

Exhibit No.:
Issues: *Gas Inventory; ACA Documentation*
Witness: *Anne M. Allee*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *GR-2007-0003*
Date Testimony Prepared: *December 15, 2006*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ANNE M. ALLEE

UNION ELECTRIC COMPANY

d/b/a AMERENUE

CASE NO. GR-2007-0003

Jefferson City, Missouri
December 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

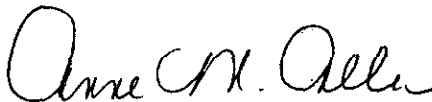
In the Matter on Union Electric d/b/a AmerenUE)
for Authority to File Tariffs Increasing Rates for)
Gas Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. GR-2007-0003

AFFIDAVIT OF ANNE M. ALLEE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Anne M. Allee, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

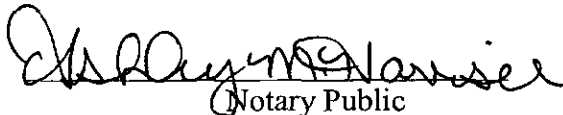


Anne M. Allee

Subscribed and sworn to before me this 14th day of December 2006.



ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06898978


Notary Public

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ANNE M. ALLEE
UNION ELECTRIC COMPANY
d/b/a AMERENUE
CASE NO. GR-2007-0003

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DIRECT TESTIMONY
OF
ANNE M. ALLEE
UNION ELECTRIC COMPANY
D/B/A AMERENUE
CASE NO. GR-2007-0003

Q. Please state your name and business address.

A. Anne M. Allee, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Columbia with a Bachelor of Science degree in Accounting in 1989. I am currently a licensed Certified Public Accountant in the state of Missouri.

Q. Please describe your work experience.

A. During college and after graduation, I worked for Capital Bank as a Teller, New Accounts Representative and temporary Branch Manager.

Q. What has been the nature of your duties while in the employ of the Commission?

A. My employment with the Commission began in October 1990 as a Regulatory Auditor in the Accounting Department. My duties included assisting with audits and

1 examinations of the books and records of utility companies operating within the state of
2 Missouri.

3 In October 1993, I obtained my current position as a Regulatory Auditor in the
4 Procurement Analysis Department. Since that time, my responsibilities include reviewing and
5 analyzing amounts charged by natural gas local distribution companies (LDCs) through the
6 Purchased Gas Adjustment (PGA)/Actual Cost Adjustment (ACA) mechanism.

7 Q. Have you previously filed testimony before this Commission?

8 A. Yes, I have previously filed testimony before this Commission. Schedule 1,
9 attached to my direct testimony, is a list of cases and issues in which I have filed testimony.

10 Q. Did you make an examination and analysis of the books and records of
11 AmerenUE (Company) in regard to matters raised in this case?

12 A. Yes. I reviewed AmerenUE's natural gas stored underground and propane
13 inventory records.

14 Q. What matters will you address in your testimony?

15 A. I will address the Staff's recommended inventory level for natural gas stored
16 underground and propane. I will also address the Staff's proposal to include ACA
17 documentation in the Company's PGA tariffs.

18 Q. What knowledge, skill, experience training or education do you have in these
19 matters?

20 A. Since my time in the Procurement Analysis Department, I have performed
21 and/or assisted in performing approximately 30 ACA reviews which include a review of the
22 LDC natural gas storage.

23 Q. What is the purpose of your direct testimony?

1 A. I am sponsoring the Staff's natural gas and propane inventory level included in
2 rate base and the Staff's proposal to include ACA documentation within the Company's PGA
3 tariffs.

4 **EXECUTIVE SUMMARY**

5 Q. Please summarize the issues addressed in your direct testimony.

6 A. The Staff used a thirteen-month average of natural gas and propane inventory
7 balances to represent ongoing inventory levels included in rate base.

8 The Staff recommends adding ACA documentation requirements in AmerenUE's
9 PGA tariffs. Schedule 3 of my testimony contains the ACA documentation requirements that
10 the Staff is proposing.

11 **GAS INVENTORY**

12 Q. Why is gas held in storage considered inventory and included in rate base?

13 A Natural gas is purchased and injected into storage facilities during the summer
14 months where it is held until the winter months when it is withdrawn and delivered to
15 AmerenUE's distribution system. Propane is also purchased and used to supplement natural
16 gas during peak periods. Both natural gas stored underground and propane represent an
17 investment by AmerenUE. Therefore, an ongoing level is included in rate base which allows
18 the Company an opportunity to earn a return on its investment.

19 Q. Please explain Schedule 2 attached to your direct testimony.

20 A. Schedule 2 lists the monthly combined value of storage for AmerenUE's three
21 service area that are served by Panhandle Eastern Pipe Line Company (PEPL), Texas Eastern
22 Transmission, LLC (TETCO) and Natural Gas Pipeline Company of America (NGPL) for the

1 | update period, September 30, 2006. These monthly storage balances were used to calculate a
2 | thirteen-month average which is the level of natural gas inventory included in rate base.
3 | Schedule 2 also shows the inventory account balances and thirteen-month average for the
4 | Cape Girardeau propane plant.

5 | Q. Why did you use a thirteen-month average of inventory balances to value
6 | storage?

7 | A. Natural gas inventory is cyclical in nature. Inventory volumes increase
8 | throughout the summer as gas is injected into storage and then decrease throughout the winter
9 | as gas is withdrawn. The propane inventory levels also fluctuated throughout the test year
10 | and update period. Because monthly inventory levels fluctuate as gas is injected into or
11 | withdrawn from storage, the Staff used an average of the monthly inventory balances to
12 | represent an ongoing level of inventory.

13 | **ACA DOCUMENTATION – PGA TARIFF CHANGE**

14 | Q. Do you have any recommendations regarding the Company's PGA tariffs?

15 | A. Yes. Staff recommends that certain ACA documentation be added to
16 | AmerenUE's PGA tariffs. The Staff recommends AmerenUE be required to provide
17 | documentation that supports its gas procurement activity applicable to each ACA period.
18 | Documentation concerning the Company's gas purchasing decisions for that period should be
19 | submitted to the Staff. Schedule 3, attached to my testimony, contains the requirements the
20 | Staff proposes to insert into AmerenUE's PGA tariffs.

21 | Q. When would AmerenUE be required to provide this documentation?

22 | A. At the same time the Company makes its annual ACA filing to the
23 | Commission. Generally, AmerenUE makes its ACA filing each October.

1 Q. Why is the Staff recommending this requirement?

2 A. The goal of this recommendation is to improve the ACA process by making it
3 more efficient.

4 Q. How would this requirement increase the efficiency of the ACA process?

5 A. Currently, the Staff submits approximately 100 data requests when beginning
6 its ACA review. If the Commission adopts the Staff's recommendation, AmerenUE would
7 submit most of the Staff's normally requested information to support its ACA filing upfront,
8 thereby decreasing the number of initial data requests and accelerating the Staff's ACA
9 review and recommendation.

10 Q. How much sooner do you anticipate the ACA recommendation being filed?

11 A. The Staff anticipates that it may speed up the filing of its ACA
12 recommendation by at least 20 to 30 days depending upon Staff's other workload
13 requirements. It is the Staff's expectation that this simple requirement will enhance and speed
14 up the ACA review process, though it will be known for certain when these requirements are
15 fully implemented.

16 Q. Will this requirement place an additional burden or cost on AmerenUE?

17 A. No. The Staff is not asking that new or additional information be created. It is
18 simply asking that AmerenUE provide information that it already has in its possession.
19 AmerenUE's ACA period begins September 1st and ends August 31st each year. So, for
20 example, when AmerenUE made its ACA filing in October 2006, that filing applied to the
21 12 months ended August 2006. This means that the Company has had a portion of the
22 information requested by Staff for as long as 13 months prior to its ACA filing. Additionally,
23 some of AmerenUE's planning information would have been prepared in advance of the ACA

1 | period so that it could use this information in its decision making for the ACA period. The
2 | Staff is simply proposing that the Company be required to provide the information it relied
3 | upon in making its purchasing decisions for the ACA period.

4 | Q. Does this conclude your direct testimony?

5 | A. Yes, it does.

SUMMARY OF TESTIMONY
ANNE M. ALLEE

Company Name	Case Number	Issues
Choctaw Telephone Company	TR-91-336	Payroll; Payroll Taxes; Employee Pensions/Benefits; Voucher Analysis; Other Misc. Expenses
Laclede Gas Company	GR-92-165	Payroll; Payroll Taxes; Employee Pensions and Benefits
United Cities Gas Company	GR-93-47	Rate Base; CWC; Dues & Donations; Misc. Expenses
St. Louis County Water Company	WR-93-204	Rate Base; CWC; Dues & Donations; Misc. Expenses
Ozark Natural Gas Company	GA-96-264	Cost of Gas per Dth; Reliability of Transportation
Missouri Gas Energy Company	GR-96-285	Natural Gas Storage Inventory Prices
St. Joseph Light and Power Company	GR-96-47	Gas Purchasing Practices
Union Electric Company	GR-97-393	Natural Gas Storage Inventory Prices
Missouri Public Service	GR-96-192	Winter Storage Allocation; Overrun Penalties
Missouri Gas Energy	GR-98-140	Natural Gas Storage Inventory Prices
Ozark Natural Gas Company	GA-98-227	Cost of Gas per Dth; Reliability of Supply and Transportation
St. Joseph Light and Power Company	GR-99-246	Natural Gas Inventory Prices
UtiliCorp United Inc. and St. Joseph Light and Power Company	EM-2000-292	Conditions to be Made Part of Approved Merger
Atmos Energy Corporation and United Cities Gas Company	GR-2001-396 & GR-2001-397 (Consolidated)	Purchasing Practices – Neelyville; Purchasing Practices-Consolidated District; Deferred Carrying Cost Balance; Propane
Missouri Gas Energy	GR-2001-382, GR-2000-425, GR-99-304 & GR-98-167 (Consolidated)	Purchasing Practices; Refunds
Union Electric Company	GR-2003-0517	Gas Inventories
Missouri Gas Energy	Case No. GR-2004-0209	Gas Inventory, Capacity, Release and Gas Purchasing Practices
Missouri Gas Energy	Case No. GR-2006-0422	Gas Inventory, Uncollectible Expense, ACA Documentation

AmerenUE
Gas Inventory - Underground Storage and Propane
Case GR-2007-0003

<u>Month/Year</u>	<u>Gas Stored Underground</u>			<u>Total Underground Storage</u>	<u>Propane</u>
	<u>NGPL</u>	<u>TETCO</u>	<u>PEPL</u>		<u>Cape Girardeau</u>
September-05	\$ 354,525	\$ 5,503,872	\$ 33,099,690	\$ 38,958,086	\$ 113,027
October-05	367,552	6,567,352	37,931,326	44,866,230	113,027
November-05	334,104	6,565,769	34,332,130	41,232,003	113,027
December-05	226,556	5,555,083	26,927,583	32,709,222	113,027
January-06	182,965	4,337,387	20,162,695	24,683,047	183,104
February-06	97,235	2,496,420	12,223,587	14,817,242	183,104
March-06	59,008	1,398,518	7,290,465	8,747,992	179,695
April-06	20,047	1,379,210	10,395,107	11,794,363	179,695
May-06	69,342	2,203,257	14,714,850	16,987,449	179,695
June-06	123,749	2,762,116	17,389,645	20,275,509	179,695
July-06	184,375	3,689,553	20,717,149	24,591,077	180,802
August-06	255,322	5,091,584	24,124,502	29,471,408	180,802
September-06	291,174	6,344,961	28,183,616	34,819,751	180,802
Total	\$ 2,565,953	\$ 53,895,081	\$ 287,492,345	\$ 343,953,379	\$ 2,079,500
13 Month Average	<u>\$ 197,381</u>	<u>\$ 4,145,775</u>	<u>\$ 22,114,796</u>	<u>\$ 26,457,952</u>	<u>\$ 159,962</u>
Rate Base Inventory Levels	<u>\$ 197,381</u>	<u>\$ 4,145,775</u>	<u>\$ 22,114,796</u>	<u>\$ 26,457,952</u>	<u>\$ 159,962</u>

Concurrently with the Company's annual Actual Cost Adjustment (ACA) filing the Company shall:

- Provide documentation to support the Company's ACA to reconcile the Company's actual gas costs with its billed revenues. Provide all documentation of the natural gas purchases (commodity, demand or reservation charges or other charges) of the LDC to support that the claimed costs are properly attributed to the ACA period and that the pipelines, natural gas suppliers, and any other vendors have charged or invoiced the LDC for the volumes nominated and received at the proper rates.
- Provide documentation to support the prudence of the Company's natural gas supply planning, capacity planning, purchasing practices, and operating decisions for the ACA period.
- Provide documentation of the financial impact on customers of the LDC's use of its gas supply, transportation and storage contracts.
- Provide a copy of all contracts in effect at any time during the ACA period. Include copies of all contracts related to the procurement of natural gas including but not limited to transportation, storage, and supply contracts and all schedules and exhibits and letter agreements related to gas procurement, gas costs and/or gas constraints.

The documentation provided shall include fully functioning electronic versions.

The term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed electronic or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to the LDC and its employees, contractors, agents or others employed by or acting in its behalf.