this case, or did you have a  
7 ballpark estimate or --

8 MR. POSTON: I don't believe we did.

9 CHAIRMAN DAVIS: You don't believe you did.  
10 Okay. Judge, I have no further questions.

11 JUDGE WOODRUFF: All right. Thank you.

12 COMMISSIONER CLAYTON: Can I ask one?

13 JUDGE WOODRUFF: Go right ahead.

14 COMMISSIONER CLAYTON: Can I ask Office of  
15 Public Counsel about this PGA consolidation issue? Does  
16 Public Counsel feel that customers in the Jeff City,  
17 Columbia, Wentzville are -- are paying an appropriate  
18 amount? Or is there a subsidy or cross -- a cross-subsidy  
19 or something like that going on here?

20 MS. MEISENHEIMER: With respect to the PGA  
21 rates, we generally rely on the Staff's analysis. And we  
22 focus primarily on the -- on the margin or the non-gas.

23 COMMISSIONER CLAYTON: So you did not -- you  
24 didn't take a position on the PGA consolidation issue?

25 MS. MEISENHEIMER: This -- I would characterize

1     it more as we relied on the Staff. I mean, we did  
2     participate in discussions. We did listen to the  
3     discussions that -- that occurred between the Staff and  
4     the company.

5                 COMMISSIONER CLAYTON: So you don't know whether  
6     there's a -- a subsidy being paid by one group for  
7     another?

8                 MS. MEISENHEIMER: I -- my -- my understanding,  
9     and Mr. Imhoff actually worked on this for the Staff, was  
10    that the Staff viewed this as -- as a way, actually, to  
11    preserve existing differences in costs and collection from  
12    customers based on those customers' costs for some period  
13    of time. That's my recollection of it. And I --  
14    Mr. Imhoff is shaking his head.

15                MS. SHEMWELL: Yes.

16                MS. MEISENHEIMER: Yes.

17                COMMISSIONER CLAYTON: In disagreement or in  
18    agreement? It would be a nod, not a shake.

19                MS. MEISENHEIMER: Sorry.

20                COMMISSIONER CLAYTON: Well, when you say --  
21    okay. I hate to do this, but can I quickly have  
22    Mr. Imhoff come up?

23                JUDGE WOODRUFF: Sure. Mr. Imhoff, would you  
24    come forward, please?

25                COMMISSIONER CLAYTON: We'll do it really fast.

1 I know this has taken longer than -- swear him in on the  
2 way up, Judge.

3 TOM IMHOFF,  
4 being first duly sworn to testify the truth, the whole  
5 truth, and nothing but the truth, testified as follows:

6 JUDGE WOODRUFF: Thank you.

7 COMMISSIONER CLAYTON: Mr. Imhoff, is -- are  
8 customers in -- in -- in -- because of this consolidation,  
9 are they going to be subsidizing the other areas, the  
10 areas specifically that are having this significant  
11 decrease, in your opinion?

12 MR. IMHOFF: In -- in the Staff's opinion, no.  
13 That is the reason why we set up this transition where the  
14 customers off of Panhandle Eastern, they get a 50 cent  
15 flat credit per month.

16 The people who are currently on the TETCO have  
17 to pay a \$2.55 surcharge in order to maintain no  
18 detriments to either of the customer districts.

19 COMMISSIONER CLAYTON: Well, how can you say no  
20 detriments when -- when Cape Girardeau has an \$8.47  
21 decrease in their estimated bill -- well, I guess a \$5.92  
22 decrease in the bill and everyone else is paying a \$1.20  
23 increase?

24 MR. IMHOFF: Well, that's based off of a current  
25 snapshot of the PGA itself. We went back through and

1 looked at the historical differences between the PGA  
2 itself between the Panhandle Eastern pipeline, the TETCO  
3 and the NGPL.

4 And the historical difference wound up being 52  
5 cents. We rounded it to 50 cents to make it an even  
6 number. And it was \$2.55 cents for the TETCO people.

7 What you're looking at from Ameren is a snapshot  
8 of what the current PGA itself is. But we looked at it  
9 from an historical difference in the PGAs itself.

10 COMMISSIONER CLAYTON: How do you address the  
11 ACA factor that's within that PGA?

12 MR. IMHOFF: We just looked at the pure current  
13 cost of gas. We did not take the ACA into consideration  
14 when we calculated that out.

15 COMMISSIONER CLAYTON: Okay. This is going to  
16 require further study on my part. Thank you.

17 JUDGE WOODRUFF: All right. With that, then, we  
18 are adjourned.

19 MS. SHEMWELL: Thank you, Judge.

20

21

22

23

24

25