

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

In the Matter of the Tariff Filing of  
Union Electric Company

) Case No. GT-2003-0034  
Tariff No. JG-2003-0050

**AFFIDAVIT OF RICHARD J. KOVACH**

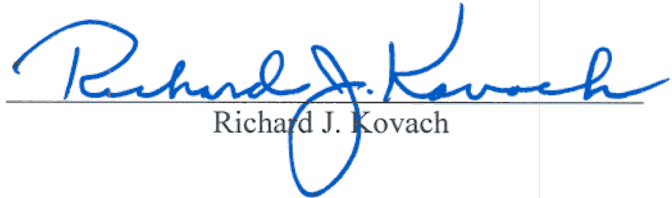
**STATE OF MISSOURI**     )  
  ) ss  
**CITY OF ST. LOUIS**     )

Richard J. Kovach, being first duly sworn on his oath, states:

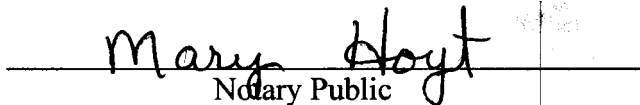
1       My name is Richard J. Kovach. I work in St. Louis, Missouri and I am employed by Ameren Services Company as Manager, Rate Engineering.

2.       Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 8 pages, which has been prepared in written form for introduction into evidence in the above-referenced docket.

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

  
Richard J. Kovach

Subscribed and sworn to before me this 24<sup>th</sup> day of September, 2002.

  
Notary Public

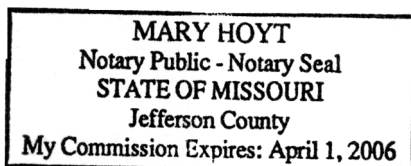


Exhibit No.:  
Issues: Gas Tariff Revisions  
Witness: Richard J. Kovach  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Direct Testimony  
Case No.: GT-2003-0034  
Date Testimony Prepared: September 24, 2002

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GT-2003-0034**

**DIRECT TESTIMONY**

**OF**

**RICHARD J. KOVACH**

**ON**

**BEHALF OF**

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

**St. Louis, Missouri  
September, 2002**

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**DIRECT TESTIMONY**  
**OF**  
**RICHARD J. KOVACH**  
**CASE NO. GT-2003-0034**

**Q. Please state your name and business address.**

A. My name is Richard J. Kovach. My business address is 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am the Manager of the Rate Engineering Department at Ameren Services Company.

**Q. Please describe Ameren Services Company.**

A. Ameren Services is a subsidiary of Ameren Corporation which provides various administrative and technical support services for its parent and other subsidiaries including Union Electric Company, doing business as AmerenUE, (referred to herein as Company or AmerenUE).

**Q. Please describe your education and qualifications.**

A. My educational background, work experience, current responsibilities and professional affiliations are summarized in Appendix A of my testimony.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to provide information regarding AmerenUE’s natural gas tariffs filed in order to comply with the requirements of House Bill No. 1402, which was signed into law in July, 2002.

1           **Q.     Please summarize the general requirements of the portion of House**  
2 **Bill 1402 pertaining to AmerenUE's natural gas service.**

3           A.     This portion of House Bill 1402 required each regulated natural gas local  
4 distribution company (LDC) in Missouri to file experimental tariffs by August 1, 2002  
5 that would provide for the aggregate purchasing of natural gas supplies and pipeline  
6 transportation services on behalf of eligible school entities in accordance with aggregate  
7 purchasing contracts negotiated by and through a not-for-profit school association  
8 (SASSN).

9           **Q.     What were the more specific provisions of House Bill 1402?**

10          A.     This bill provided for the resale of natural gas supplies (applicable to  
11 transactions between the SASSN and the schools). It also required each LDC to provide  
12 pipeline transportation service at its cost to the SASSN and allowed the LDC to continue  
13 to charge the participating schools all currently approved distribution system costs. Also,  
14 during the first year of the program, each LDC was allowed to charge a cost based  
15 aggregation and balancing fee not to exceed 0.4 cents per therm delivered. In addition,  
16 the bill eliminated any LDC requirement for installing and charging for telemetry  
17 equipment for the experimental tariff participants, except for individual school meters  
18 measuring over one hundred thousand therms annually.

19          **Q.     What were the additional requirements of House Bill 1402?**

20          A.     The LDC tariffs were to become effective by November 1, 2002, upon a  
21 finding by the Commission that their implementation will not have any negative financial  
22 impact upon the LDC, its other customers or local taxing authorities. In addition, the

1 Commission was required to find that any aggregation and balancing charge is supported  
2 by the incremental costs of the experimental program.

3 **Q. Please explain in general terms what this law is providing to schools**  
4 **within the State of Missouri.**

5 A. Most, if not all, of the LDC tariffs in the state provide for basic natural gas  
6 transportation service to customers receiving their gas distribution (delivery) service on  
7 various non-residential tariffs. These transportation tariffs generally allow such  
8 customers, either individually or in groups (depending upon the LDC) procure their own  
9 gas supply and pipeline transportation service in order to have such gas delivered to the  
10 LDC's city gate for further distribution by the LDC to the customer's premises. House  
11 Bill 1402 simply provides for this gas supply and pipeline transportation procurement to  
12 be performed for groups of schools by the SASSN or its agent, under the provisions of  
13 the bill that I discussed earlier in my testimony.

14 **Q. Is AmerenUE currently allowing and providing such aggregate gas**  
15 **transportation service to various groups of customers on its distribution system,**  
16 **outside of the experimental program established by House Bill 1402?**

17 A. Yes, Ameren currently provides this service to several customer groups,  
18 including school districts, under its existing tariffs. In fact, about 50 of AmerenUE's 150  
19 gas transportation customers are school district premises that are receiving such  
20 aggregated gas transportation service. The school districts participating are the Cities of  
21 Columbia, Jefferson City and Moberly, as well as schools in Lincoln and Warren  
22 Counties. Each of these school districts was receiving such aggregated gas transportation  
23 service long before the passage of House Bill 1402.

1           **Q.     What are the tariff changes that AmerenUE is proposing in order to**  
2           **comply with the requirements of House Bill No. 1402?**

3           A.     The Company filed its proposed compliance tariffs with the Commission  
4           on August 1, 2002, as required by the bill. However, subsequent meetings and  
5           discussions with the Commission Staff and SASSN representatives have resulted in some  
6           modifications, clarifications and additions to these originally filed tariffs. The  
7           subsequently modified tariffs that the Company is now proposing for compliance with the  
8           requirements of House Bill 1402 are contained in Schedule 1 of my testimony. Upon  
9           receiving approval to file these specimen tariffs, the Company will file them in time for  
10          implementation by November 1, 2002, as required by the bill.

11          **Q.     Is the tariff in Schedule 1 an entirely new tariff designed solely to**  
12          **offer the experimental program required in House Bill 1402?**

13          A.     No, Schedule 1 contains the Company's existing natural gas transportation  
14          tariff that has been modified to comply with the requirements of House Bill 1402. As I  
15          stated earlier, the Company currently provides the aggregation service required by the bill  
16          to both school districts and other groups of non-residential gas customers, thereby  
17          making the development of entirely new tariffs for this purpose unnecessary.

18          **Q.     Please describe the modifications made by AmerenUE to its existing**  
19          **natural gas transportation tariff to continue to provide gas aggregation service to**  
20          **school districts while also complying with the requirements of House Bill 1402.**

21          A.     While there were a number of minor housekeeping modifications of these  
22          tariffs required to specifically reference the aggregation service required by the bill, my

1 testimony will only discuss the major tariff modifications required by AmerenUE in order  
2 to comply with the requirements of the bill.

3 **Q. What modifications did the Company make in Paragraph 2, the rate**  
4 **section of AmerenUE's existing gas transportation tariff?**

5 A. All of the Company's existing transportation charges in Paragraph 2  
6 remained unchanged. However, in order to meet the requirement of the bill that the  
7 Company be allowed to continue to recover its currently applicable distribution costs  
8 from schools wanting to switch to the transportation tariff, and to assure that this program  
9 will not have any negative impact on the Company or its other customers, a  
10 Transportation Charge Adder had to be added to the Company's existing Transportation  
11 Charge. This adder is 0.69 cents per Ccf for all gas transported in excess of 7,000 Ccf  
12 per month on the Standard Transportation Rate, and 2.40 cents per Ccf for all gas  
13 transported in excess of 7,000 Ccf per month on the Company's Large Volume  
14 Transportation Rate.

15 **Q. Why was it necessary to include these adders in the proposed tariff?**

16 A. School customers transferring from the Company supplied gas sales  
17 service to the gas aggregation service program would be transferring from the Company's  
18 General Service Rate to the Company's Standard or Large Volume Transportation Rates.  
19 The Company's General Service and Transportation Rates are both volumetric rates  
20 having two commodity-based rate blocks, an initial gas usage block of 0-7000 Ccf per  
21 month and an ending block for all gas usage in excess of 7000 Ccf per month. These  
22 adders are necessary to equalize the distribution portion of the Company's General and

1 Transportation Rates, in order to assure that this program will not have any negative  
2 impact on the Company or its other customers, as required by the bill.

3 **Q. Were there any additional modifications of the rates contained in**  
4 **paragraph 2 of the Company's current transportation service tariffs?**

5 A. A footnote was added to indicate that telemetry or special metering will  
6 not be required for schools taking service under the House Bill 1402 experimental  
7 program, and therefore no Meter Equipment Charge will apply to such customers. In  
8 addition, another footnote was added that indicates that the schools participating in this  
9 program shall pay all costs necessary to ensure that the Company, its other customers and  
10 local taxing authorities will not incur any negative financial impact as a result of this  
11 natural gas experimental program. This "no financial harm" requirement was also a  
12 provision of House Bill 1402.

13 **Q. Do the Company's rates for participants in this experimental**  
14 **program contain a charge of up to 0.4 cents per Ccf for gas aggregation and**  
15 **balancing, as permitted in House Bill 1402?**

16 A. No, as I indicated earlier in my testimony, the Company is currently  
17 providing such service to its existing gas transportation customers under its existing rates  
18 contained in Paragraph 2 of its transportation tariff. As this service is already included in  
19 the Company's existing charges, and all such charges continue in the Company's  
20 proposed Schedule 1 tariff, an adder for gas aggregation and balancing is not required.

21 **Q. What is the next major modification that was made to the Company's**  
22 **existing transportation tariff, in order to accommodate this experimental program?**



1           A.       Significant language had to be added to Paragraph 7, Tax Adjustment, in  
2     the Company's existing tariff. Currently gas sales customers pay revenue related taxes,  
3     such as municipal gross receipts taxes, based upon their entire bill from the Company.  
4     As their current bill reflects distribution, pipeline and gas supply charges, schools are  
5     taxed on the total bill for these components of natural gas service. Under the  
6     experimental gas aggregation program, the SASSN will acquire the pipeline  
7     transportation and gas supply for the schools participating on this program. As a result,  
8     language had to be inserted into Paragraph 7 to provide for the payment of all applicable  
9     taxes on the latter two components of service to the appropriate taxing authorities by  
10    either the participating schools or their agent. Again, this modification was required to  
11    assure that there will be no negative impact on local taxing authorities resulting from this  
12    program, as required by House Bill 1402.

13           **Q.       Was Paragraph 8 in the Company's existing transportation tariff**  
14    **Terms and Conditions also modified in order to accommodate this experimental**  
15    **program required by House Bill 1402?**

16           A.       Language was added to Paragraph 8 in order to clarify that the Company  
17    will release pipeline capacity to the SASSN for the benefit of the schools that elect to  
18    participate in this experimental program. The added language provides for the Company  
19    to release such capacity at its actual cost after receiving a written request for such  
20    capacity by June 1 of each year (other than this year) from the SASSN.

21           **Q.       Are all of the tariff changes and modifications you have discussed in**  
22    **your testimony contained in the tariffs in Schedule 1 of this testimony?**

1           A.     Yes, those tariffs reflect all of the changes I have described in detail, as  
2     well as all of the minor housekeeping changes required to comply with the provisions of  
3     House Bill 1402.

4           **Q.     Have the changes and modifications reflected in the Company's**  
5     **Schedule 1 tariffs been discussed and reviewed with representatives of the SASSN?**

6           A.     Yes, such information has been exchanged and discussed with SASSN  
7     representatives, and they have accepted these tariffs as being in compliance with House  
8     Bill 1402 through a combination of both verbal and electronic mail communications.

9           **Q.     Are there any outstanding disputes with SASSN or any other party**  
10    **over any portion of the Company's proposed tariffs contained in your Schedule 1?**

11          A.     There are no outstanding disputes regarding the Company's proposed  
12    Schedule 1 tariffs that have been brought to the Company's attention by any party in this  
13    case, and the Company believes that its proposed tariffs meet the overall intent, goals and  
14    objectives of House Bill 1402.

15          **Q.     Does this conclude your testimony?**

16          A.     Yes, it does.

## **QUALIFICATIONS OF RICHARD J. KOVACH**

My name is Richard J. Kovach, and I reside in St. Louis County, Missouri.

I received the degrees of Bachelor of Science in Industrial Engineering in 1962 and Master of Engineering Administration in 1967 from Washington University in St. Louis, Missouri.

I was employed as an Assistant Engineer in the Rate and Statistical Department of Union Electric in January 1963. My work in the Department included assignments relating to the general analysis and administration of various aspects of Union Electric's electric, gas and steam rates. From 1966 to 1970, I held various engineering positions in the Corporate Planning, Transmission and Distribution, Engineering and Construction, and Power Operations functions of the Company. In April 1970, I returned to the Corporate Planning Function and was appointed Supervising Engineer - Rates and Planning in that function in February 1973. In the latter position I was responsible for day-to-day rate and tariff administration, conducting studies relative to utility cost-of-service and participation in Union Electric Company rate case proceedings. I was appointed to my present position of Manager of Rate Engineering in April 1975 and to the same position with Ameren Services in 1998.

I currently have responsibility for the general policies and practices associated with the day-to-day administration and design of Union Electric's electric and gas rate tariffs, riders and rules and regulations tariffs on file with the Missouri Public Service Commission and the Illinois Commerce Commission, and in the participation in various proceedings before these regulatory agencies. In addition, Rate Engineering is responsible for conducting class cost-of-service and rate design studies, and the participation in other projects of a general corporate nature, as requested by the Vice President of Corporate Planning.

I am a registered Professional Engineer in the States of Missouri and Illinois. In addition, I am the Ameren Services representative on the Edison Electric Institute (EEI) Economic Regulation & Competition Committee (the former Rate Research Committee). The EEI Committee provides its membership with current information applicable to various rate design and regulatory concepts, as well as new and proposed state and federal legislation. Its membership consists of the individuals responsible for rate design and administration from virtually every investor-owned utility in the United States. I was also the Company's representative on the Associated Edison Illuminating Companies (AEIC) Load Research Committee from 1988-1998, serving as the Chairman of that Committee from 1993-95.

# UNION ELECTRIC COMPANY GAS SERVICE

Applying to MISSOURI SERVICE AREA

## NATURAL GAS TRANSPORTATION SERVICE

**\*1. Availability.**

This service schedule is available: 1) to all non-residential customers on a per meter basis and 2) on an experimental basis through June 30, 2005, to the premises of "New Eligible School Entities" which are the eligible school entities as defined in Section 393.310 RSMo, that were not receiving Natural Gas Transportation Service as of July 31, 2002. Such service is applicable to individual customers that can individually secure and arrange for the delivery of sufficient supplies of natural gas to the Company's designated city gate and to the New Eligible School Entities that can do so through aggregate contracts negotiated by and through a not-for-profit school association. The Company will not provide this service to any customer who uses such gas primarily to heat a premise that provides temporary or permanent living quarters for individuals, unless the customer demonstrates to the Company that it has contracted for primary firm capacity with the upstream supplying intrastate and/or interstate pipelines to meet the customer's peak needs, or unless the customer demonstrates to the Company that the customer has adequate and usable alternative fuel facilities to meet the customer's energy needs.

The "transportation customer" shall be responsible for the purchase and transportation of its gas needs to the Company's city gate which serves such customer.

The Company shall not sell gas to any of its transportation customers except as specifically provided for in this service classification.

**\*2. Monthly Customer, EGM and Volumetric Meter Reading Rates. (5)**

	<u>Standard Transportation (1)</u>	<u>Large Volume Transportation(2)</u>
Customer Charge:	\$20.80	\$750.00 per month
Electronic Gas Meter (EGM) Charges:		
Administrative Charge:	\$40.00	\$40.00 per month
Meter Equipment Charge (3): Section G. Miscellaneous Charges Sheet No. 20.1, as applicable.		
Transportation Charge:		
17.96¢ per Ccf	First 7,000 Ccf	17.96¢ per Ccf
All Over 7,000 Ccf	11.11¢ per Ccf	9.40¢ per Ccf
Transportation Charge Adder:		
All Over 7,000 Ccf (4)	00.69¢ per Ccf	2.40¢ per Ccf

\* Indicates Change.

<b>DATE OF ISSUE</b> _____	<b>DATE EFFECTIVE</b> _____
<b>ISSUED BY</b> _____	_____
C. W. Mueller	Chairman & CEO
<small>Name of Officer</small>	<small>Title</small>
	St. Louis, Missouri
	<small>Address</small>

## UNION ELECTRIC COMPANY GAS SERVICE

Applying to MISSOURI SERVICE AREA

### NATURAL GAS TRANSPORTATION SERVICE

- \*\*\* (1) A customer, at the date of its contract, whose annual transportation requirements are expected to be 600,000 Ccf or less.
- \*\*\* (2) A customer, at the date of its contract, whose annual transportation requirements are expected to be greater than 600,000 Ccf.
- \*\* (3) Not applicable, through June 30, 2005, to the individual meters of New Eligible School Entities, as defined in paragraph 1. above, using less than one hundred thousand Ccfs annually.
- \*\* (4) Applicable only to New Eligible School Entities.
- \*\* (5) In addition to the charges contained herein all New Eligible School Entities shall pay all costs necessary to ensure that the Company, its other customers and local taxing authorities will not have or incur any negative financial impact as a result of the natural gas experimental aggregation program established by Section 393.310, RSMo.

#### \*\*\*Authorized Gas Use Charge:

All Ccf of Company-owned gas consumed by customer with authorization from Company during periods of non-interruption of any sales service will be billed at the applicable service area's firm sales service Purchased Gas Adjustment (PGA) factor plus 40%. The payment of the Authorized Gas Use Charge will be in addition to the above Customer, EGM and Transportation Charges. Company will not actively market the sale of Company-owned gas to transportation customers and will sell such gas only in response to the transportation customer's request. Authorized Use gas shall not be available to a transportation customer for more than twenty (20) days out of any calendar month.

#### Unauthorized Gas Use Charge:

All Ccf of Company-owned gas consumed by customer without authorization from Company, will be billed at the "Unauthorized Gas Use Charge". Company will provide Customer no less than two (2) hours advance notification before assessing Unauthorized Gas Use Charges. The payment of the Unauthorized Gas Use Charge will be in addition to all other charges specified in this rate. Regardless of the assessment of the Unauthorized Gas Use Charge, the Company retains the right to terminate such unauthorized use by disconnecting the customer's service if necessary to protect the reliability of service to other customers. Unauthorized Gas Use Charges shall be billed as follows:

\* Indicates Change. \*\*Indicates Addition. \*\*\* Indicates Reissue.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_

ISSUED BY C. W. Mueller Chairman & CEO St. Louis, Missouri  
Name of Officer Title Address

## UNION ELECTRIC COMPANY GAS SERVICE

Applying to MISSOURI SERVICE AREA

\*\*NATURAL GAS TRANSPORTATION SERVICE  
\*\*Unauthorized Gas Use Charges:

- 1) \$1.50 (one dollar and fifty cents) for each Ccf of unauthorized use, plus
- 2) 150% (one hundred fifty percent) of the highest cost of gas purchased by the Company for supplying the service area in which the customer receives service, during the Unauthorized Gas Use Charge period, plus
- 3) all intrastate and/or interstate pipeline penalties and other charges incurred by the Company which are attributable to a customer's unauthorized use.

\*\* All intrastate and interstate pipeline penalties and other charges shall be attributed and assigned to the unauthorized gas used by the specific transportation customer.

\*\* All Unauthorized Gas Use Charge revenues billed to customers will be considered as gas cost recovery and will be used in the development of the Actual Cost Adjustment (ACA) factor of the Company's Purchased Gas Adjustment (PGA) Clause.

3. Minimum Monthly Charge. The Customer Charge, EGM Administrative Charge and, as applicable, the EGM Meter Equipment Charge.

\* 4. Purchased Gas Adjustment.

All customers receiving transportation service will be subject to the provisions of the Company's PGA clause, Rider A. The ACA component of the Company's PGA clause shall be applicable to New Eligible School Entities for the first twelve (12) months of their participation in the experimental gas aggregation program.

5. Payments.

Bills will be rendered at monthly intervals and are due and payable within ten (10) days from their date of mailing, which due date shall be considered the delinquent date for this rate classification. Pursuant to Section VIII.F. of Company's Rules and Regulations, any portion of any bill, other than deposit arrears, remaining unpaid after the delinquent date will have a late payment charge added thereto.

6. Term of Contract.

Service hereunder shall be for a minimum period of one (1) year.

7. Tax Adjustment.

Any license, franchise, gross receipts, occupation or similar charge or tax levied by any taxing authority on the amounts billed hereunder will be so designated and added as a separate item to bills rendered to the customers

\*Indicates Change. \*\* Indicates Reissue.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_

ISSUED BY C. W. Mueller Chairman & CEO St. Louis, Missouri  
Name of Officer Title Address

## UNION ELECTRIC COMPANY GAS SERVICE

Applying to MISSOURI SERVICE AREA

- \* ~~under the jurisdiction of the taxing authority.~~ \*\*NATURAL GAS TRANSPORTATION SERVICE For New Eligible School Entities participating in aggregate purchasing contracts, all applicable taxes shall be computed based on billed revenues determined under paragraph 2. above. Additional applicable taxes shall also be levied and computed based upon the total actual gas supply and capacity release costs incurred on behalf of each of the accounts within the group of individual New Eligible School Entities. Such additional taxes applicable to the latter accounts will be paid each month directly to the appropriate taxing authority by each school or by the school's agent.

8. Terms and Conditions.

- \*\*A. Transportation service under this schedule will be made available to customers upon request when the Company has sufficient distribution capacity to supply such service. If the Company determines that it does not have sufficient distribution capacity to provide the requested service it will, within 30 days of receiving a request for transportation service, provide to the customer requesting said service a written explanation of its capacity determination including a preliminary indication of changes to facilities necessary to effectuate such service, approximate cost to customer and time required to provide the requested service.
- B. Service under this schedule shall require execution of a Gas Transportation Service Agreement between the Company and the customer requesting transportation service in a form similar to that contained in Section 11 below.
- \*C. Service will be provided only after requisite contracts and authority have been obtained by the customer to transport gas to the Company's facilities. New Eligible School Entities participating in the experimental school natural gas aggregation program must make a written request for pipeline capacity release to the Company by June 1 of each year (not applicable during the 2002-03 heating season). The Company will release its firm interstate pipeline transportation capacity, at its actual capacity cost, from the applicable interstate pipeline directly to the school or to the agent acting on behalf of the school for this program. Such release will be for a minimum term of one year and will be performed in accordance with the capacity release procedures and policies contained in the applicable interstate pipeline's Federal Energy Regulatory Commission approved tariff. Such release will be provided on a recallable basis, but the Company will not recall such capacity unless requested by the school or by the school's agent.
- D. All volumes of gas transported hereunder shall be of compatible pipeline quality.

\*Indicates Change. \*\* Indicates Reissue.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_  
ISSUED BY C. W. Mueller Chairman & CEO St. Louis, Missouri  
Name of Officer Title Address

