

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

IN THE MATTER OF UNION ELECTRIC )  
COMPANY, D/B/A AMERENUE'S TARIFFS) Case No. ER-2011-0028  
TO INCREASE ITS ANNUAL REVENUES )  
FOR ELECTRIC SERVICE. )

DEPOSITION OF LENA MANTLE  
TAKEN ON BEHALF OF THE UNION ELECTRIC COMPANY  
D/B/A AMEREN MISSOURI  
APRIL 13, 2011

(Starting time of the deposition: 9:27 a.m.)

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I N D E X PAGE

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QUESTIONS BY:

Mr. Byrne

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Ms. Ott

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E X H I B I T S

EXHIBIT

PAGE

(No Exhibits Marked.)

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Deposition of LENA MANTLE, produced, sworn  
and examined on the 13th Day of April, 2011  
between the hours of 9:30 a.m. and 12:00 p.m.  
at the offices of Missouri Public Service  
Commission, 200 Madison, in the City of  
Jefferson City, State of Missouri, before  
Rebecca Brewer, Registered Professional  
Reporter, Certified Realtime Reporter, Missouri  
Certified Shorthand Reporter, and Notary Public  
within and for the State of Missouri.

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A P P E A R A N C E S

FOR AMEREN MISSOURI:

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1 IT IS HEREBY STIPULATED AND AGREED by and  
2 between counsel that this deposition may  
3 be taken in shorthand by Rebecca Brewer,  
4 RPR, CRR, CSR, Certified Court Reporter,  
5 and Notary Public, and afterwards  
6 transcribed into typewriting; and the  
7 signature of the witness is waived.

8 \* \* \* \* \*

9 LENA MANTLE,

10 Of lawful age, produced, sworn and  
11 examined on behalf of the UNION ELECTRIC  
12 COMPANY d/b/a AMEREN MISSOURI, deposes and  
13 says:

14 EXAMINATION

15 QUESTIONS BY MR. BYRNE:

16 Q Good morning, Ms. Mantle.

17 A Good morning.

18 Q As you know, my name is Tom Byrne and I'm an  
19 attorney for Ameren Missouri. I'm here today to  
20 take your deposition in Case No. ER-2001-0028,  
21 which is Ameren Missouri's electric rate case that  
22 is currently pending before the Missouri Public  
23 Service Commission. In addition to you and me,  
24 Ms. Mantle, your attorney, Jaime Ott, is in the  
25 room and the court reporter. Ms. Mantle, can you

1 please state your name and business address?

2 A My name is Lena M. Mantle. My business  
3 address is Missouri Public Service Commission, P.O.  
4 Box 360, Jefferson City, Missouri, 65102.

5 Q And by whom are you employed?

6 A I'm employed by the Missouri Public Service  
7 Commission.

8 Q And are you the same Lena Mantle who  
9 contributed to the staff report on Ameren UE's cost  
10 of service filed in Missouri Public Service  
11 Commission, Case No. ER-2011-0028?

12 A Yes.

13 Q It's my understanding that your contribution  
14 to the staff's report, at least with regard to the  
15 company's fuel adjustment clause, is -- was on  
16 Pages 105 to 121 of the staff's cost of services  
17 report, is that right?

18 A Yes.

19 Q And you have a copy of the staff's cost of  
20 service report with you?

21 A I have a copy of the report. I do not have  
22 all the appendices.

23 Q But the body of the report you have?

24 A Yes.

25 Q And what else did you bring with you today?

1           A I brought a copy of Senate Bill 179, a copy  
2 of the Commission's fuel adjustment clause rules,  
3 Chapter 3 and Chapter 20. I guess that's it.

4           Q Okay. And before we get started --

5           A No, this is what I couldn't find earlier. I  
6 brought copies of the sheet 98.14 and 98.17 that  
7 have the fuel adjustment amounts that have been  
8 filed since the Commission approved FAC for Ameren  
9 UE.

10          Q Okay. Before we get started, I'd like to  
11 ask you a few standard preliminary questions.  
12 First of all, is there any reason that you know of  
13 that you would not be able to hear, understand, and  
14 answer my questions today?

15          A No.

16          Q For example, you're not taking any  
17 medication that might impair your ability to answer  
18 my questions?

19          A No, I'm not.

20          Q Okay. Second, if you don't hear or  
21 understand any question I ask, would you ask me to  
22 repeat or clarify the question?

23          A Yes.

24          Q And, third, if you would like to take a  
25 break at any time, can you just let me know and we

1 can take a break?

2 A Yes.

3 Q And, finally, since we're going to be  
4 talking about the fuel adjustment clause a little  
5 bit, if I say FAC, will you understand that to mean  
6 fuel adjustment clause?

7 A As it applies to the whole -- all of it, is  
8 that what you're implying? Not just the tariff  
9 sheets or --

10 Q Yeah, I guess -- I guess what I'm saying is  
11 if I say FAC, that's the same as if I said fuel  
12 adjustment clause, is that okay?

13 A Okay.

14 Q All right. Ms. Mantle, can you tell me what  
15 your position is at the Missouri Public Service  
16 Commission?

17 A I'm manager of the energy department.

18 Q And to whom do you report?

19 A I report to Natelle Dietrich, the division  
20 director of utility operations division.

21 Q And to whom does Ms. Deitrich report?

22 A She reports to Wes Henderson, executive  
23 director of the Commission.

24 Q That's as high as it goes on the staff,  
25 right?



1 A Yes.

2 Q And, just briefly, if you can, what are --  
3 what's the scope of your responsibilities in your  
4 current job?

5 A Scope of my responsibilities has to do with  
6 all the energy filings made at the Commission, that  
7 would be gas and electric. I have five sections  
8 that I supervise that range from gas safety to  
9 engineering analysis and resource analysis,  
10 economic analysis, so broadly anything having to do  
11 with electric or gas utilities.

12 Q And you file testimony in various cases, is  
13 that true?

14 A That's true.

15 Q And, again, can you briefly explain the jobs  
16 that you've held since you started at the  
17 Commission?

18 A I started at the Commission as an economist  
19 and working in the research and planning department  
20 under Mike Proctor, switched to an engineering  
21 position within about a year and a half of when I  
22 started at the Commission. I've been -- was  
23 working at that time on resource planning, demand  
24 side management, so did some rate casework, weather  
25 mobilization, I was promoted to engineering

1 supervisor and I don't remember the exact date. It  
2 would be in the staff report. And then I was  
3 promoted to the manager, the energy department, I  
4 believe, in 2005.

5 Q Okay. Great. And what year did you start  
6 the Commission?

7 A 1983.

8 Q And my understanding is that your  
9 contribution to the staff report was sort of in  
10 lieu of direct testimony, is that fair to say?

11 A Yes.

12 Q And you -- I know you addressed the  
13 company's fuel adjustment clause beginning on Page  
14 105 of the report. Are there any other issues that  
15 you addressed in the staff's cost of service  
16 report?

17 A I did not have responsibility for any other  
18 section. I am case coordinator for the operations  
19 division for the report, or for the case, so I have  
20 reviewed most of the report.

21 Q Okay. But the part that you sponsored is  
22 limited to the fuel adjustment clause piece that we  
23 talked about?

24 A Yes.

25 Q And did you -- did you file rebuttal

1 testimony?

2 A No, I did not.

3 Q Okay. So you haven't filed any other  
4 testimony besides the initial cost of service  
5 report?

6 A No, I haven't.

7 Q And did any other staff witnesses address  
8 the fuel adjustment clause? I think there may have  
9 been --

10 A Mr. David Roos addressed the fuel adjustment  
11 clause and the class cost of service report that  
12 was filed February 10th, I believe. He's -- it  
13 was mostly to the areas of the tariff. In the  
14 report that was filed on February 8th, I do  
15 believe there was a little more FAC testimony other  
16 than mine. The fuel adjustment clause rate and  
17 efficiency testing section and that was Leon  
18 Bender.

19 Q Okay. And do you plan to file surrebuttal  
20 testimony on the fuel adjustment clause?

21 A Yes.

22 Q And my recollection is that you have filed  
23 staff's position on Ameren Missouri's FAC in  
24 previous cases, is that correct?

25 A That is correct.

1 Q And I believe the first time Ameren Missouri  
2 proposed a fuel adjustment clause was in Case No.  
3 ER-2007-0002, is that correct?

4 A That's correct.

5 Q And the Commission rejected Ameren  
6 Missouri's proposed fuel adjustment clause in that  
7 case, is that right?

8 A That's correct.

9 Q And did you file testimony in that case?

10 A Yes, I did.

11 Q What was your position on the fuel  
12 adjustment clause?

13 A My position -- well, staff's position was  
14 that fuel clause for Ameren UE was not real  
15 volatile. The volatile fuel was natural gas, which  
16 very little of energy is generated by Ameren  
17 Missouri using natural gas and that the Commission  
18 should not grant an FAC.

19 Q Okay. And then in the next Ameren Missouri  
20 rate case, which was Case No. ER-2008-0318, Ameren  
21 Missouri proposed a fuel adjustment clause again,  
22 is that correct?

23 A That's correct.

24 Q And were you the staff witness on the fuel  
25 adjustment clause on that case, too?

1 A Yes.

2 Q And what was your position in that case?

3 A My position did not change from the prior  
4 case; the FAC should not be granted.

5 Q But in that case what did the Commission do?

6 A The Commission decided to grant Ameren  
7 Missouri a FAC.

8 Q Okay. Then the next case, the next rate  
9 case that Ameren Missouri had was Case No.  
10 ER-2010-0036, is that correct?

11 A Yes.

12 Q And my understanding is under the statute  
13 and the rules governing the fuel adjustment clause,  
14 the company has to reapply for its fuel adjustment  
15 clause every rate case, is that right?

16 A That's my understanding also.

17 Q Okay. And so the company reapplied for the  
18 fuel adjustment clause in that case, is that  
19 correct?

20 A That's correct.

21 Q And what was your position? Were you the  
22 witness for the staff on the fuel adjustment clause  
23 in that case, too?

24 A Yes.

25 Q And what was your position in that case?

1           A   That the fuel adjustment clause be modified  
2           in some minor aspects but that it should continue  
3           as was granted in the previous case.

4           Q   And my understanding in the previous case  
5           when it was granted there was a 95 percent,  
6           5 percent sharing between customers and the company  
7           of changes in fuel, net fuel costs, is that true?

8           A   That is true.

9           Q   And your recommendation in ER-2010-0036 was  
10          to retain that 95 percent, 5 percent split, is that  
11          correct?

12          A   That is correct.

13          Q   And that leads us up to this case, right?

14          A   Yes.

15          Q   Okay. Have you filed fuel adjustment clause  
16          testimony in any other utilities rate cases in  
17          Missouri?

18          A   Most likely. I don't remember exactly. It  
19          would have been early on in both Kcp&L Greater  
20          Missouri Operations Company, I believe I was the  
21          staff witness on perhaps Empire District Electric  
22          Company.

23          Q   And they both have fuel adjustment clauses  
24          now, is that true?

25          A   That is true.

1 Q Do you remember if you were in favor of or  
2 against them getting a fuel adjustment clause?

3 A I believe -- well, the first Kcp Greater  
4 Missouri Operations case Cary Featherstone was the  
5 witness and the next case I was and the Commission  
6 had granted Kcp&L Greater Missouri Operations  
7 Company an FAC in the first case, so in my first  
8 testimony in that case or for that company with the  
9 FAC, I recommended that that would be continued  
10 with some modifications. I do believe with Empire  
11 I also recommended that the Commission grant them  
12 an FAC.

13 Q Do you know what sharing percentages Kansas  
14 City Power and Light Greater Missouri Operations  
15 and Empire District Electric Company have?

16 A They have 95/5, just as Ameren UE or Ameren  
17 Missouri does.

18 Q And in your testimony in either of those  
19 cases, did you recommend changing that percentage?

20 A No. I did not, no.

21 Q Ms. Mantle, how did you come to be the fuel  
22 adjustment clause witness in this case? Were you  
23 specifically asked by somebody or was it just  
24 assumed because you'd been the fuel adjustment  
25 clause witness in previous cases?

1           A   Actually, due to the workload is the reason  
2           that I'm the Ameren UE or the witness in the Ameren  
3           UE case.  Initially John Rogers was going to be the  
4           staff witness, but because of other demands on his  
5           time, he was not able to.

6           Q   Do you expect in future cases he's going to  
7           sort of become the staff witness in Ameren Missouri  
8           cases on fuel adjustment clause issues?

9           A   He's likely to be, yes.  He or someone in  
10          his section.

11          Q   Did you work with John Rogers in developing  
12          your recommendation on this case or did you  
13          independently come up with it or did you work with  
14          somebody else?

15          A   The position was developed in meetings with  
16          division directors of which John Rogers would have  
17          been present.  So it was not developed by me.  It  
18          was a staff position.

19          Q   And my understanding is at least part of  
20          your position or maybe even the most significant  
21          part of your position, at least from the company's  
22          standpoint, is you're proposing to change the  
23          sharing percentage from 95 percent, 5 percent to  
24          85 percent, 15 percent, is that correct?

25          A   That is my testimony, yes.



1 Q I take it, was the decision to take that  
2 position developed in these meetings that you were  
3 just talking about?

4 A Yes.

5 Q And who would have been in attendance at  
6 those meetings?

7 A Natelle Dietrich and Bob Shallinberg. I  
8 believe John Rogers is likely to be in the meeting.  
9 The other case coordinator, Steve Rackers, is  
10 likely to be. There may have been others, I don't  
11 remember, but those are the ones that would have  
12 been involved.

13 Q And who's idea was it to change the sharing  
14 percentage?

15 A I believe I proposed it, but the division  
16 directors and the others agreed with it.

17 Q Okay. Was there anybody at the meeting that  
18 disagreed with it?

19 A No.

20 Q And is changing the sharing percentage from  
21 95/5 to 85/15 still your position?

22 A Yes.

23 Q Let me ask you this: Why did you pick  
24 85/15 -- well, let me back up for a second.

25 What's -- what's the advantage of changing the

1 sharing percentage?

2 A The fuel adjustment clause is fairly new in  
3 Missouri. There's not been much experience with  
4 various incentive type mechanisms. The Commission  
5 is the one that chose the 95/5 split and also they  
6 had a previous Ameren UE case that asked for  
7 information about keeping it that or changing it.  
8 At that time we said we didn't have very much  
9 information. There was really no reason to change  
10 it. We did have some information now. We had --  
11 it was the staff's position in the Kcp&L Greater  
12 Missouri Operations Company case that the sharing  
13 should be 75/25. That was partly -- a lot of that  
14 was based on the fact that they did not want to  
15 re-base their FAC. I did not see that attitude or  
16 see that in the Ameren UE case and felt that that  
17 may be a bit too extreme to go for Ameren UE. I  
18 looked at the different data and even the impact on  
19 I think net income before taxes and saw -- I  
20 thought that was a good breaking point. There is  
21 no magic way to pull out what the exact sharing  
22 mechanism should be.

23 Q Is part of why you're proposing to change  
24 the sharing percentage to give the Commission an  
25 option to do that if they want to do it?

1 A That is part of the reason, yes.

2 Q Okay. Why did you pick 85/15 instead of  
3 95/10 or 80/20?

4 A I won't give 95/10 because --

5 Q I'm sorry, 90/10. Or instead of 80/20 or  
6 some other percentage, is there any magic to it?

7 A No, there's no magic to it. At this point  
8 there's no way to find the right incentive split.

9 Q Would it be fair to say that's a judgment  
10 call?

11 A Yes.

12 Q Did you examine the financial impact that  
13 that change would have on the company?

14 A I did look at the impact or the impact on  
15 the net income before taxes, yes.

16 Q And what did your examination reveal about  
17 the impact?

18 A That the current share mechanism had very  
19 little impact on the net income before taxes and  
20 85 -- based on the five accumulation periods that  
21 have passed before I filed my testimony and that  
22 the impact of an 85/15 at the maximum would have  
23 been a 10 percent impact on net income before tax,  
24 a little over 10 percent.

25 Q And it looks like you're looking at one of

1 the pages in the staff report, is that relevant to  
2 this discussion?

3 A That shows the graph at the bottom of Page  
4 116 that I was referring to. The actual numbers  
5 can be found on Page 117 in the middle of the  
6 paragraph at the top of the page.

7 Q Okay. And it looks like these are in  
8 percentages. Do you know what the dollar impact  
9 would be?

10 A The dollar impact of the sharing mechanism?

11 Q Yes.

12 A I show that on the top of Page 116 in the  
13 graph and there's a short discussion in that first  
14 paragraph right after that graph. I did not give  
15 the numbers for 85/15 in that paragraph so I don't  
16 know them off the top of my head.

17 Q I mean, you don't -- would it be fair to say  
18 you don't know what the financial impact would have  
19 been on Ameren Missouri, if it would have had 85/15  
20 sharing from the beginning of the FAC?

21 A I have looked at that. At this moment, no,  
22 I do not remember what that is.

23 Q Okay. Would you agree with me that the  
24 financial impact on the company of any change in  
25 the sharing percentage is an important

1 consideration for the Commission to take into  
2 account?

3 A Yes.

4 Q Let me ask you this: When you made the  
5 decision, when staff made the decision to change  
6 the percentage, was there -- was there a person who  
7 was a final decision maker for the staff?

8 A No.

9 Q I mean, I guess to the extent you're the one  
10 who's filing testimony, you have to be comfortable  
11 with your testimony so in that sense you're a  
12 decision maker about what goes in your testimony,  
13 is that true?

14 A Yes.

15 Q Okay. You were previously -- you were  
16 talking about, I guess, a reason -- well, you were  
17 talking about how Ameren Missouri, unlike some of  
18 the other utilities, re-based its fuel costs in its  
19 rate cases, do you remember that?

20 A Yes.

21 Q Can you explain a little more about that?  
22 Like what do you mean by re-basing fuel costs?

23 A And it's very important to have the costs  
24 that set the base for the fuel adjustment clause  
25 the same as the costs that go into the permanent

1 rates. It's also staff's position that that should  
2 be changed, be reset every rate case. I believe  
3 the legislator and the statute, when it said the  
4 utilities had to come in for rate cases, that that  
5 was the reason -- one of the reasons why; to reset  
6 that base. And if it's not reset, it doesn't send  
7 appropriate price signals to customers. If you  
8 delay it as some of the other utilities had  
9 requested and not re-base then the customers don't  
10 get an accurate price signal on how much the fuel  
11 costs have changed.

12 Q Not to be slow about this, but re-basing  
13 means, as I understand it, you zero out whatever  
14 the fuel adjustment clause adjustment amount is and  
15 put that positive or negative into the net base  
16 fuel costs that are in base rates. Is that what  
17 you mean by re-basing?

18 A The FPA rate stays the same. It kind of  
19 gets into semantics. I think your idea is correct  
20 but what we are doing is coming up with a  
21 normalized annualized amount for fuel, had there  
22 not been an FAC, what would the rates have been.  
23 And that's re-basing.

24 Q And immediately after the rates are  
25 re-based, isn't the fuel adjustment zero at that

1 point?

2 A No, it's still whatever -- typically that  
3 happens in the middle of a recovery -- recovery  
4 period. So whatever costs are being recovered  
5 continue to be recovered until that recovery period  
6 is up.

7 Q Okay. Okay. And my understanding is this  
8 is Ameren Missouri's second rate case since the  
9 fuel adjustment clause was first approved, is that  
10 true?

11 A Yes.

12 Q And we went ahead and re-based our fuel  
13 costs in the first case after it was approved, is  
14 that right?

15 A That's correct.

16 Q And we've proposed a re-base in this case,  
17 is that correct?

18 A That is correct.

19 Q And but some of the other utilities haven't,  
20 is that right?

21 A That's correct.

22 Q Which ones haven't?

23 A Both Kcp&L Greater Missouri Operations  
24 Company and Empire District Electric Company.  
25 Neither one filed a case with their fuel costs

1 being re-based.

2 Q And my understanding is the staff's view is  
3 that's a symptom -- failure to re-base is a symptom  
4 that maybe the sharing percentage is not high  
5 enough, is that true?

6 A That's true.

7 Q How does that relate, if you could explain  
8 it to me?

9 A In that instance, the company will be  
10 absorbing more costs, more of the increase of fuel  
11 costs, they'd also be keeping more if they got  
12 their fuel costs below the base. But what that  
13 tells staff is that the incentive isn't great  
14 enough for them to care about getting their fuel  
15 correct.

16 Q Okay. Would you agree that Ameren Missouri  
17 has done a diligent job in rate cases trying to get  
18 its fuel costs correct?

19 A Not necessarily. It seems in the Ameren UE  
20 cases you have filed to re-base, filed fuel runs,  
21 you filed fuel costs, but when it comes to working  
22 out differences with the fuel costs with the other  
23 parties, my memory is in cases prior to the FAC  
24 there was a lot more discussion about what the  
25 appropriate fuel prices were, what the appropriate



1 modeling was, there were -- often it was settled  
2 but there was a lot of push and shove with regard  
3 to the inputs into the fuel model. Since there has  
4 been an FAC, this case, we're a little more  
5 diligent than in the last case, I did bring that up  
6 in the last case regarding the FAC. But I don't  
7 see that same diligence in making sure that the  
8 fuel costs are the best estimate possible.

9 Q Do you know how -- well, let me ask you  
10 this: Hasn't the company -- Tim Finnell does our  
11 production cost model, haven't we worked pretty  
12 closely with the staff and other parties in making  
13 sure that model is calibrated with the staff's  
14 real-time model and the industrial customer's  
15 model? I mean, hasn't there been a pretty good  
16 degree of cooperation in making sure those models  
17 calibrate with each other?

18 A I would say staff calibrates its model to  
19 Tim Finnell's model and, yes, always had a good  
20 working relationship with Tim Finnell in trying to  
21 figure out the right inputs.

22 Q And in the case after the fuel adjustment  
23 clause was approved, which was ER-2010-0036,  
24 weren't the fuel modeling issues settled among the  
25 parties?

1 A Yes.

2 Q And wasn't the price of power that was used  
3 in the fuel model, wasn't that settled among the  
4 parties?

5 A I believe so.

6 Q And do you know --

7 A Actually, in the last case, the nuclear fuel  
8 price was not settled among the parties. The  
9 Commission determined that.

10 Q And that -- can you explain what that issue  
11 was, if you remember?

12 A It was the fact that Ameren UE had purchased  
13 the nuclear fuel, but it was not using the nuclear  
14 fuel until after the true-up date, so it was out of  
15 period adjustment. It was staff's position that we  
16 would not use that nuclear fuel cost.

17 Q What was the outcome of that issue, if you  
18 remember?

19 A The Commission decided that those costs  
20 should be used, those fuel costs.

21 Q Other than that, were there any other fuel  
22 cost, modeling cost issues, that went to hearing in  
23 that case?

24 A I don't believe so.

25 Q Okay. Do you know how power prices are

1 determined for purposes of the production cost  
2 model in these cases?

3 A Are you talking about the market prices or  
4 the prices for the fuels that go into the model?

5 Q I'm talking about the market price for  
6 power, how's that determined in the fuel -- in the  
7 fuel model?

8 A I am generally aware of that. I'm not aware  
9 of the specifics.

10 Q I mean, would you agree it's a multi-year  
11 average of market prices, if you know?

12 A I think in the past, well, I know in the  
13 past sometimes, we've just used a year's worth of  
14 data. That's been staff's position. Now, we may  
15 have moved in negotiations to a different position,  
16 but it's -- and I'm not for sure about this case,  
17 whether -- how many years it was, but it's very  
18 likely that that's staff position.

19 Q That what is staff's position?

20 A To use more than one year of prices to come  
21 up with our estimates.

22 Q As I understand it, it's all based on  
23 historical prices as opposed to forward curves or  
24 anything like that, is that correct?

25 A That's correct.

1 Q Okay. In terms of the sharing percentage,  
2 would you agree with me that in most jurisdictions  
3 there is no sharing of fuel costs under a fuel  
4 adjustment clause at all?

5 A I personally have not done that research.  
6 That is what I have heard; that there are -- most  
7 of the jurisdictions do not have sharing  
8 percentage.

9 Q So but you yourself haven't studied that at  
10 all or looked at other jurisdictions?

11 A No.

12 Q Why not?

13 A I've been too busy to get the work done that  
14 needed to be done.

15 Q Do you think what other jurisdictions do in  
16 terms of their fuel adjustment clauses and in terms  
17 of their sharing percentages, do you think that's a  
18 relevant consideration for the Commission to take  
19 into account when deciding how to treat fuel  
20 adjustment clauses in Missouri?

21 A So the question is whether I think the  
22 Commission should take that into consideration?

23 Q Yes.

24 A I don't know.

25 Q Would it matter to you if, in terms of your

1 recommendation regarding the sharing percentage, if  
2 no other jurisdiction in the country had any  
3 sharing of fuel costs in their fuel adjustment  
4 clauses? Would that make a difference to you?

5 A No. The statute in Missouri says there can  
6 be incentive mechanisms and that's what I use as my  
7 basis, is the Missouri statute, not what other  
8 states do.

9 Q Would you agree with me that if the FAC  
10 sharing percentages increased and if the company's  
11 prudently incurred net fuel costs also increased  
12 between rate cases that the company will have to  
13 absorb a higher percentage of its prudently  
14 incurred fuel costs?

15 A Yes.

16 Q Do you think it's fair that a company should  
17 have to absorb prudently incurred fuel costs?

18 A Yes.

19 Q Does the State of Missouri pay your costs or  
20 other staff members' costs of traveling to local  
21 public hearings and, you know, whenever you travel  
22 for work reasons?

23 A Yes.

24 Q Do you think it would be fair if they only  
25 paid you 85 percent of your prudently incurred

1 costs of traveling to those locations for work?

2 A Currently, we get reimbursed for meals and  
3 it is taxed 25 percent or it is part of our income  
4 tax, so we are not receiving all of our costs when  
5 we travel.

6 Q Really? I didn't know that.

7 A Yes.

8 Q Do you think that's fair?

9 A No, but I think 75 percent is better than  
10 zero.

11 Q Well, I guess that's true. So it would be  
12 you don't think it's fair?

13 A No.

14 Q Why isn't it fair?

15 A Because those are costs that I'm incurring  
16 to do business for the state.

17 Q Let me ask you this: In your opinion is  
18 regulatory consistency important to utilities and  
19 their customers?

20 A Yes.

21 Q And why is it important?

22 A Well, it's important for the utilities so  
23 that they can know how to best manage the utility  
24 and it's important for the customer so that they  
25 are not as surprised every month when they get

1 their bill, they have some consistency on how the  
2 bills are calculated.

3 Q In your view, would it be appropriate for  
4 the Commission to reconsider the sharing percentage  
5 under the FAC in every rate case?

6 A Yes, I believe they should.

7 Q And but wouldn't that create a lot of  
8 uncertainty from rate case to rate case?

9 A They may not change it every rate case but I  
10 believe that the legislator intended for the  
11 Commission to carefully review the FAC every rate  
12 case that comes in and as part of that, the sharing  
13 mechanism or any -- whatever incentive mechanism  
14 that the Commission approves should be reviewed  
15 also.

16 Q So utilities would have no idea from rate  
17 case to rate case what sharing percentage the  
18 Commission might approve in a particular rate case?

19 A Just the same as they wouldn't know whether  
20 the Commission would approve a lot of other  
21 expenses, capital costs from rate case to rate  
22 case.

23 Q So in your mind it would be okay that  
24 everybody in every rate case can propose whatever  
25 different sharing mechanism they want and whatever

1 the Commission decides in any given rate case it  
2 could get is okay?

3 A Yes.

4 Q Don't you think that's going to create a lot  
5 of litigation over the sharing percentage in every  
6 rate case?

7 A Yes. I mean, yes.

8 Q What about the idea if the Commission picked  
9 a sharing percentage, whether it's yours or mine or  
10 a third -- you know, some third parties picked a  
11 sharing percentage and stuck with it?

12 A If that is The Commission's decision that is  
13 The Commission's decision. It is our job to  
14 present information to the Commission for which  
15 they make their decisions.

16 Q What about from utility to utility? Is it  
17 okay in your -- in your way of thinking for the  
18 Commission to have different sharing percentages or  
19 in staff's way of thinking for the Commission to  
20 have different sharing percentages from utility to  
21 utility?

22 A Yes, because each utility is unique.

23 Q I guess that's supported by the fact that  
24 staff is recommending 75 percent, 25 percent in the  
25 Kcp&L GMO case?



1 A Yes.

2 Q And 85/15 in ours?

3 A Yes.

4 Q Do you think if the Commission adopts  
5 different sharing percentages for different  
6 utilities the Commission is going to have to  
7 articulate what the differences are between the  
8 utilities that justifies a different sharing  
9 percentage?

10 A Ideally they would but I don't know that  
11 they have to do that. There's --

12 Q Wouldn't it be possible for the Commission  
13 to pick a single sharing percentage for application  
14 to all utilities across the state and just stick  
15 with that?

16 A Is it possible that they do that? Yes.

17 Q I mean, is that a policy decision for the  
18 Commission to make?

19 A Yes.

20 Q If they choose to do that, you're not going  
21 to quit your job or complain or anything, are you?

22 A Not to the Commission. I'm not going to  
23 complain to The Commission or quit my job, no.

24 Q Do you know how investors view the prospect  
25 of increasing the percentage under the fuel

1 adjustment clause?

2 A No, I do not.

3 Q You haven't done any study or made any  
4 effort to find out how investors would view it?

5 A I've read testimony provided by the  
6 utilities in the rate cases, witnesses from the  
7 utilities that have stated how they believe it is  
8 viewed.

9 Q Do you think how investors view increasing  
10 the percentage is an important consideration for  
11 the Commission to take into account in deciding  
12 whether to change the percentage?

13 A I think it's important to take into account  
14 whether or not the investor really understands the  
15 sharing percentage or how an FAC is different in  
16 Missouri than an FAC is in Kansas or any other  
17 utility or any other jurisdiction.

18 Q What could be the consequences if investors  
19 viewed it negatively, that the percentage was  
20 increased, what could be the consequences of that  
21 for the utility and its customers?

22 A I'm not a financial expert. My guess is the  
23 cost of capital may increase, share price may drop.

24 Q Could it -- I mean, maybe this is what  
25 you're saying, but put another way, could it be

1 more difficult for the utility to access capital  
2 than for other utilities that don't have a sharing  
3 percentage like that?

4 A It is possible.

5 Q Okay. And let's talk for a minute about the  
6 reasons. You listed some reasons in your portion  
7 of the staff cost of service report for changes in  
8 the percentage and my understanding is one reason  
9 is that we have two pending cases regarding the  
10 FAC, is that correct?

11 A That's correct.

12 Q And the two pending cases are -- I think one  
13 is Case No. EO-2010-0255, is that correct?

14 A Yes.

15 Q And that's the prudence review case?

16 A Yes.

17 Q That's already gone to hearing and is  
18 awaiting commission decision, is that correct?

19 A That is correct.

20 Q And then the second case is the true-up case  
21 and I'm less sure about this case number, but I  
22 think it's Case No. ER-2010-0274, is that right?

23 A Yes.

24 Q Okay. And that's the true-up docket. Let's  
25 start with the prudence docket. Can you briefly

1 explain what the issue is in the prudence docket?

2 A The issue in the prudence docket is whether  
3 or not Ameren Missouri imprudently withheld some  
4 revenues that should have flowed through the FAC.

5 Q And my understanding is those revenues were  
6 derived from two specific contracts, is that true?

7 A That is correct.

8 Q The AEP and Wabash contracts, is that right?

9 A That's the shortened version.

10 Q The shortened version of their names. I  
11 don't want to rehash all the facts of the case but,  
12 as I understand it, the case is a question of  
13 whether the contracts were classified correctly as  
14 either part of the off system sales that should  
15 flow through the FAC where the revenues of those  
16 contracts would flow through the FAC or whether  
17 they should have been classified outside of the off  
18 system sales that flow through the FAC, is that  
19 correct?

20 A That is how Ameren Missouri characterizes  
21 it. Staff characterizes it as an imprudent  
22 decision for where those off systems sales revenues  
23 should flow.

24 Q Tell me what you say an imprudent  
25 decision -- what is the imprudent decision that the

1 company made?

2 A The imprudent decision was to keep those  
3 revenues from flowing through the off system sales  
4 revenue portion of the FAC.

5 Q Okay. And my understanding is that the  
6 staff did not find any imprudence with regard to  
7 the company's decision to enter into those  
8 contracts, is that correct?

9 A That is correct.

10 Q And, in fact, I think the staff  
11 affirmatively said it was a prudent decision for  
12 the company to enter into those contracts in the  
13 wake of losing the sales to the Noranda plant, is  
14 that correct?

15 A That's correct.

16 Q The imprudence is keeping the revenues or  
17 saying that the contract was classified in a  
18 certain way that the staff disagrees with, is that  
19 correct?

20 A That's correct.

21 Q And staff filed a prudence report as part of  
22 that proceeding, is that correct?

23 A That is correct.

24 Q And my understanding is that that prudence  
25 report, which I have, comprehensively examined the

1 company's behavior under the fuel adjustment clause  
2 for the periods in question, is that true?

3 A Yes.

4 Q And do you know how many periods were in  
5 question in that case, how many accumulation  
6 periods were in question? If that might help.

7 A Yeah, I don't know. I know it may have been  
8 up to 12 months, which would be three periods. I  
9 believe it was only eight months, but I'm not sure.

10 Q I have a copy of the staff's report and I  
11 think maybe in the second paragraph it talks about  
12 what's covered by the report. See if that helps  
13 you.

14 A It looks like it was from March 1st, 2009  
15 through September 30th, 2009, so seven months.

16 Q Was that the first two accumulation periods?

17 A Yes.

18 Q Okay. And aside from the -- well, let me  
19 ask this way: Did that report examine all of the  
20 company's fuel costs during that period and off  
21 system sales during that period?

22 A All the staff was aware of, yes.

23 Q And hedging activity if we hedged off -- or  
24 hedged fuel?

25 A Yes.

1 Q And my understanding is that aside from the  
2 issue that we discussed with the AEP and Wabash  
3 contracts, the staff didn't find any imprudent  
4 behavior that the company engaged in, is that true?

5 A That is true.

6 Q So, no imprudent behavior with respect to  
7 coal and rail transportation costs, for example?

8 A No.

9 Q No imprudent behavior with respect to  
10 natural gas expense?

11 A That's correct.

12 Q No imprudent behavior with respect to fuel  
13 oil expense?

14 A That's correct.

15 Q No imprudent behavior with respect to  
16 nuclear fuel?

17 A That's correct.

18 Q No imprudent behavior with respect to  
19 purchased power agreements?

20 A Not the agreements themselves, that's  
21 correct.

22 Q No imprudent behavior with regard to  
23 purchased power energy costs?

24 A That's correct.

25 Q With regard to off systems sales, aside from

1 the AEP and Wabash revenue issues that we  
2 discussed, no other imprudence with regard to off  
3 systems sales, is that correct?

4 A That is correct.

5 Q No imprudent behavior with regard to its  
6 SO-2 and NOX allowances, is that correct?

7 A That is correct.

8 Q No imprudent behavior with respect to its  
9 interest costs, correct?

10 A That's correct.

11 Q No imprudent behavior with respect to its  
12 plant outages, is that correct?

13 A That's correct.

14 Q And each of those issues was specifically  
15 addressed in the report, is that true?

16 A That is true.

17 Q And the one imprudent thing that the staff  
18 found, which was the -- which was keeping the  
19 revenues from the AEP and Wabash contracts, I mean,  
20 isn't that really a legal issue or a tariff  
21 interpretation issue about what is the proper  
22 classification of those revenues?

23 A I think it's an issue of what were parties  
24 led to believe part of the tariff meant and then  
25 what Ameren UE later said that it was. So I guess



1 that's interpretation of the tariff.

2 Q I just struggle with the word imprudence  
3 applied to that and so I wonder -- I mean, let me  
4 ask it this way: I mean, isn't it the Commission's  
5 decision whether those revenues were proper for the  
6 company to keep or they should have been flowed  
7 through the FAC under the tariff?

8 A I guess it will be the Commission's  
9 decision.

10 Q And isn't it -- isn't the decision by the  
11 Commission or by the company, when they initially  
12 kept the revenues, isn't that based on what the  
13 proper interpretation of the tariff is?

14 A I don't know what all the Commission will  
15 take into account.

16 Q I mean, I understand the staff's position is  
17 the company improperly applied and interpreted its  
18 tariff, but how -- I have trouble -- how does the  
19 word imprudent apply? What did the company do that  
20 was imprudent as opposed to improperly interpreting  
21 its tariff?

22 A I wouldn't say improperly interpreted its  
23 tariff, I would say it changed its interpretation  
24 of the tariff.

25 Q Okay. Let me try it this way: What's your

1 definition of imprudence?

2 A I've been lectured by Steve Dottheim on  
3 this.

4 Q Please feel free to refer to your notes from  
5 Steve Dottheim's lecture.

6 A I did not bring them. And it's something  
7 that we're very careful about saying. It's not  
8 something that we use loosely. And imprudence  
9 would be an action that was taken by a party --  
10 again, I keep remembering that Steve Dottheim  
11 lectured me on this, it will come back to me. I  
12 don't have the legal definition, but my definition  
13 is an engineer's definition.

14 Q Let me suggest to you what my definition is  
15 and see if you agree or disagree with it.

16 A Okay.

17 Q You know, I would suggest if somebody did  
18 something that was imprudent and this, I mean, this  
19 is on a legal definition, it's not what I think, I  
20 would think it might be something that's unwise,  
21 that's not reasonable, are those things that you  
22 would agree?

23 A Yeah.

24 Q Elements of imprudence?

25 A Yes.

1 Q If you paid too much for something, paid  
2 more than you should have for something or didn't  
3 maximize your off system sales revenues because you  
4 were -- you weren't careful enough to do so, in the  
5 context of the fuel adjustment clause, that  
6 would -- that would seem to me imprudence.

7 A Or make a decision to try to get around a  
8 tariff wording.

9 Q Okay. So you don't -- I see a distinction  
10 but I don't think you do. You don't see a  
11 distinction between tariff interpretation and  
12 imprudence?

13 A No.

14 Q Okay.

15 MS. OTT: Hey, Tom, we've been going about  
16 an hour, do you want to take a break?

17 MR. BYRNE: I'm on Page 3 of 5. I'll be  
18 happy to take a break.

19 (Break taken.)

20 Q (By Mr. Byrne) We were talking about the  
21 AEP and Wabash FAC prudence docket. Let me ask you  
22 this: You don't really believe, do you, if Ameren  
23 Missouri would have had a 15 percent sharing  
24 mechanism we would have done anything different with  
25 regard to the AEP and Wabash contract, do you?

1 A I don't know.

2 Q Why -- why would we have?

3 MS. OTT: I'd object to speculation but you  
4 can go ahead and answer.

5 A I believe if the sharing mechanism had been  
6 50/50, you might have done something different.  
7 Because you get 50 percent of the revenues. I  
8 don't know where in between 95/5 and 50/50 the  
9 behavior would have changed.

10 Q (By Mr. Byrne) Okay. Do you think it  
11 would have changed if it was 85/15 or not?

12 A I don't know.

13 Q You don't know. Okay. But your logic is if  
14 we would have been able to keep a higher percentage  
15 of the AEP and Wabash revenue we wouldn't have  
16 classified it as we did, we would have gone ahead  
17 and run it through the fuel adjustment clause?

18 A You would have been more likely to run it  
19 through the fuel adjustment clause, yes.

20 Q Okay. Do you know how much money was at  
21 issue in that case?

22 A I think the total amount is about  
23 \$42 million.

24 Q Okay. Do you agree if there is imprudence  
25 the Commission has the power and the obligation to

1 disallow any costs related to the imprudence?

2 A Yes.

3 Q And would you agree that that is a powerful  
4 incentive for a utility to avoid imprudent  
5 behavior?

6 A Yes.

7 Q Would you agree with me that the use of a  
8 fuel adjustment clause in Missouri is a privilege  
9 and not a right for utilities?

10 A That is correct.

11 Q And isn't it true that the Commission can  
12 take away a utilities fuel adjustment clause if it  
13 believes the utility is misusing it?

14 A Yes.

15 Q And doesn't that also provide a powerful  
16 incentive for utilities to act reasonably and  
17 prudently with respect to their FACs?

18 A Yes.

19 Q Okay. Let's talk for a minute about the  
20 second case which is Case No. ER-2010-0274, the FAC  
21 true-up case. Can you briefly explain what that  
22 case is about?

23 A What a true-up is supposed to be is did the  
24 utility collect -- excuse me, did the utility bill  
25 the proper amount during a recovery period to

1 collect the cost of fuel from an earlier  
2 accumulation period and the difference between  
3 those two, positive or negative, flows then into  
4 the FPA for the next recovery period. Ameren UE in  
5 its true-up filing has stated -- is under the  
6 belief that it should be allowed to recover costs  
7 that is the difference between net base fuel costs  
8 calculated differently than what is in the tariff  
9 and that is the issue in that case; is whether or  
10 not the Commission can go back and change that net  
11 base fuel cost.

12 Q And would it be fair to say that there's --  
13 in this case there's not an allegation that Ameren  
14 Missouri did anything imprudent?

15 A That is correct.

16 Q I mean, will you agree with me on this one  
17 that it really is a tariff interpretation kind of  
18 an issue?

19 A No, I think the tariff is right. I think  
20 the calculation that was made was done incorrectly.  
21 Because the tariff says at generation then that  
22 base fuel cost was not based at generation.

23 Q The net base fuel cost was calculated  
24 incorrectly, is that fair to say?

25 A Yes. Well, yes.

1 Q Okay. And I guess I don't -- I'm not really  
2 involved in that case, but my understanding is --  
3 well, why is -- what's the staff -- why does staff  
4 believe that incorrect calculation can't be  
5 corrected?

6 A I believe that's a legal issue. My  
7 understanding is retroactive rate making, you can't  
8 go back and change a rate that's already been set  
9 by the Commission.

10 Q And isn't it true that -- well, how did this  
11 problem come to light, if you recall?

12 A Mr. Gary Weiss of Ameren Missouri, I  
13 believe, mentioned it to staff auditor Steve  
14 Rackers in the last rate case, that would have been  
15 ER-2010-0036. And Steve Rackers then mentioned it  
16 to me. That's how we first learned of it.

17 Q And then isn't it true that the company and  
18 the staff and other parties met several times about  
19 this issue to discuss it?

20 A Yes.

21 Q But in the end there was no resolution of it  
22 and so that's why we're briefing it now, is that  
23 true?

24 A Yes.

25 Q Would you agree with me that the problem

1       arose through a mutual mistake on the part of the  
2       staff and the company in setting the net base fuel  
3       cost in the first instance?

4             A    No, I would not.

5             Q    Okay. Tell me why not.

6             A    Because staff, given what staff was told by  
7       Ameren Missouri and the fact that Ameren Missouri  
8       did not provide any corrections to staff, there was  
9       absolutely no way that staff could have known that  
10       it was wrong.

11            Q    So was it -- was the number -- was the net  
12       base fuel cost number developed by the staff and  
13       you're saying the company should have seen that it  
14       was wrong and corrected it or I'm --

15            A    It all goes back to the staff has always  
16       asked for net system input in a rate case that is  
17       always generally known as at generation, what the  
18       company provided when we asked for that was  
19       actually not at generation. They did tell us they  
20       had a different name for it, but a different name  
21       does not mean that it's different. It was only --  
22       staff's only become convinced that it wasn't at  
23       generation after the many meetings that you talked  
24       about, because of the way that that was presented  
25       to staff, we were not told that it was not at



1 generation. There was no way for staff to know.

2 Q But at this point, you agree it isn't at  
3 generation, is that true?

4 A Yes.

5 Q And just to maybe restate what you just  
6 said, the company provided staff net system input?

7 A Actually it was net system output.

8 Q Okay.

9 A We asked for net system input.

10 Q Okay. Staff asked for net system input,  
11 which would have been a generation level number or  
12 set of numbers?

13 A Yes.

14 Q And we provided, instead, net system output,  
15 which was like a transmission level set of numbers,  
16 is that true?

17 A Yes.

18 Q And then the staff, thinking it was  
19 generation level number, put that into its  
20 calculation of net base fuel costs and the company  
21 and the staff agreed on the net base fuel costs and  
22 that's what caused the problem?

23 A It's not the fuel costs that's the problem.  
24 It's the kilowatt hour that was used that the fuel  
25 cost is divided by to get the net base fuel cost

1 factor which is its dollar per kilowatt number.

2 Q So we all got the correct -- we had the  
3 correct fuel costs, which was the numerator of the  
4 calculation, but the denominator was the kilowatt  
5 hours that it was to be divided by and those  
6 kilowatt hours were at the transmission level, even  
7 though staff thought what it was getting was at the  
8 generation level and that's what caused the  
9 mistake?

10 A Yes.

11 Q And the mistake appears in the net base fuel  
12 cost cents per kilowatt hour that's in the FAC  
13 tariff, is that right?

14 A Yes.

15 Q Okay. Got it. And how would increasing the  
16 sharing percentage to 85/15 have prevented that  
17 from happening, if you think it would have?

18 A I don't know whether it would have or not.  
19 I think the company would be looking at things much  
20 closer the higher their share is, so I don't know  
21 whether it would have prevented it, it may not  
22 have.

23 Q It seems like with regard to both of those  
24 cases, the more the percentage -- your argument is  
25 the higher the percentage the more careful the

1 company will be. The higher the company's  
2 percentage the more careful the company will be, is  
3 that true?

4 A Yes.

5 Q So I guess we could allocate 100 percent of  
6 the fuel costs to the company and then that would  
7 be the way to make them most careful, is that  
8 right, and have no fuel adjustment clause at all?

9 A No, that's the way we were -- the State of  
10 Missouri had -- did fuel from, I believe it was the  
11 late '70s until Senate Bill 179 was passed, and  
12 that gave the company great incentive to get the  
13 best fuel number that it could and then afterwards  
14 to keep those fuel costs below that, gave them the  
15 most incentive to do that.

16 Q Would you be in favor of getting rid of the  
17 fuel adjustment clause all together?

18 A I really don't have an opinion one way or  
19 the other. I can see benefits from it but I also  
20 know the headaches from it, too.

21 Q From not having a fuel adjustment clause?

22 A From having it.

23 Q Okay. But, I mean, in terms of your  
24 arguments about providing incentive, the best  
25 incentive would be to have no fuel adjustment

1 clause, isn't that true?

2 A Yes.

3 Q What benefits do you see from the fuel  
4 adjustment clause?

5 A The benefits to the utilities to get -- to  
6 recover those costs quicker. There could also be  
7 benefits to the rate payers if fuel costs actually  
8 go down and the first accumulation period that --  
9 of Ameren UE's, the fuel cost was actually less  
10 than what was in the base and the customers did get  
11 the benefit there, lower fuel costs.

12 Q But the other periods of fuel costs went up,  
13 is that true?

14 A That is true.

15 Q I mean, would you agree with me that under  
16 the fuel adjustment clauses that operates today,  
17 it's significantly more likely that costs are going  
18 to go up rather than down from the net base fuel  
19 costs that are set in the case?

20 A For Ameren Missouri, yes.

21 Q And why is that, if you know?

22 A We're in a period of increasing cost, coal  
23 costs, transportation costs, which is the majority  
24 of Ameren UE's electricity is generating using.  
25 Also, right now we're in a period of lower off

1 system sales prices, that could change, but at the  
2 moment, they're lower than -- they've been going  
3 down instead of up, so given those combinations,  
4 yes, it's more likely that the FAC will be a  
5 positive amount.

6 Q And on the off systems sales issue, we  
7 talked a little bit about it before, the market  
8 price for purposes of calculating the net base fuel  
9 costs is based on a historical -- some kind of a  
10 historical average and so then isn't it true when  
11 you're in a declining price market, the historical  
12 average tends to be higher than what you could get  
13 right now on the market?

14 A If a three-year average is used, yes, that  
15 would be the result.

16 Q And you're right, any of this could change  
17 in the future?

18 A Yes.

19 Q Another argument that you make in the staff  
20 cost of service report is that there has been a  
21 decline in off systems sales volumes, is that  
22 correct?

23 A I believe that's correct.

24 Q And --

25 A Yes.

1 Q And, well, and why does a decline in off  
2 system sales volumes suggest that the sharing  
3 percentage ought to change?

4 A If there's no incentive for the utility to  
5 make off system sales, then they're not as likely  
6 to make them. If it -- if fuel costs pass through  
7 the customer there's no reason for the utility to  
8 make off system sales to offset that cost.

9 Q Okay. So, for example, theoretically, if  
10 100 percent of the costs were passing through to  
11 customers the utility wouldn't have a financial  
12 incentive to do any off system sales, is that  
13 right?

14 A Doesn't mean that they wouldn't, but yes,  
15 there's not an incentive.

16 Q There's not a financial incentive? There  
17 may be some other incentive for them to do it.  
18 What would be some other incentives for the utility  
19 to do it?

20 A Like the Commission finding it imprudent and  
21 taking away their FAC.

22 Q Any others you can think of?

23 A The rates would go up, which really isn't  
24 good for utility to come in and hit rate increases  
25 over and over again.

1 Q And, I mean, maybe it's possible that  
2 utility's just diligent anyway, maybe they're  
3 diligent people and they do a good job, is that  
4 possible?

5 A That's possible.

6 Q Do you think Ameren Missouri's people who  
7 are involved in off system sales are diligent  
8 people who do a good job or do you know?

9 A I don't know.

10 Q Would you agree with me that the company  
11 only has excess volumes to sell in the off system  
12 market once its obligations to the native load  
13 customers have been satisfied?

14 A Yes.

15 Q I mean, its primary obligation is to use its  
16 power to meet its obligations to Missouri  
17 customers, would that be fair to say?

18 A Yes.

19 Q Okay. And what period of time did you  
20 examine when you found the decline in off system  
21 sales volumes?

22 A It looks like it started in accumulation  
23 period three, which I really can't tell you what  
24 date or what months that is, through accumulation  
25 period five.

1 Q Okay. And would you agree with me that some  
2 of the decline in off system sales volumes over the  
3 period you examined is due to increases in sales to  
4 native load customers?

5 A Yes, I do believe I say that in my writeup.

6 Q And did you attempt to quantify what portion  
7 of the decline in off system sales volume was due  
8 to increases in sales to native load customers?

9 A No, I did not.

10 Q And why didn't you attempt to quantify that?

11 A I didn't have the time to do it.

12 Q Okay. I mean, would you agree that to the  
13 extent the decline in off system sales volumes is  
14 attributable to increases in sales to native load  
15 customers, that's really not a problem?

16 A That's correct.

17 Q Okay. Would you agree that a portion of the  
18 decline in off system sales volumes over the period  
19 you examined was attributable to the return of  
20 Noranda to full load?

21 A Yes.

22 Q And, again, would you agree that to the  
23 extent some of the decline in off system sales  
24 volumes is attributable to the return of Noranda  
25 full load, that's not a problem?



1 A That's correct.

2 Q Okay. My understanding is also that the  
3 decline in off system sales volumes was impacted by  
4 some plant outages that occurred during the period  
5 that you examined. Do you know if that's true?

6 A At the time that I wrote this, I knew that  
7 Callaway nuclear plant had had an outage and that  
8 is a lot of energy, whenever the Callaway plant's  
9 down.

10 Q Were there other outages, major outages,  
11 during that period?

12 A I've read Jaime Haro's testimony's and he  
13 states that there were. I haven't gone back to  
14 check and I would assume that's correct.

15 Q Isn't it fair to say you didn't attempt to  
16 quantify how much of the decline in off system  
17 sales volumes was due to various outages in the  
18 period you examined?

19 A That's correct.

20 Q Again, is the reason because you didn't have  
21 time to do that?

22 A Yes.

23 Q Would you -- same kind of question: Would  
24 you agree with me that to the extent that the  
25 decline in volumes is attributable to prudently

1 taken outages, that's really not a problem?

2 A To prudently taken outages, right.

3 Q And do you have any reason to believe that  
4 any of the outages taken by Ameren during that  
5 period were not prudently taken?

6 A I don't know enough about them to be able to  
7 say one way or the other.

8 Q I mean, would you agree with me that as a  
9 general matter, it's important for the company to  
10 have maintenance outages at its fossil plants?

11 A Yes.

12 Q And why is that?

13 A They're mechanical parts, they need  
14 maintenance, they need just be cleaned up and taken  
15 care of.

16 Q And isn't it true that taking prudent  
17 outages can help reduce fuel -- net fuel costs in  
18 the long-term for customers?

19 A Yes.

20 Q And how does that work?

21 A It's much like getting your car tuned up,  
22 the better the plant is running, the more efficient  
23 it is. The more electricity you can get out for  
24 lesser amount of fuel.

25 Q And isn't it also true you would be more

1 likely -- a well-maintained plant is more likely to  
2 avoid forced outages?

3 A Yes.

4 Q And over the long run, would you agree with  
5 me that a well-maintained plant is going to produce  
6 more electricity that can be sold in the off system  
7 market?

8 A Yes.

9 Q And generate more revenues that will reduce  
10 net fuel costs, net based fuel costs?

11 A Yes.

12 Q And I said net based fuel costs but it's  
13 really net fuel costs. Is that -- would you agree  
14 with that?

15 A If net fuel costs is the fuel cost net of  
16 the off system sales revenues, yes.

17 Q So just to summarize on both of those  
18 things, to the extent -- to the extent that the  
19 decline in off system sales volumes is attributable  
20 to either increases in native load or prudently  
21 incurred maintenance outages at the plant, that's  
22 not a justification to increase the sharing  
23 percentage, would you agree with that?

24 A Yes.

25 Q In your portion of the staff report, you

1 mentioned the restarting the Taum Sauk Plant was  
2 something that would add to the volumes of off  
3 system sales or I don't -- maybe that's not what  
4 you said, but what did you say about Taum Sauk  
5 Plant and its impact on volumes of off system  
6 sales?

7 A I said that there's an increased amount of  
8 capacity available to Ameren Missouri for off  
9 system sales.

10 Q Okay.

11 A Which is not the same as generation.

12 Q Okay. So let's start with capacity. Do you  
13 know what the capacity the Taum Sauk Plant is,  
14 approximately?

15 A I know it used to be at 405 and it increased  
16 some, so --

17 Q In that range?

18 A In that range, yes.

19 Q So we would -- when Taum Sauk came back, we  
20 would have that capacity, if we wanted to sell  
21 capacity, we had more capacity to sell in the  
22 marketplace, is that correct?

23 A You'd have opportunity to sell energy at  
24 times when prices were higher. It's not just  
25 selling capacity. It's having that available at

1 times at high market price. So yes, you're right.  
2 You would have more capacity for capacity type  
3 market, but you would have that unit available to  
4 generate electricity during periods when prices  
5 were high.

6 Q So, okay. And as I understand it, the  
7 principle of Taum Sauk is you store power by  
8 pumping water into the upper reservoir when power  
9 prices are low and then when power prices are  
10 higher you can release the water and it generates  
11 electricity and is that --

12 A That would be the prudent way to operate the  
13 plant, yes.

14 Q Okay. But and, usually, isn't it usually  
15 true that the power prices are lower at night so  
16 they'd pump the water up at night and higher during  
17 the day so they'd run it during the day?

18 A That's my understanding.

19 Q Okay. But would you agree with me that Taum  
20 Sauk is a net consumer of power?

21 A Yes.

22 Q Okay. So you get -- you get fewer megawatt  
23 hours out of the plant than you put into the plant,  
24 is that true?

25 A Yes, yes.

1 Q Because it takes more energy to pump the  
2 water up the mountain than it does -- than you'd  
3 get out of the plant when the water falls down and  
4 turns the turbine?

5 A Yes.

6 Q Getting into engineering territory here,  
7 it's dangerous. Okay. But, your point is that the  
8 times that it's generating electricity the power  
9 prices are higher than when it's using electricity.  
10 Did you make any effort to quantify the additional  
11 value of having the Taum Sauk plant back in  
12 service?

13 A No.

14 Q Okay. Do you know what the value of Taum  
15 Sauk's capacity is at all?

16 A No.

17 Q I want to ask you about another topic and  
18 that is shortening the recovery period under the  
19 company's fuel adjustment clause from 12 months to  
20 eight months and my understanding is you're  
21 proposing that in this case?

22 A Yes.

23 Q And what's the advantage of that?

24 A That reduces the time, the regulatory lag  
25 for recovering fuel costs.

1 Q And why is regulatory lag detrimental?

2 A In times of increasing prices, the utility  
3 will incur costs higher than what it recovers in  
4 rates. It could. But it's good in times of  
5 decreasing prices or in times like from about 1985  
6 till you guys filed your first rate case in 2005,  
7 you enjoyed regulatory lag because the -- your  
8 cost's actually in depreciation, your big plants  
9 was resulting in you -- or recovering more than  
10 your costs were.

11 Q So benefited the utility?

12 A It benefited the utility during those 20  
13 years.

14 Q But, now, it's kind of been working the  
15 other way, is that fair to say?

16 A Yes.

17 Q The company has argued that some regulatory  
18 lag is probably beneficial but excessive regulatory  
19 lag is detrimental and we've argued we've been in a  
20 period of what we believe is excessive regulatory  
21 lag. Do you agree with that or disagree with that  
22 or have an opinion on that?

23 A I don't have an opinion on that.

24 Q You would agree that regulatory lag is going  
25 against the utility in recent years?

1 A In recent years.

2 Q Do other utilities have shorter recovery  
3 periods than 12 months?

4 A Yes.

5 Q Do you know what the details of that are?

6 A The Empire District Electric Company FAC has  
7 an accumulation period of six months and a recovery  
8 period of six months.

9 Q And does that work out okay for them?

10 A I guess so. We've got customers that come  
11 in -- call in and complain about their FAC and  
12 yours, but it's not -- I can't attribute it to --

13 Q Has anybody specifically complained about  
14 the length of the recovery period that Empire has;  
15 that it's too short or anything?

16 A No, not that I'm aware of.

17 Q How about KcpL GMO, do you know what their  
18 recovery period is?

19 A Their recovery period -- their accumulation  
20 period is six months and the recovery period is 12  
21 months.

22 Q Is staff proposing to shorten theirs, do you  
23 know?

24 A No.

25 Q In his rebuttal testimony, MIC witness



1 Maurice Brubaker briefly argues against this  
2 change. Did you happen to read his testimony?

3 A I've read his testimony.

4 Q Well, and just let me try to summarize it.  
5 I don't have it with me, but, you know, my reading  
6 of it was he said, well, 12 months smooths out the  
7 changes, was one reason he was against it, and  
8 another reason he was against it, is he said, well,  
9 perhaps certain classes of customers pay more  
10 during certain months than other classes. How do  
11 you respond to his arguments, if at all?

12 A I'm not for sure about the customer class,  
13 but the fact that the 12 months does smooth out,  
14 spread out over what time period that is increased,  
15 he is correct. The problem is you get a stacking  
16 of fuel adjustment clauses so the magnitude isn't  
17 different. If anything, it's probably that you  
18 recover more because you got the unrecovered cost  
19 plus interest, so the customer is actually paying  
20 more for the fuel because he's paying for the fuel  
21 and the interest. As far as one class recovering  
22 more costs than another, I don't know. I haven't  
23 looked at that -- thought about that a whole lot.

24 Q Is it -- do you think it's confusing, more  
25 confusing than it needs to be for customers to have

1 a 12 month lag because you get all these recovery  
2 periods stacked on top of each other?

3 A I would say the majority of customers it  
4 makes no deference because they really don't  
5 understand the fuel adjustment clause. Maurice  
6 Brubaker's customers do.

7 Q With regard to his argument about moderating  
8 the impact of the adjustment by having a longer  
9 recovery period, I mean, couldn't you -- I mean,  
10 isn't that just a matter of judgment? You could  
11 make it two years and you could moderate it even  
12 further, or three years and moderate it even  
13 further, isn't that just a judgment call?

14 A Yes.

15 Q Do you think shortening it to eight months  
16 would significantly increase the volatility to the  
17 point where it would be a problem?

18 A It would increase the volatility. Right now  
19 your fuel adjustment is going down and it took  
20 longer for the customers to see that because you do  
21 have 12 month recovery periods and so, you know,  
22 again, the price signal isn't always real good to  
23 the customers.

24 Q What about customers that move out of the  
25 service territory? I mean, isn't the longer that

1 you make the recovery period the less likely that  
2 at least the residential customer base will be the  
3 exact same customer base on whose behalf the costs  
4 were incurred?

5 A Yes.

6 Q Is that an argument for shortening the  
7 cycle?

8 A Yes.

9 MR. BYRNE: That's all I have. Thank you,  
10 Ms. Mantle.

11 MS. OTT: I'm going to have a couple  
12 follow-up questions. Let me just make sure I have  
13 them.

14 EXAMINATION

15 BY MS. OTT:

16 Q Okay. Towards the beginning, Mr. Byrne was  
17 talking about position in Case ER-2008-0318 and I  
18 think you said it was your position. Was it your  
19 position or staff's position?

20 A It was staff's position.

21 Q Okay. In the recent Kcp&L Greater Missouri  
22 Operations case, do you know who on staff  
23 recommended the shift in the sharing mechanism?

24 A John Rogers did; that it was based on  
25 discussions with the division directors and case

1 coordinators, so it was not his decision, it was  
2 staff's decision.

3 Q Were you involved in any of those  
4 discussions?

5 A Yes.

6 Q Did you disagree with the ultimate decision  
7 that staff made?

8 A No.

9 Q Mr. Byrne was also discussing whether you  
10 believed it was prudent or not for you to incur  
11 travel costs when traveling on behalf of the state  
12 and you mentioned that you get reimbursed for meals  
13 and it was taxed. Do you always get reimbursed for  
14 meals when you travel?

15 A No, we have to be in travel status for 12  
16 hours before we even get reimbursed.

17 Q Okay. I just wanted that to be clear for  
18 the record.

19 MR. BYRNE: Let me interject, that's really  
20 unfair.

21 THE WITNESS: Thank you. And, plus, we get  
22 CONUS from two years ago, we don't even get the  
23 amount that the federal government says we can be  
24 reimbursed.

25 Q (By Ms. Ott) And then you were talking

1 about Case No. EO-2010-0255 and the total amount  
2 that was issue at that case and you said it was  
3 42 million. Now, is that 42 million for  
4 accumulation period one through five or just --

5 A It would be one through five, not just that  
6 case.

7 Q So for case EO-2010-0255, that only, you  
8 stated, was for accumulation period one and  
9 accumulation period two?

10 A That's correct.

11 Q Do you know what the dollar value for  
12 accumulation one and accumulation two?

13 A I believe it was about 17 million.

14 MS. OTT: That's all I had.

15

16

17 (Ending time of the deposition: 11:08 a.m.)

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1 STATE OF MISSOURI )  
 )SS  
2 CITY OF ST. LOUIS)

3 I, Rebecca Brewer, Registered Professional  
4 Reporter, Certified Real-time Reporter, and  
5 Notary Public in and for the State of Missouri  
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