Page 1

## BEFORE THE PUBLIC SERVICE COMMISSION STATE OF MISSOURI

IN THE MATTER OF UNION ELECTRIC COMPANY d/b/a AMEREN UE FOR AUTHORITY TO FILE TARIFFS INCREASING RATES FOR ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE COMPANY'S MISSOURI SERVICE AREA

CASE NO. ER-2008-0318

DEPOSITION OF LENA MANTLE OCTOBER 31ST, 2008

## LENA MANTLE 10/31/2008

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3	DEPOSITION INFORMATION 3	4	AMEREN SERVICES COMPANY By Mr. Thomas M. Byrne
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7	EXAMINATIONS Direct Examination	6	514.554.4014
	by Mr. Byrne 6	7	COUNSEL FOR MISSOURI PUBLIC SERVICE COMMISSION:
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9	NOTARIAL CERTIFICATION AND SEAL 81	9	By Mr. Steven Dottheim 200 Madison Street, P.O. Box 360
	SIGNATURE PAGE 82	9	Jefferson City, Missouri 65102
10		10	573.751.7489
1 1	ERRATA SHEET 83	11 12	WITNESS:
11	SIGNATURE LETTER 84	1.0	LENA MANTLE
12		13 14	
13			REPORTER:
14 15		15	MICHELLE L. PACHESA Certified Court Reporter
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1	BEFORE THE PUBLIC SERVICE COMMISSION	1	STIPULATION
1	STATE OF MISSOURI	2	IT IS HEREBY STIPULATED AND AGREED by all parties
2		3	hereto, through their respective Counsel, that the deposition
3	IN THE MATTER OF UNION )	4	of LENA MANTLE, may be taken by Michelle L. Pachesa,
4	ELECTRIC COMPANY d/b/a AMEREN ) UE FOR AUTHORITY TO FILE )	5	Registered Professional Reporter, Certified Court Reporter,
1	TARIFFS INCREASING RATES FOR )	6	and Notary Public, and thereafter transcribed into
5	ELECTRIC SERVICE PROVIDED TO )	7	typewriting.
_	CUSTOMERS IN THE COMPANY'S )	8	IT IS FURTHER STIPULATED AND AGREED that any and all
6	MISSOURI SERVICE AREA, ) )Case No. ER-2008-0318	9	objections to all or any part of this deposition are hereby
7	)Case IVO. ER-2000-0310	10	reserved and may be raised on the trial of this cause, and
8	DEPOSITION OF LENA MANTLE,	11	that signature of the deponent is not waived.
9	taken on behalf of the Ameren Services Company, at the	12	
10 11	offices of MISSOURI PUBLIC SERVICE COMMISSION, 200 West Madison Street, Room 810, in the City of Jefferson City,	13	
12	State of Missouri, on the 31st day of October, 2008, before	14	
13	Michelle L. Pachesa, Registered Professional Reporter,	15	
14	Certified Court Reporter, and Notary Public.	16	
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2 (Pages 2 to 5)

	Page 6		Page 8
1	LENA MANTLE,	1	A. Natelle is N-A-T-E-L-L-E.
2	of lawful age, being first duly sworn to tell the truth, the	2	Q. (By Mr. Byrne) And what's Natelle Dietrich's
3	whole truth, and nothing but the truth, deposes and says on	3	position?
4	behalf of the Ameren Services Company, as follows:	4	A. She is Utility Operations Division Director.
5	F. 3,	5	Q. Okay. And then who would she report to?
6	DIRECT EXAMINATION	6	A. She would report to Wess Henderson.
7	QUESTIONS BY MR. BYRNE	7	Q. And his position is?
8	Q. Good morning, Ms. Mantle. As you know, my	8	A. He's an Executive Director of the Public
9	name is Tom Byrne, and I'm an attorney representing	9	Service Commission.
10	Ameren UE, and I'm here today to take your deposition in	10	MR. DOTTHEIM: And excuse me. I'd like to ask
11	Case Number ER-2008-0318, which is Ameren UE's electric	11	you if you would please spell Wess Henderson just for
12	rate case pending before the Missouri Public Service	12	clarity.
13	Commission.	13	A. Wess is spelled W-E-S-S. Henderson is
14	Ms. Mantle, can you please state your name and	14	H-E-N-D-E-R-S-O-N.
15	business address.	15	Q. (By Mr. Byrne) And that and his is the top
16	A. My name is Lena Mantle, and my business	16	position amongst the Staff, is that correct? It doesn't go
17	address is P.O. Box 360, Jefferson City, Missouri 65109	17	any higher than that other than the commissioners?
18	or 102. I'm sorry.	18	A. That's correct.
19	Q. And by whom are you employed, Ms. Mantle?	19	Q. Okay. And just briefly, what is the scope of
20	A. I'm employed by the Missouri Public Service	20	your responsibilities in your current position?
21	Commission.	21	A. I oversee the operations casework for all gas
22	Q. And are you the same Lena Mantle who	22	and electric cases filed before the Commission. I also am
23	contributed to the Staff report on Ameren UE's cost of	23	involved in rule makings having to do with electric and gas
24	service, which was filed in Missouri Public Service	24	utilities. The gas safety section is also under my
25	Commission Case Number ER-2008-0318?	25	direction.
	Page 7		Page 9
1	A. Yes, I am.	1	Q. Okay. And does your department file testimony
2	Q. Okay. Ms. Mantle, I'd like to go over a few	2	in most electric and gas rate cases?
3	preliminary matters before I start asking the substantive	3	A. We would either file testimony or
4	questions. First, is there any reason that you know of	4	recommendations.
5	that you would not be able to hear, understand, or answer	5	Q. Okay. And again, I know well, can you
6	my questions today?	6	briefly explain the positions you've held at the
7	A. No.	7	Commission? I know you've been here for a while, but if
8	Q. For example, you're not taking any medication	8	you could sort of briefly explain your career at the
9	that might affect your ability to do any of those things?	9	Commission and the different positions you've held.
10	A. No.	10	A. I started at the Commission as a regulatory
11	Q. Okay. And second if you don't hear or	11	economist in August of 1983. Within a year, I my
12	understand any question I ask, I would ask that you ask me	12	position title changed to Load Management Engineer. And
13	to clarify it or repeat it. Can you do that?	13	through the years, the engineer title changed to
14	A. Yes.	14	Engineer I/II and then an Engineer III. OA reclassified
15	Q. Okay. And third, if you'd like to take a	15	us, and I became then an Engineer I. That would have been
16	break, just say so, and we can stop anytime you want.	16	in the mid 1990s. In the year 2000, I was promoted to
17	A. Okay.	17	Engineering Supervisor of the Engineering Section in the
18	Q. Ms. Mantle, can you tell me, what is your	18	Energy at that time, it was the Electric Department.
19	position at the Missouri Public Service Commission?	19	And in 2005, I became Manager of the Energy Department,
20	A. I'm manager of the Energy Department.	20	which oversees both gas and electric.
21	Q. Okay. And to whom do you report in that	21	Q. And, I mean, were you largely involved with
22	position?	22	electric load management issues a large part of that
23	A. I report to Natelle Dietrich, D-I-E-T-R-I-C-H.	23	career?
24	MR. DOTTHEIM: And would you also spell	24	A. That has been part of my duties pretty much
25	Natelle?	25	since I came on; but at times, it's a large portion of what

still resource planning work going on, and you were part of that, is that right?  A. That's correct.  O. Okay. My understanding is that you contributed to the Staff report on the Ameren UE's cost of service that was filed in this case in lieu of direct testimony, is that correct?  A. In the development of the fuel adjustment clause, or the main authors of that rule, along with Warren Wood. We both worked very closely with adjustment clause, correct?  A. I addressed the need for a fuel adjustment clause.  Q. Right. Fair enough. And did you address any other issues or is that the only issue you've addressed in		Page 10		Page 12
2 Q. Okay. And my understanding is you were the only Staff witness in the initial report to address the fuel adjustment clause, is that correct?  A. And as other things have become more in inportant, such as rule makings, yes, there's been less and less of that.  Q. Okay. Have you – well, have you had johs where you've been responsible for reviewing electric fuel contracts?  A. I have done some of that in relationship to the resource planning section, looking at some of the resource planning reservion, looking at some of the because those are used in modeling fuel purchased power prices.  Q. Okay. Would it he fair to say just since 2000 you've looked at those kinds of contracts?  A. In relation to the resource planning, it may have gone hack further that than.  Q. Okay. Like in IRP dockets?  Page 11  A. And resource planning — not necessarily a docket because the rule was waived for a number of years during the time that the Commission — or the companies were giving us regular updates. In particular, Aquilia was still resource planning work going on, and you were part of that, is that right?  A. That is correct.  Q. Okay. So in other words, even when the IRP—and IRP stands for Intergrated Resource Planning, right?  A. That is correct.  Q. Okay, May understanding is that you contributed to the Staff report on the Ameren UE's cost of service that was filed in this case in ieu of direct testimony, is that correct?  A. That is correct.  A. That is correct?  A. In addressed appectanting right with the old in the adjustment clause on whether we should be a fire adjustment clause on whether we should be a fire adjustment clause on whether we should be a fire adjustment clause on whether we should be a fire adjustment clause on the fuel adjustment clause?  A. That is correct?  A. I haddressed appect of the cent o	1		1	
A. Currently it's becoming less and less part of what I do as I take on more administrative and more sections.  Q. And maybe certainly since 2005 when you became responsible for gas and gas safery and all, I would assume it became a lot less part of your work?  A. And as other things have become more important, such as rule makings, yes, there's been less and less of that.  Q. Okay. Have you well, have you had jobs where you've been responsible for reviewing electric fuel adjustment clause; in rebuttal testimony, right?  A. I have done some of that in relationship to the resource planning area I'm involved in, and also when I was supervisor of the engineering section, looking at some of those because those are used in modeling fuel purchased power you've booked at those kinds of contracts?  Q. Okay. Would it be fair to say just since 2000 you've looked at those kinds of contracts?  A. In relation to the resource planning, it may have gone back further that than.  Q. Okay. Like in IRP dockets?  Page 11  A. And resource planning — not necessarily a docket because the rule was waived for a number of years during the time that the Commission — or the companies were giving as regular updates. In particular, Aquila was required to send us RFPs before they sent them out for comment and then also provide the responses to those RFPs Q. Okay. So in other words, even when the IRP— and IRP stands for Integrated Resource Planning, right?  A. That is correct.  Q. Okay. So in other words, were when the IRP— and IRP stands for Integrated Resource Planning, right?  A. That is correct.  Q. Okay. Okay by understanding is hat you contributed to the Staff report on the Ameren Uff's cost of service that was filed in this case in lieu of direct testimony, sib hat correct.  A. That is correct.  Q. Okay. And that stead trees that dedessed an aspect of it?  A. That is correct.  Q. Okay. And that stead tower when the IRP— and IRP stands for Integrated Resource Planning, right?  A. That is correct.  Q. Okay. And that stead company is p				·
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6 Q. And maybe certainly since 2005 when you became it became a lot less part of your work? 8 A. And as other things have become more important, such as rule makings, yes, there's been less and less of that. 1 less of that. 2 Q. Okay. Have you well, have you had jobs where you've been responsible for reviewing electric fuel contracts or off-system sales contracts or purchased power to contracts? A. I have done some of that in relationship to the resource planning area I'm involved in, and also when I was supervisor of the engineering section, looking at some of those because those are used in modeling fuel purchased power prices. Q. Okay. Would it be fair to say just since 2000 you've looked at those kinds of contracts? A. In relation to the resource planning it may adoct the cause the rule was waived for a number of years during the time that the Commission or the companies trule was vaived for a number of years during the time that the Commission or the companies required to send us RFPs before they sent them out for comment and then also provide the responses to those RFPs. Q. Okay. So lone there wishers was suspended, there was still resource planning work going on, and you were part of that, it hat right? A. That is correct.  A. That is correct.  A. That is correct.  A. And a resource planning work going on, and you were part of that, it hat right? A. That is correct.  A. And resource planning work going on, and you were part of that, that right?  A. That is correct.  A. That is cor				•
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A. And as other things have become more less of that.    10				
10 important, such as rule makings, yes, there's been less and 1 less of that. 11 less of that. 12 Q. Okay. Have you - well, have you had jobs where you've been responsible for reviewing electric fuel contracts? 13 where you've been responsible for reviewing electric fuel contracts? 14 contracts? 15 contracts? 16 A. I have done some of that in relationship to the resource planning area I'm involved in, and also when I was supervisor of the engineering section, looking at some of those because those are used in modeling fuel purchased power prices. 16 Q. Okay. Would it be fair to say just since 2000 20 you've looked at those kinds of contracts? 17 A. In relation to the resource planning, it may have gone back further that than. 18 Q. Okay. Like in IRP dockets? 20 A. A. And resource planning not necessarily a docket because the rule was waived for a number of years during the time that the Commission or the companies were giving us regular updates. In particular, Aquila uss required to send us RFPs before they sent them out for comment and then also provide the responses to those RFPs. 17 Q. Okay. So in other words, even when the IRP and IRP stands for Integrated Resource Planning, right? 18 A. That is correct. 19 Q. Okay who understanding is that you contribuct to the Staff report on the Ameren UE's cost of service that was filed in this case in lieu of direct testimony, is that correct? 19 A. That is correct. 20 Q. Okay. And that stee only one? 21 A. I addressed a apsect of it? 22 And pove address an abgect of it? 23 A. The last Empire District Electric Company rate clause in Missouri? 24 A. The last Empire District Electric Company rate clause. 25 Q. Okay. And that stee only one? 26 A. That is correct. 27 A. That is correct. 28 A. That is correct. 39 A. That is correct. 30 A. That is correct. 31 A. That is correct. 40 Q. Okay. And that the Commission did, in fact, adopt a fuel adjustment clause for Empire, is that correct? 30 A. That is correct. 31 A. That is correct. 32 A. The last Empire District El				, ,
less of that.  Q. Okay. Have you well, have you had jobs where you've been responsible for reviewing electric fuel contracts or off-system sales contracts or purchased power contracts?  A. I have done some of that in relationship to the resource planning area I'm involved in, and also when I was supervisor of the engineering section, looking at some of those because those are used in modeling fuel purchased power prices.  Q. Okay. Would it be fair to say just since 2000 you've looked at those kinds of contracts?  A. In relation to the resource planning, it may have gone back further that than. Q. Okay. Like in IRP dockets?  Page 11  A. And resource planning not necessarily a docket because the rule was waived for a number of years were giving us regular updates. In particular, Aquila was required to send us RFPs before they sent them out for comment and then also provide the responses to those RFPs. Q. Okay. So in other words, even when the IRP and IRP stands for Integrated Resource Planning, right? A. That is correct. Q. Even when that rule was suspended, there was still resource planning work going on, and you were part of that, is that right? A. That is correct. Q. Okay. Mounderstanding is that you contributed to the Staff report on the Ameren UE's cost of service that was filled in this case in lieu of direct testimony, is that correct? A. That is correct. Q. And you address the company's proposed fuel adjustment clause, correct? A. In addressed the need for a fuel adjustment clause in Michael and provide in an addressed in one, and are there is he a witness that addressed a neapter of it? A. Dr. Proctor did address an aspect of the need for FAC. James Watkins addressed a potential rate design if the Commission ower to allow an FAC. Q. Okay Have you testified in any previous case regarding any utility's request for a fuel adjustment clause in Missouri? A. The last Empire District Electric Company rate clause in Missouri? A. That is correct. Q. Okay. And that's the only one? A. Theat addressed a				
Q. Okay. Have you - well, have you had jobs where you've been responsible for reviewing electric fuel contracts or off-systems alse contracts or purchased power contracts?  A. I have done some of that in relationship to the resource planning area I'm involved in, and also when I was supervisor of the engineering section, looking at some of the search of the because those hecause those hears those hears those hears those hears those are used in modeling fuel purchased power prices.  Q. Okay. Would it be fair to say just since 2000 you've looked at those kinds of contracts?  A. In relation to the resource planning, it may have gone back further that than.  Q. Okay. Like in IRP dockets?  Page 11  A. And resource planning not necessarily a docket because the rule was waived for a number of years during the time that the Commission or the companies required to send us RIPS before they sent them out for comment and then also provide the responses to those RIPS. Q. Okay. So in other words, even when the IRP and IRP stands for Integrated Resource Planning, right? A. That is correct. Q. Even when that rule was suspended, there was still resource planning work going on, and you were part of star is required to send us RIPS before they sent them out for service that was filed in this case in lieu of direct testimony, is that correct? A. That is correct. Q. Okay. My understanding is that you contributed to the Staff report on the Ameren UE's cost of service that was filed in this case in lieu of direct testimony, is that the company's proposed fuel adjustment clause, correct? A. That is correct. Q. And you address the company's proposed fuel adjustment clause, correct? A. That is correct. Q. Right. Fair enough. And did you address any of the resource is an integrated Resource Planning, right? A. That is correct. Q. And you address the company's proposed fuel adjustment clause. Q. Right. Fair enough. And did you address any other issues to is that the only issue you've addressed in an expect of the read of the need			l .	-
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24 other issues or is that the only issue you've addressed in 24 Also, it became evident that our my	22	clause.	22	including the Staff or part of the Staff report on the fuel
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25 this case? 25 department would be involved in prudency reviews of fuel	24	other issues or is that the only issue you've addressed in	24	Also, it became evident that our my
	25	this case?	25	department would be involved in prudency reviews of fuel

adjustment clause and true-ups and, therefore, it again naturally tended to fall under my expertise to present the Staff sposition on fuel adjustment clause or is it just within the scope of pour responsibilities so you decided to do it?  A. The way that it came about was there was a so an outcome of that meeting. The —  Q. And let me stop you. I don't want to ask about communications with your attorneys, so don't tell me about wommunications with your attorneys in your answer, but to the extent you can answer it without doing that.  A. Well, I believe an attorney was in the meeting. The —  Q. You know, I better —  Q. You know, I better —  A. Okay.  Q. I the decision as to what position the Staff was adjustment clause?  A. The auditors that are involved in auditing —  Q. Okay, Like —  A. Steve Rackers, for example, I believe is the lead auditor, is that —  A. Steve Rackers and John Cassidy have also been part of the discussion, yes.  Q. Spell Cassidy,  A. C.A.S-S-I-D-Y. Rackers, R.A.C-K-E-R-S.  Q. You know, I better —  A. Well, suffice it to say, as an outcome of that meeting. I was — I guess I did volunteer to do the fuel meeting. I was — I guess I did volunteer to do the fuel adjustment clause portion of the Staff report.  Q. Q. Okay, Is ther — who would you say is the unditing —  Q. You know, I better —  Q. You know I better —  A. That is correct.  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say is the unditing —  Q. Okay Is there — who would you say		Page 14		Page 16
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saffs position on fuel adjustment clause.  Q. Did somebody ask you for lie testimony on the fuel adjustment clause or is it just within the scope of your responsibilities so you decided to do it?  A. The way that it came about was there was a position would be regarding the fuel adjustment clause.  Staff meeting to discuss policy, to discuss what Staff's position would be regarding the fuel adjustment clause.  Q. And let me stop you. I don't want to ask about communications with your attorneys, so don't tell me about communications with your attorneys, so don't tell me about communications with your attorneys in your answer.  Let a bout to communications with your attorneys in your answer.  A. Well, believe an attorney was in the meeting. The —  Q. You know, I better —  Q. You know, I better —  Q. You know, I better —  A. Okay,  Q. I don't want to go there.  A. Well, suffice it to say, as an outcome of that meeting, I was — I guess I did volunteer to do the fuel adjustment clause portion of the Staff report.  Q. Okay, Is there — who would you say is the ultimate decision maker — well, let me back up a second.  Staff is opposed to allowing Ameren UE to have  Page 15  A. That is correct.  Q. You haven't changed your mind since your last piece of testimony?  A. That would be the Division Directors — well, especially Utility Services Division Director, and General Counsel, or operations benefit that the position of the page of maybe.  Q. Okay, May question is who is the ultimate decision maker that decides what the Staff's position is going to be? Is it you or is it a combination of people?  A. It would be the Division Director, and General Counsel, or operations Division Director, and General Cou		•		
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6 Your responsibilities so you decided to do it? 7 A. The way that it came about was there was a 8 Staff meeting to discuss policy, to discuss what Staff's 9 position would be regarding the fuel adjustment clause 10 and - 11 Q. And let me stop you. I don't want to ask 11 about communications with your attorneys, so don't tell me 12 about communications with your attorneys, so don't tell me 13 about communications with your attorneys, so don't tell me 14 but to the extent you can answer, but to the extent you can answer, but to the extent you can answer it without doing that. 15 A. Well, I believe an attorney was in the 16 meeting. The - 17 Q. You know, I better 18 A. Okay. 19 Q. I don't want to go there. 20 A. Well, suffice it to say, as an outcome of that 21 meeting. I was I guess I did volunteer to do the fuel 22 adjustment clause prior of the Staff report. 23 Q. Okay, Is there - who would you say is the 24 ultimate decision maker well, let me back up a second. 25 Staff is opposed to allowing Ameren UE to have 26 A. That is correct. 27 A. That is correct. 28 A. That is correct. 39 Q. Okay, My question is who is the ultimate decision maker that decides what the Staff's position is going to be? Is it you or is it a combination of people? 30 A. It would be the Drivision Director, utility 31 Operations Division Director, and General Counsel, or whoever he may delegate to participate in that. 31 Q. So who are those Division Director, using the mentioned? The Utility Services Division Director, is that mentioned? The Utility Services Division Director, is that mentioned? The Utility Services Division Director, is that the mentioned? The Utility Services Division Director, is that mentioned? The Utility Services Division Director, is that the what division is that, and who is that person? 31 Q. Okay, Can you spell his last name? 32 A. That's Utility Operations, and that would be 33 Natelle Dietrich. 34 Decay the discussion, yee. 35 A. C-A-S-S-I-D-Y. Rackers, Ro-C-K-E-R-S. 36 Q. Okay, S. Carackers, for examp			l .	v .
A. The way that it came about was there was a  Staff meeting to discuss policy, to discuss what Staff's position would be regarding the fuel adjustment clause about communications with your attorneys, so don't tell me about communications with your attorneys in your answer, but to the extent you can answer it without doing that.  A. Well, I believe an attorney was in the meeting. The		*		
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A. Okay.  Q. I don't want to go there. A. Well, suffice it to say, as an outcome of that meeting, I was I guess I did volunteer to do the fuel adjustment clause portion of the Staff report.  Q. Okay. Is there who would you say is the ultimate decision maker well, let me back up a second. Staff is opposed to allowing Ameren UE to have  Page 15  a fuel adjustment clause, is that correct?  A. That is correct.  Q. And as I understand it, that's the only part of the Staff report that you're sponsoring, is that true?  Page 15  A. That is correct. Q. Okay. So and, I mean, it's only eight pages long, is that right, or less than eight pages long? A. It would be the Division Director, well, operations Division Director, and General Counsel, or whoever he may delegate to participate in that. Q. So who are those Division Director, is that mentioned? The Utility Services Division Director, is that the what division is that, and who is that person?  A. That is correct.  A. That	16	meeting. The	16	A. Yes, I do.
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Q. I don't want to go there.  A. Well, suffice it to say, as an outcome of that meeting, I was - I guess I did wolunteer to do the fuel adjustment clause portion of the Staff report.  Q. Okay. Is there - who would you say is the ultimate decision maker well, let me back up a second. Staff is opposed to allowing Ameren UE to have page 15  A. That is correct.  Q. And it's titled Fuel Adjustment Clause, sort of the bottom third of the page, and then it runs to page 65, is that correct?  A. That is correct.  Q. And as I understand it, that's the only part of the Staff report that you're sponsoring, is that true?  Page 15  A. That is correct.  Q. And as I understand it, that's the only part of the Staff report that you're sponsoring, is that true?  Page 17  A. That is correct.  Q. Okay. So and, I mean, it's only eight pages long, is that right, or less than eight pages long?  A. Seven.  Q. Seven. Doesn't that strike you as a little short to be a a little thin for addressing an issue of the magnitude of the fuel adjustment clause in this case?  A. No.  Q. Okay. Let me ask you this. If the Commission were to authorize a fuel adjustment clause in this case, you know, contrary to your recommendation, would it be your opinion that off-system sales or revenues should be included or excluded from the fuel adjustment clause?  A. That would be Robert Schallenberg.  Q. Okay. Can you spell his last name?  A. I can try. S-C-H-A-L-L-E-N-B-E-R-G.  Q. Okay. Can you spell his last name?  A. That would be Robert Schallenberg.  Q. Okay. Can you spell his last name?  A. I can try. S-C-H-A-L-L-E-N-B-E-R-G.  Q. And who's the other there was another  Division Director. Is that the what division is that, and who is that person?  A. That's Utility Operations, and that would be  Q. Okay. And then legal advice obviously too.	18	A. Okay.	18	on page 59 maybe.
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25 Anybody else involved? 25 So, therefore, the customer should receive the benefit of	10 11 12 13 14 15 16 17 18 19 20 21 22 23	specifically Utility Services Division Director, Utility Operations Division Director, and General Counsel, or whoever he may delegate to participate in that.  Q. So who are those Division Directors you just mentioned? The Utility Services Division Director, is that Mr. Schallenberg?  A. That would be Robert Schallenberg. Q. Okay. Can you spell his last name? A. I can try. S-C-H-A-L-E-N-B-E-R-G. Q. And who's the other there was another Division Director. Is that the what division is that, and who is that person?  A. That's Utility Operations, and that would be Natelle Dietrich.	10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. Okay. Let me ask you this. If the Commission were to authorize a fuel adjustment clause in this case, you know, contrary to your recommendation, would it be your opinion that off-system sales or revenues should be included or excluded from the fuel adjustment clause?  A. If the Commission was to allow a fuel adjustment clause, my position would be that off-system sales revenues and sales all of it, should be in the fuel adjustment clause.  Q. And why is that?  A. Because there is some difficulty in differentiating the fuel costs from the fuel to native load versus the fuel for off-system sales.  Q. Okay.  A. Also, the rate payers have paid for the
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	Page 18		Page 20
1	the revenues.	1	Q. No, that's okay. Well, let me ask you. So
2	Q. Okay. And if it was if off-system sales	2	then you haven't reviewed like coal contracts for an
3	revenues were included and costs, I guess, it would track	3	electric company or gas contracts or nuclear contracts, is
4	dollar for dollar any increases in the revenues and costs	4	that right?
5	that might be experienced?	5	A. No.
6	A. It should, yes.	6	Q. And I assume you haven't well, how about
7	Q. And that would in your mind, that would be	7	one other set of contracts. How about off-system sales
8	fair given if there's a fuel adjustment clause that	8	contracts, have you reviewed any of those?
9	tracks the other fuel costs, it's only fair that we ought	9	A. If those refer to contract off-system sales
10	to track the revenues from off-system sales, is that true?	10	are usually longer term
11	A. That would be accurate, yes.	11	Q. Just any kind of I guess my question is any
12	Q. Okay. Do you know if the fuel adjustment	12	kind of a contract for an off-system sale, have you ever
13	clauses approved for Empire and Aquila well, first of	13	review any one?
14	all, there have been fuel adjustment clauses approved for	14	A. I don't believe that I have.
15	both Empire and Aquila, is that correct?	15	Q. Okay. And I assume you've never well, I
16	A. That is correct.	16	guess I'll ask because I'm not a hundred percent sure.
17	Q. Do you know if either of them have off-system	17	You've never been involved in negotiating any kind of fuel
18	sales or revenues included in the fuel adjustment clause?	18	supply or off-system sale or purchased power contract, have
19	A. I believe that Empire does. I'm about	19	you?
20	80 percent certain Aquila has, but I haven't looked at that	20	A. No, I have not.
21	lately.	21	Q. Okay. And I assume you've this is probably
22	Q. I'm sorry. What are you 80 percent certain	22	subsumed in my previous question, but let me focus a little
23	of?	23	on nuclear fuel. You've never reviewed a nuclear fuel
24	A. That revenues are also included in Aquila's	24	contract?
25	Q. Okay.	25	A. No, I have not.
23	<u> </u>	23	
1	Page 19		Page 21
1	A fuel adjustment clause, but I haven't	1	Q. And you've never, I assume, negotiated a
2	looked at that recently, so.	2	contract to buy nuclear fuel?
3	Q. Okay. But you're you know that they're	3	A. No, I have not.
4	included in Empire's?	4	Q. Do you know where nuclear fuel comes from?
5	A. Yes.	5	A. As in geographic region or
6	Q. Okay. And was that your recommendation in	6	Q. Sure. Yes. Geographic region.
7	Empire's case as well?	7	A. Okay. I believe out in the western part of
8	A. Yes.	8	the United States, there's a source. We've also there's
9	Q. Okay. Let me ask a little bit about your	9	also been the nuclear weapons that have been dismantled,
10	experience with fuel contracts. My understanding from our	10	that have been a source of some of the nuclear fuel. That
11	previous discussion is you've reviewed fuel contracts in	11	would be both our United States weapons that have been
12	the course of your duties with the Public Service	12	dismantled and other countries.
13	Commission, is that correct?	13	Q. Do you know what the material is that is in
14	A. Some, yes.	14	nuclear fuel?
15	Q. Some. Okay. Is it very many?	15	A. Uranium.
16	A. Let me ask you to clarify that. Is that	16	Q. And do you know my understanding I have
17	contracts for the fuel that would be burned to generate	17	limited knowledge, but my understanding is there are some
18	energy?	18	steps that have to be taken to process uranium to go from
19	Q. Yes.	19	the raw form to a form that can be used as nuclear fuel.
20	A. Okay. With that clarification, I was I was	20	Do you know what those steps are?
21	mistaken earlier. It would be purchased power agreements	21	A. I know there's an enrichment process, but I'm
22	that I have reviewed and the contracts for purchased power	22	not intimately familiar with that process.
23	agreements.	23	Q. Do you know who does the enrichment?
24	Q. Okay.	24	A. No.
25	A. And I'm sorry about the confusion earlier.	25	Q. Do you know if there's any other steps to

	1		
	Page 22		Page 24
1	process nuclear fuel?	1	you'd also need to button down some costs on the rail
2	A. Of course, there would be transportation to	2	transportation to get it from the Powder River Basin or
3	the plant site.	3	from Illinois to Ameren UE's plants. I think or I know
4	Q. Do you know what form the nuclear fuel is in	4	some of the coal is also brought to the plants on barge.
5	when it gets to the plant?	5	So the prices for the transportation, and I believe even
6	A. It's in a rod.	6	the diesel fuel for trucks that brings some of the coal to
7	Q. All right. Have you do you have any	7	the plant, Ameren UE hedges some of those costs.
8	experience or expertise in measuring power price	8	Q. So how do we how do we hedge the diesel
9	volatility?	9	fuel for trucks bringing coal to the plants?
10	A. What are you what is your definition of	10	A. I know I've seen documents where you've talked
11	volatility?	11	about how the percentage that you have hedged. The
12	Q. I guess changes in power price.	12	specific instruments, I don't know about.
13	A. Fluctuations or just a general rise?	13	Q. Okay. Let me ask about natural gas. Do you
14	Q. Fluctuations.	14	know where Ameren UE gets natural gas to run its generating
15	A. Okay. Now, the question again was	15	units?
16	Q. Did you have any have you ever do you	16	A. Through various pipelines that cross the state
17	have any experience in attempting to measure the volatility	17	of Missouri.
18	of power prices? Maybe I didn't ask the question exactly	18	Q. And do you know which ones in particular?
19	right before.	19	A. Not in particular.
20	A. No, I've not.	20	Q. Okay. And is there a way to hedge for
21	Q. Okay. Let me ask you some questions about	21	Ameren UE to hedge its natural gas fuel costs?
22	coal similar to what I asked you about nuclear. Do you	22	A. Contracts can be signed for natural gas also
23	know where the coal comes from that Ameren UE uses in its	23	at a set price and quantity delivered. There's also
24	power plants?	24	financial instruments for natural gas also.
25	A. The majority of the coal that Ameren UE uses	25	Q. So when you say contracts, in other words, you
	Page 23		Page 25
1	is from the Powder River Basin out in the Wyoming/Montana	1	could sign a long-term contract for several years at a
2	area. But Ameren UE also uses to a limited extent some	2	price determined in the contract, and that would that
3	coal mined in Illinois.	3	would to one degree or another lock in the price, is that
4	Q. Okay. Do you know what do you know what	4	right?
5	types of instruments are available for Ameren UE to hedge	5	A. It's my understanding there is not a lot of
6	its delivered price of coal?	6	long-term contracts for natural gas, but long-term being
7	A. Well, a contract signed for a period of time	7	five or more years but you can enter into contracts for
8	at a certain price or even an escalating price would be a	8	purchase of natural gas.
9	hedge. There's also financial options out available for	9	Q. Do you know how long you can enter into
10	Ameren UE to use that could put a boundary on the costs of	10	contracts for for the purchase of natural gas?
11	coal that may be purchased by Ameren UE.	11	A. No, I do not.
12	Q. And where do you get those contracts, if you	12	Q. Can you explain to me how financial
13	know?	13	instruments can be used to hedge the price of natural gas
14	A. The financial?	14	supply?
15	Q. Yes.	15	A. There's different financial options. You can
16	A. I think those are usually NYMEX traded type of	16	buy an option with a cap that more or less allows UE to if
17	options and futures.	17	the price would rise higher than that cap, UE would only
18	Q. Is there a NYMEX market for coal contracts	18	have to pay the cap. That's the choice of the purchaser of
19	right now?	19	that option. And the opposite, you can put a collar on it,
20	A. There is a NYMEX spot coal market for spot	20	put both ends of it so that it
21	purchases. I do not know if there is for long-term coal	21	Q. Okay. Isn't there a pretty sophisticated
22	contracts.	22	market for natural gas on the New York Mercantile Exchange?
23	Q. Okay. Any other ways to hedge the delivered	23	A. Yes.
24	cost of coal to the plant?	24	Q. And aren't there more opportunities and more
25	A. Well, if you're talking the delivered cost,	25	different kinds of financial instruments like collars you

Page 26 Page 28 1 1 mentioned and puts and options than there are, for example, utilities that do have excess capacity. Because capacities 2 coal or oil sources of supply? 2 put on the system in lumps, a utility will often have 3 3 A. Definitely for coal. More than there is for excess capacity, but they know when they are going to need 4 coal. It's a pretty well developed market for natural gas. 4 that capacity, so up to that time they can offer to sell to 5 5 Q. Okay. And, I mean, my understanding -another utility that. 6 correct me if I'm wrong, but my understanding is the reason 6 Q. So if you needed purchased power, you wouldn't 7 7 that is because it's sort of developed first, you know, necessarily have to just rely on the day-to-day market, you 8 it's probably maybe ten years old or 12 years old than the 8 could enter into a long-term contract? 9 9 NYMEX gas market, is that correct? A. Yes, you can. 10 10 Q. And that would hedge the price and the A. It did develop first. How old, I don't want 11 to guess. 11 quantity both, just like a long-term off-system sales 12 Q. Okay. But for whatever reason, there's more 12 contract? 13 options available, more financial instruments available, in 13 A. Yes. 14 that market? 14 Q. Okay. Are there similarities between 15 15 A. That's true. purchased power and off-system sales? 16 Q. Okay. Let's talk about off-system sales for a 16 A. Say that again. 17 moment. Are there ways that off-system sales can be 17 O. Are there similarities between purchased 18 18 power -- yeah -- purchased power and off-system sales, in hedged? 19 A. A utility can enter into a contract with 19 other words, buying power off the market and selling power 20 20 another utility that needs the power. That would be a form into the market? 21 of a hedge. A utility would then know how much it's going 21 A. Usually somebody -- if somebody is buying, 22 22 to be selling. Usually those are called firm contracts. somebody is selling. 23 Q. And it could be for a period of several years 23 Q. Okay. I mean, it all takes place in the same 24 24 even, I guess? market, for example, doesn't it? 25 25 A. A few months up to a period of years, yes. A. If you look at the market as being the broad Page 29 Page 27 1 1 Q. Okay. But in Ameren UE's case, aren't there purchasing and selling of power, I wouldn't say it all 2 2 some limits on its ability to do that because it doesn't takes place in the NYMEX or some specific spot like that, know how much generation it needs for its native load for 3 3 but it is. If you look at the general market, yes. 4 4 Q. Okay. Do you know what kind of -- do you know sure? 5 5 what kind of coal each of Ameren UE's four coal plants use? A. That's not specific to Ameren UE. That's 6 6 every electric utility. But Ameren UE does have excess A. I have it in my stack, but I do not have it 7 7 capacity on which it does know that it has, so then it can memorized, no. 8 8 enter into some of those hedge -- those contracts. Q. Okay. On a new subject. In your opinion, 9 Q. I mean, isn't there a seasonal component to 9 what is the standard for a utility getting a fuel 10 10 that excess capacity? In other words, isn't there a lot adjustment clause in Missouri? 11 more excess capacity, and probably not just for Ameren UE, 11 A. It would be its ability to manage its costs. 12 for every utility, isn't there a lot more excess capacity 12 Some costs are more volatile than others. Some, as you 13 13 in the shoulder months than in the summer months when the previously talked about, have different financial abilities 14 14 demand can be -- native load demand can be a lot higher? to hedge or to not hedge. In some markets, long-term 15 A. Typically there's more excess capacity in the 15 contracts are more available. So it all takes into account 16 16 spring and fall, but then that would be contingent upon too that and how big swings in fuel costs would affect their 17 17 the maintenance outages that may be occurring during that return. 18 18 Q. Okay. I think the Commission -- and I think 19 Q. Okay. I mean, doesn't -- hasn't historically 19 this is in your part of the Staff report. Let me see if I 20 20 Ameren UE sold most of its off-system sales in the shoulder can find it. On page 60, the Commission has laid out three 21 months? 21 considerations. I mean, are those -- in your mind, are 22 22 those important in determining whether a particular utility A. I can't say. 23 23 Q. Okay. How about purchased power contracts, should get a fuel adjustment clause in Missouri? 24 how could a company hedge purchased power? 24 A. Definitely. 25 A. It could enter into contracts with other 25 Q. Okay. And in addition to these three factors,

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ne statute that authorizes the

is there also a role for the statute that authorizes the Commission to permit fuel adjustment clauses and that's -- well, I call it Senate Bill 179. It's been codified now in the statutes, but I don't have the citation. But is there a role for that statute in the decision as to whether a utility is allowed to use the fuel adjustment clause in your mind?

A. Yes.

- Q. And my understanding is the statute says that a fuel adjustment clause should provide the utility with a reasonable opportunity to earn a fair return on equity. Is that a standard the Commission should take into account in deciding whether to grant a fuel adjustment clause to a utility? And if you have Senate Bill 179, you can check to make sure I'm not misquoting it.
  - A. I do have my well-worn copy here.
- Q. Well, maybe you could read the provision that talks about opportunities to earn a return on equity, if you can find it.
- A. Under section four, the Commission should have the power to approve, modify, or reject adjustment mechanisms, and the first section underneath that -- subsection underneath that says if it is reasonably designed to provide the utility with sufficient opportunity to earn a fair return on equity.

on page 60 of the Staff's report. There's Senate Bill 179. Then there's two sets of rules. One in chapter three, which talks about the requirements for filing an application for a fuel adjustment clause; and then there's other sets of requirements in the chapter -- I guess it's chapter 20, is that right?

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- A. It's chapter 20, rule 090.
- Q. 090. Okay. Anything else that ought to guide the Commission in making a decision as to whether to give a fuel adjustment clause to an electric utility?
  - A. That should guide a Commission?
- Q. Yeah. The Missouri Commission in deciding whether to grant a fuel adjustment clause?
- A. There are previous orders in cases where utilities have asked for fuel adjustment clause.
  - Q. Okay.
- A. I don't know if it's a guide or something that they can just go back and review.
  - Q. Okay. Fair enough. Anything else?
  - A. Not that I can think of right now.
- Q. Okay. I'd like to look at these three factors that are on page 60 of the Staff report. So if you have it, maybe you could turn to it. And my understanding is these are three factors that have been laid out by the Commission in orders addressing fuel adjustment clauses

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- Q. Okay. And is that part of the standard the Commission should consider in deciding whether to award a fuel adjustment clause to a utility?
  - A. Yes.
- Q. Okay. Anything beyond the three factors set out on page 60 of the report and Senate Bill 179 that you know of?
- A. Well, there are the Commission rules that were written as a result of this legislation.
- Q. Okay. And the rules would, for example, have requirements for an application for a fuel adjustment clause and things that have to be done, you know, reports and things like that, if you get a fuel adjustment clause, so I'm assuming you've got to comply with all those things as well, is that what you're saying?
- A. There is one rule that talks about the filing requirements, and that is in chapter three of the Commission's rules, 3.161. In chapter 20, the rule does lay out a few more parameters or guidelines for the Commission to meet for a fuel adjustment clause. For example, the fact that it's done on a historical basis versus forecasted. There are some guidelines --
  - Q. Okay.
  - A. -- in chapter 20, rule 090.
  - Q. Okay. So there's the three factors laid out

and, in particular, the Empire order is cited, I think, here, is that correct?

- A. They were laid out in the Aquila and the Empire orders.
- Q. Okay. Both orders then. I'm sorry. Aquila was on the previous page. Okay. Well, anyway, let's look at the first one, and the first one says, you know, a cost or revenue should be recovered through a fuel adjustment clause if the cost or revenue change is, and number one says substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases. Did I read that right?
  - A. Yes.
- Q. Okay. And does -- in your opinion, does Ameren UE meet the standard?
- A. Now, this standard applies to a cost or revenue change, and the major costs for Ameren UE when it comes to fuel is coal, of which Ameren UE has hedged a hundred percent of its needs for 2009 and most of its needs for 2010. They know not exactly what those costs are going to be, but they have an idea that they can plan and budget for.
- Q. Well, let me ask you this. Would you -- and I know this isn't -- this isn't addressed by the standard, but would you agree with me that Ameren UE's fuel costs

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1	overall, not the changes in costs, which is what this	1	transportation on railroads a fairly significant percent of
2	addresses, but its fuel costs overall are substantial.	2	the total delivered costs?
3	Would you agree with that?	3	A. Transportation is a significant portion of the
4	A. Yes. My testimony or my the report says	4	coal costs, yes.
5	it comprises approximately 25 percent of Ameren UE's	5	Q. Do you know what portion it is?
6	operation and maintenance expense.	6	A. Specifically, no.
7	Q. Okay. And, you know, even though a lot of	7	Q. Okay. And do you know to what degree
8	these costs are hedged, there are changes from year to	8	Ameren UE has transportation long-term transportation
9	year, are there not?	9	contracts for that transportation?
10	A. Yes.	10	A. At the time that the Staff filed the report,
11	Q. And the changes can be because portions of the	11	and actually at the time the Staff date of request 219 was
12	costs aren't hedged, is that true?	12	given to Staff, which I believe was in July, its hedged
13	A. Yes.	13	portion regarding transportation was a hundred percent for
14	Q. So, for example, you know if there's parts of	14	2008, 96 percent for 2009, and 45 percent for 2010. In the
15	our gas fuel that are not hedged, that would be a change	15	time that has elapsed since we got that date of request, I
16	that would be a change that could take place from year to	16	would assume the amount for 2009 has probably moved to a
17	year, is that right? A change in the market price of gas	17	hundred percent and the amount for 2010 has increased also.
18	would result in a change in our fuel costs, is that	18	Q. But would you agree, you know, the same issues
19	correct?	19	apply to transportation, even to the extent it's supposedly
20	A. That would result in a change.	20	a hundred percent hedged, there can be variations in the
21	Q. And in addition, even to the extent the coal	21	quantity transported that would lead to changes from year
22	costs are a hundred percent hedged, you know, isn't there	22	to year. Is that fair to say?
23	the opportunity for the costs to change because the	23	A. Yes.
24	because the quantity of coal that is used in any given year	24	Q. And also there can be escalators in the
25	can't be known with a hundred percent certainty? So in	25	contracts so that even even though it's a hundred
	Page 35		Page 37
1	other words, we hedge based on our prediction of how much	1	percent under contract, there will be changes from year to
2	coal we're going to use, but that prediction is going to be	2	year. Is that fair to say?
3	wrong to some amount or another, is that correct?	3	A. I'm not familiar with the transportation
4	A. It will definitely be wrong.	4	contracts enough to say, but there very well could be.
5	Q. Okay.	5	Q. Okay. So you don't know if the transportation
б	A. But yes, it does vary from year to year based	6	contracts have any escalators in them?
7	on the needs of your customers.	7	A. No. I'm not aware of that.
8	Q. Okay. And so that would be a change, even	8	Q. Okay. So in any event, would you agree
9	though it looks like you're a hundred percent hedged	9	because of the things we've been talking about, there are
10	because the coal burned is different from year to year,	10	some changes in fuel costs that Ameren UE experiences from
11	that's a change in cost from year to year, is that correct?	11	year to year?
12	A. That will be a change in total cost. It	12	A. I would agree that the budgeted amount that
13	shouldn't be a change in cost per amenity to you.	13	Ameren UE has budgeted for will not be met and will either
14	Q. And let me ask you this. Even if coal costs	14	be higher or lower.
15	are hedged, even if the price of coal is hedged, that price	15	Q. Okay. And have you done any analysis to
16	can go up from year to year, can't it, or down?	16	consider the magnitude of those changes?
17	A. It's my understanding that some of your coal	17	A. No, I have not.
18	contracts does have an escalation rate in it for the cost	18	Q. Okay. So since you haven't done any analysis,
19	of coal.	19	I assume you don't know if those changes are substantial or
20	Q. Do you do you know how many of Ameren UE's	20	not?
21	coal contracts have escalation provisions in them?	21	A. Well, I haven't done a lot of analysis
22	A. No, I do not.	22	specifically on fuel costs. I have done weather
23	Q. Do you know if it's half?	23	normalization of loads of the utilities system, not
24	A. No, I do not.	24	specifically for this case but for several other cases, and
25	Q. Okay. And what about transportation, isn't	25	since the need for fuel would be directly correlated to the

	Page 38		Page 40
1	weather, I've seen variations at most maybe five percent	1	Q. But that's all you can think of that they
2	over a year.	2	could be talking about when they say cost or revenues?
3	Q. Okay.	3	A. And that may be off-system sales revenues.
4	A. In the load.	4	The Commission has also allowed SO2 allowance to be
5	Q. And that's from the weather?	5	included in fuel adjustment clause. So there could be
6	A. In the load. From the weather, yes.	6	revenues that way. So just about any way related to fuel
7	Q. But you haven't looked at whether any of the	7	costs that there could be a revenue.
8	contracts have escalations in them or tried to measure the	8	Q. Okay. So it could be other things as well,
9	magnitude of those escalations?	9	but would you agree that that includes off-system sales
10	A. No, I have not.	10	revenues?
11	Q. Okay. And those would be a kind of change in	11	A. Yes.
12	fuel costs, wouldn't they?	12	Q. Okay. Standard two says that the changes in
13	A. Yes, they would.	13	costs or revenues have to be, quote, beyond the control of
14	Q. Okay. And it also says part of this number	14	management where utility management has little influence
15	one says it's substantial enough to have a material impact	15	over experienced revenue or cost levels. Did I read that
16	on revenue requirements and the financial performance of	16	right?
17	the business. What in your mind would be enough of a	17	A. Yes.
18	change to have a material impact on the financial	18	Q. Okay. Do you think Ameren UE meets that
19	performance of a business in between rate cases?	19	factor?
20	A. I'm not an ROE expert or an expert in the area	20	A. No, I do not.
21	of return. It would have to do with the percentage of the	21	Q. Okay. And why not?
22	change or the cost as it compared to, you know, total	22	A. As it is explained in the direct and rebuttal
23	expenses would be one measure whether it were substantial	23	testimony of your fuel experts, Ameren UE fuel is purchased
24	enough.	24	by one of its affiliates I don't know the exact name.
25	Q. Well, I guess I'm looking for a specific	25	Ameren Energy Fuels, I believe that purchases fuels for
	Page 39		Page 41
1	number, and do you know a number that you would say meets	1	all Ameren companies. So they do purchase a lot of fuel,
2	that, you know, a percentage impact on earnings or	2	and with a large being able to buy a large amount, you
3	something? Can you quantify what that when it becomes	3	can have some influence over the price that you get. You
4	substantial or do you just not know that?	4	also have experienced people that are managing these costs,
5	A. I have not I do not know that number.	5	that know how to use the financial instruments, that know
6	Q. Okay. So I guess the bottom line is you're	6	the coal contracts, and the fact that you can buy so much,
7	saying your belief is that Ameren UE does not meet number	7	the buying power does have some influence over the cost
8	one on page 60 of the Staff report?	8	level.
9	A. It's my belief that most of the change in	9	Q. So, for example, because we buy so much coal
10	costs over the next few years are due to those escalation	10	from Powder River Basin, you think we're able to influence
11	rates in the coal contract, however the Commission has stated in its last Ameren UE order that that should not be	11	the price that coal is being sold for in the Powder River Basin?
12	a reason for an FAC.	12	
13	Q. So	13 14	A. I think you can influence the costs of the
14 15	-		coal that you are purchasing. I don't think you can influence the total overall costs for all utilities or so
16	A. So yes, I do not agree that UE has met that standard.	15 16	forth, but because you're buying in bulk, it's much the
		17	, , ,
17 18	Q. Okay. Let's move on to the second standard.  And the second standard says that the change in costs or	18	same as going to your bulk stores that you can get a better
19	revenue and when they say cost or revenue, what are they	19	price because you're buying in a large quantity.  Q. Okay. But you don't think we can control the
20	talking about? Why is it why is it cost or revenue? Is	20	market price of coal in the Powder River Basin, do you?
21	that off-system sales they're talking about?	21	A. No.
22	A. I would explain it as off-system revenues.	22	Q. Okay. Wouldn't it be fair to say national and
23	Q. Okay.	23	international market forces set the price for coal out at
24	A. I don't want to I don't want to say what	24	the Powder River Basin?
25	the Commission may or may not have thought about.	25	A. Yes.
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	Page 42		Page 44
1	Q. Do you know where the Powder River Basin is?	1	costs that you incur.
2	A. Wyoming or northwest part of the United	2	Q. Okay. Let's look at the third factor that's
3	States.	3	on page 60 of your report, which is the changes in costs or
4	Q. Have you ever been there?	4	revenues must be, quote, volatile in amount, causing
5	A. Specifically to see where the coal is mined,	5	
	* *		significant swings in income and cash flows if not tracked.
6 7	no. I've driven through that part of the country.  Q. And have you ever talked to any coal producers	6 7	Did I quote that correctly?
	of the Powder River Basin?		A. Yes.
8		8	Q. Okay. And do you believe that that factor
9	A. No.	9	that Ameren UE meets that factor that Ameren UE's cost
10	Q. Okay. Do you know if international forces	10	and revenues meet that factor?
11	affect the price of coal in the Powder River Basin, like	11	A. I do not believe that the fuel used to meet
12	demand for coal in China or India or something like that?	12	native system load is volatile. I will agree with you that
13	A. I know the demand for coal has really	13	off-system sales market is volatile.
14	increased in China and India, and that would have an	14	Q. And are our off-system is Ameren UE's
15	influence on costs all types probably of costs of coal.	15	off-system sales revenues, are they volatile?
16	Q. Do you think the demand for coal in China has	16	A. Yes.
17	the same kind of influence on the price of coal from the	17	Q. Okay. Would you agree with me that volatility
18	Powder River Basin as Ameren UE, Ameren UE's ability to	18	is a subjective standard?
19	negotiate its purchases in bulk does?	19	A. I think there's some definite, I mean,
20	A. I don't have any idea.	20	boundaries about what volatility is. It's swings over
21	Q. Okay. You haven't done any kind of a study to	21	short period of time up or down. I guess there could be
22	determine how much influence Ameren UE does or doesn't have	22	disagreements over what that length of time was and what is
23	over the price of coal in the Powder River Basin, have you?	23	considered a swing in prices.
24	A. No, I have not.	24	Q. Well, let me try to explore that a little bit.
25	Q. Okay. And you also mentioned that we can have	25	If costs go up or down by 20 percent during the course of
	Page 43		Page 45
1	the ability to hedge our coal costs I think, is that	1	the year, will you consider that volatile?
2	correct, as one way we can influence our costs?	2	A. Yes.
3	A. That's correct.	3	Q. How about fifteen percent?
4	Q. Okay. But even if we hedge the cost, when we	4	A. Yes.
5	enter into the hedge contracts, I mean, that still doesn't	5	Q. How about ten percent?
6	change the fact that we're subject to the prices in the	6	A. Here you're getting into the gray area.
7	underlying market, does it?	7	Q. Okay.
8	A. The underlying spot market or just the long	8	A. I know what's one or the other, but the gray
9	I mean, the long-term market?	9	area in between
10	Q. Yeah. The long-term market.	10	Q. Where does the gray area start, do you think?
11	A. No. I mean, you're still subject to that	11	A. Oh, somewhere around ten percent, a little
12	those changes.	12	under ten percent.
13	Q. And if the costs are going up, ultimately our	13	Q. And then at a certain point, the gray area
14	costs are going to go up as well notwithstanding our	14	probably ends below that, and it's not volatile. Any
15	ability to hedge?	15	thought of where the gray area might end?
16	A. That's correct.	16	A. Oh, probably less than five percent.
17	Q. Okay. Wouldn't it be more fair to say that	17	Q. Less than five percent. It wouldn't you
18		18	would not characterize that as volatile?
19	Ameren UE can't control coal costs, but it can influence	19	A. No.
	them through hedging?	20	Q. It's not even gray?
20	A. Actually, I do believe I said in the report	21	A. It that's correct.
21	that Ameren UE cannot control the prices.	22	
22	Q. Okay.		Q. Okay. If you look it's also talking about
23	A. I've already said that.	23	swings in income and cash flows. You know, if you looked
24 25	Q. But you're saying	24 25	at it from that perspective, what what kinds of swings in income and cash flows would be significant in your mind?
45	A. But yes, you do have some influence over the	دی	in meonie and easi nows would be significant in your filling?

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	Page 46		Page 48
1	Would a million dollars be significant? Would five million	1	A. Not on fuel adjustment clause.
2	do it? What would be significant in your mind?	2	Q. Do you do you support Aquila having a fuel
3	A. Well, of course, it has to do with what you're	3	adjustment clause? And you may not know, you know.
4	comparing it to. Compared to my salary, yes, a million is	4	A. Yeah. I I'm the Commission said they
5	a lot. Compared to Ameren UE's revenues, it wouldn't be	5	could have one. So, I mean, because the Commission, you
6	much.	6	know, provides us guidelines, I would say yeah.
7	Q. Right. But, I mean, isn't no matter what	7	Q. I guess it's I guess it's sort of once the
8	you're comparing it to, isn't a million dollars a	8	Commission says Aquila can have an FAC, it's a moot issue,
9	significant amount of money? I mean, even in the federal	9	I guess?
10	budget, isn't a million dollars a significant amount of	10	A. They really don't care at that point what my
11	money?	11	opinion is.
12	A. I hesitate because when we design rates for	12	Q. Right. And I assume the same would be true in
13	Ameren UE, we have trouble meeting exactly the revenue	13	Ameren UE's case, if Ameren UE was given a fuel adjustment
14	requirement. We have to go out so many digits on the rate	14	clause, you would deal with it?
15	to even come close. A million dollars is a rounding error	15	A. That doesn't mean the next time there's a rate
16	when it comes to rates. So to me, that's sort of my	16	case I might not I might come up with a different
17	measurement. If we have trouble setting rates to that	17	position in the Staff's case; but yes, when the Commission
18	amount, then that's	18	says a utility deserves a fuel adjustment clause, then
19	Q. Okay.	19	that's
20	A. And a million dollars, I don't know that	20	Q. And there isn't any reason, is there, from
21	Ameren UE could change its rates to only increase	21	a what's the right way to put this from an
22	Q. Sure.	22	administrative standpoint, you could administer a fuel
23	A its earnings by one million or decrease its	23	adjustment clause for Ameren UE if the Commission ordered
24	earnings by one million.	24	Ameren UE to have one, couldn't you?
25	Q. Okay. That makes sense to me. But where does	25	A. If the Commission orders Ameren UE to have
	Page 47		Page 49
1	that stop? I mean, what about five million or ten million	1	one, we will do what's necessary to administer it, yes.
2	dollars, would that get beyond that issue and perhaps be	2	Q. Okay. Empire you filed testimony. So let me
3	significant?	3	focus on them. What are the reasons that you think you
4	A. It starts becoming significant.	4	supported the fuel adjustment clause for Empire, right?
5	Q. Okay. At what point does it start becoming	5	A. That's correct.
6	significant?	6	Q. And what are the reasons that Empire should
7	A. If you're talking about income in general,	7	get a fuel adjustment clause or has already gotten one and
8	somewhere between five and ten million dollars.	8	Ameren UE should not in your opinion? What's the
9	Q. Okay. I mean	9	difference? What are all the differences?
10	A. I mean, that's	10	A. Empire's energy is mostly created through gas
11	Q. Sure.	11	generation. They don't have the coal, the base load units,
12	A. That's the size of issue that Ameren UE and	12	that Ameren UE does. And the gas market is very different
13	the other parties would sit down and discuss. Starting	13	from the coal market, and it's a lot more difficult to get
14	about five million would really put some great effort into	14	long-term contracts for gas supply than it is coal, even
15	working on it.	15 16	though it's becoming harder for coal also; but currently, I
16 17	Q. Okay. But we've got I mean, we've got plenty of issues in this case worth less than five million	17	mean, that that's one of probably the biggest area that
18	· •	18	I see.  Fluctuations in Empire's fuel cost and I
19	dollars that at least as of right now are scheduled to go to hearing, right?	19	measured it in the report that Staff did for Empire have
20	A. Yes. Yes.	20	caused change in natural gas prices have changed their
21	Q. So at least those issues are at least	21	cost very significantly over the past four years, even
22	significant enough to take the hearing for both of us?	22	before they had a fuel adjustment clause.
23	A. Yes.	23	Q. So, I mean, not to put words in your mouth,
24	Q. Okay. I guess you didn't file testimony in	24	but does it boil down to Empire I mean, of course,
25	the Aquila case, did you?	25	Ameren UE uses gas, but you're saying Empire uses gas for
			02 and gas, out journ sujing Empire and gus for

Page 52 Page 50 1 base load power generation, whereas Ameren UE uses coal and 1 A. Typically it does not run all the time. It 2 2 does have a minimum up-time that it has to be on when it 3 3 A. Empire has base load -- some base load. It does come on, similar to what a base load does; but they 4 has a coal plant. It has base load contracts, and it also 4 will turn a combined cycle plant off and on more readily 5 5 has some wind energy that's relatively inexpensive. But a than they would a base load plant. 6 lot of their needs are met through natural gas fired 6 Q. I mean, do Empire's combined cycle plants run 7 generation. They do have a combined cycle, which is an 7 pretty often? 8 intermediate type plant -- I wouldn't call it a base load 8 A. They use them a lot, yes. 9 9 plant -- that they do get a lot of their energy from. Q. Like everyday in the summer? 10 10 Q. Do they not have any base load plants that are A. I don't know exactly. 11 gas? 11 O. A lot of the days in the summer? 12 A. I wouldn't characterize any of their base 12 A. Most likely. 13 load -- any of their gas plants as base load. 13 Q. Okay. Any other differences other than what 14 Q. Because I mean -- and, I mean, you may 14 we've talked about between Ameren UE and Empire that 15 understand this better than me -- but my understanding is 15 justifies Empire getting a fuel adjustment clause and not 16 all of Ameren UE's peaking plants are gas, so isn't that 16 Ameren UE in your mind? 17 the same? 17 A. Empire doesn't have the purchasing abilities 18 A. No. It's not the same because Ameren UE's --18 that UE has. 19 19 the percentage of capacity that it has that is base load is Q. Because of the scale of our purchases? 20 quite large compared to the percentage of capacity that 20 A. The scale of your purchases. And Empire is a 21 Empire would have that is base load. Back in the '70s and 21 much smaller utility, so when it goes out to purchase what 22 '80s when companies like Ameren UE and KCPL were building a 22 it needs, it cannot demand the same sort of reduction in 23 lot of base load, they had excess. So instead of Empire 23 cost because of the bulk, the pure amount of fuel that it's 24 building, they entered into long-term contracts so they had 24 purchasing. 25 inexpensive base load energy too. When those contracts 25 Q. Is there a difference, do you think, in the Page 51 Page 53 1 1 started running out for Empire, the price of gas at that expertise of our fuel purchasing departments or 2 2 time was what we would consider very low nowadays and, sophistication? 3 according to their analysis and Staffs too, combined cycle 3 A. Do I think -- Empire's coal -- I don't know 4 4 was the best alternative, and since then, adding more about the coal. It may be relatively close to you all's. 5 5 peakers has been their best alternative; but Ameren UE has I would believe probably with gas they may not have the 6 6 expertise. They don't have as much -- as many funds to pay enough base load to cover its base load and its 7 intermediate load too. 7 somebody to do that also. 8 8 Q. Okay. Q. Okay. Maybe this is a question you can't 9 A. So it's using the low cost base load plants to 9 answer, so please say you can't if you can't. But do you 10 10 have any thoughts on what makes Aquila different from meet both its base load and its intermediate load. 11 11 Ameren UE in terms of why it's justified to give Aquila a Q. Okay. And what's the difference between base 12 load and intermediate load? I'll bet you know. 12 fuel adjustment clause but not justified to give Ameren UE? 13 A. It's one of those things you know what base 13 A. Aquila has some base load plants. It has 14 14 load is and what peaking is. Base load plant has high quite a few peakers. Aquila is a very peaking utility. It 15 capital costs, are expensive to build, but are inexpensive 15 doesn't have as much base load to meet as a percentage of 16 16 to run, and those are typically coal or nuclear or hydro. the total load. I mean, the way I'd put it is its load 17 17 Hydro is also considered base load a lot of times. A factor is lower than Ameren UE's; and due to circumstances 18 peaker would be quick to build, inexpensive to build, and 18 in the past, it does not have a great amount of base load 19 19 such that UE has either; and due to other circumstances, expensive to run. Intermediate falls in between those two 20 20 categories. It's more expensive to build than a peaker but they do purchase a lot of energy off the spot market 21 not as much as a base load, and its running costs are less 21 because it's cheaper than running their own capacity. They 22 22 than a peaker but more than a base load. have capacity to meet their loads usually, but it's cheaper

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to buy off the spot market a lot of times for Aquila.

Q. Okay. Let's look at -- you've got a chart

23

24

25

called the LM1 --

Q. But you could have an intermediate, say, a

combined cycle plant that runs all the time, couldn't you,

or not, or by definition does it not run all the time?

23

24

25

	Page 54		Page 56
1	A. Yes.	1	A. Yes.
2	Q on page 61 of the Staff's report.	1 2	
3	A. Yes.	3	Q. And they could also use financial instruments
4	O. I'd like to look at that for a second because	4	to hedge the costs of their gas supply, couldn't they?  A. Yes.
5	•		1 - 1
6	I think it numerically shows some of the things you've been talking shows and a well like if we look at Empire. It	5 6	Q. Do you know if they do that? And again, if
7	talking about and well, like if we look at Empire. It looks like, you know, 20 percent of its megawatt hours are	7	it's confidential
8	generated through natural gas, is that correct,		A. They do do some of that.
9	20.7 percent?	8 9	Q. Okay. I mean, they have available to them
10	A. Yes.	10	are, you know, futures contracts and options and puts and
11	Q. Versus Ameren UE is .2 percent and Empire	11	collars and all the types of financial instruments that we've talked about, is that correct?
12	or I mean Aquila is one percent. So I guess that's showing	12	· ·
13	what you were talking about, that they're more dependent on	13	A. That's correct. But the natural gas instruments, the hedging instruments, are different than
14	natural gas?	14	the coal instruments.
15	A. Yes.	15	Q. Okay. I mean, aren't they they're more
16	Q. And for that matter, purchased power, they've	16	available, the financial instruments, are they not, than
17	got 30.2 percent versus Ameren UE's 3.1 percent purchased	17	they are in the coal market?
18	power?	18	A. Natural gas is traded more, and there are more
19	A. Their purchased power is base load the	19	different types of financial options for natural gas than
20	30 percent is a contract purchased power. Those are	20	there is for coal.
21	long-term contracts, and they are for base load, and that's	21	Q. I mean, some people have described the natural
22	also their wind falls into that. So the comparison of a	22	gas market as more liquid than the coal market. Is that a
23	purchased power contract between Ameren UE and Empire isn't	l .	fair statement to say?
24	a real it's not an apples to apples type of comparison.	24	A. I would agree with that.
25	Q. Okay.	25	Q. Okay. You're more and does that mean
		23	•
	Page 55		Page 57
1	A. Because they get a lot of their energy from	1	when you buy coal, you're more in a position of having to
2	their long-term contracts.	2	go negotiate with individual coal producers rather than
3	Q. Okay. And to the extent that they have	3	sort of trading on a NYMEX type of a market, is that true?
4	long-term contracts, those are sort of hedged contracts, is	4	A. That would be true. And there's not
5	that fair to say?	5	speculators in the coal market like there is in the natural
6	A. They have firm prices on them, so yes.	6	gas market.
7	Q. And do you know the length of those contracts?	7	Q. Okay. Are there some speculators in the coal
8	I mean, several years or	8	market though? I've read some things about there maybe
9	A. Yeah. It is several years.	9	being some now, but you tell me.
10 11	Q. Do you think it's five years?	10 11	A. Well, the coal market is relatively new, and I hate to use the word evolve because I don't know that it's
12	A. Why I'm hesitating is I don't know how much I can say that is confidential	12	going to be necessarily better as it evolves to be more
13	Q. Okay.	13	like the natural gas market. I believe there will be more
14	A versus public information.	14	speculators.
15		15	•
16	<ul><li>Q. Sure.</li><li>A. But they are long-term contracts.</li></ul>	16	Q. Okay. And then looking at Aquila again well, they don't have very much natural gas really. It
17	Q. Okay. Well, then let's talk a little bit	17	looks like only one percent of their one percent of
18	about natural gas. You know, Empire get 20.7 percent of	18	their megawatt hours, is that true?
19	their megawatt hours from natural gas. I mean, is and I	19	A. They generate to meet about one percent of
20	understand the natural gas market is volatile, is an issue	20	their megawatt hours. They do have coal or gas
21	for them but isn't it possible for them to hedge	21	capacity. So it's cheaper for them
22	portions of their gas supply using some of the financial	22	Q. Okay. So it's peaking
23	well, they can use long-term gas contracts for one thing,	23	A. It's cheaper for them to buy on the spot
24	couldn't they? That could be one way they could hedge	24	market a lot of times instead of running their own units.
25	their gas supply?	25	Q. Okay. And so that's why you see they have
	mon 200 pubbil.		Q. Okuj. This so that's wify you see they have

	Page 58		Page 60
1	a lot of gas units that sit idle while they buy on the spot	1	necessarily tie to what's really happening in terms of how
2	market, is that fair to say?	2	many how much how many megawatt hours are really in
3	A. Gas and gas and oil, yes.	3	any given year attributed to one source or another?
4	Q. Okay. Much more so than Ameren UE?	4	A. They are normalized, just as Ameren UE's is
5	A. Yes.	5	normalized, for Taum Sauk.
6	Q. More so	6	Q. Gotcha. And Ameren UE's is modeled to it
7	A. Well, as a percentage of your total.	7	runs through
8	Q. Gotcha.	8	A. That's correct.
9	A. The total need.	9	Q the realtime or ProSym model, that's what
10	Q. And same, much more so than Empire as a	10	you get?
11	percentage of their total need?	11	A. They're all modeled. And this morning when I
12	A. I can't say that for sure.	12	was reading through this, I noticed on the footnote on
13	Q. Okay. But in any event, they get it looks	13	page 60 that it says net system input includes Ameren UE's
14	like purchased power contract is 17.9 percent and, again,	14	wholesale customer and its off-system sales. That would be
15	is that when you say contract, is that under long-term	15	its long-term off-system sales contracts. That's the
16	contracts?	16	footnote on the bottom of page 60.
17	A. Yes, it is.	17	Q. So where do our long-term off-system sales
18	Q. Okay. So to some degree that's hedged, right?	18	contracts appear in the numbers on LM1, table LM1?
19	A. Yes.	19	A. They aren't separate. They're just a part of
20	Q. Okay. And then they've got 13.7 percent	20	the native load that's needed or the requirements.
21	that's spot; and, I mean, I guess they could hedge that,	21	Q. Okay. But not the not the off-system sales
22	could they not, by entering into long-term contracts?	22	that are made in the spot market?
23	A. If there were contracts out there for them to	23	A. That's correct.
24	sign, yes. I'm just trying to think of why it's they're	24	Q. Okay. And those are much greater than the
25	not there. I know right now purchasing on the spot is	25	long-term off-system sales, is that correct, for Ameren UE?
	Page 59		Page 61
1	their and I will say this is the result of Staff's fuel	1	A. The spot sales are much greater, yes.
2	run in that model or in that rate case. Actually,	2	Q. Okay. And do you know why that is?
3	Aquila probably has more contract purchased power than what	3	A. Because Ameren UE has been as contracts
4	is shown here, but to be	4	end, Ameren UE has not been renewing them with the other
5	Q. Well, how much more do you think they have?	5	municipalities and customers.
6	A. We model them to have more natural gas	6	Q. I mean, isn't one of the reasons that we
7	capacity than they actually have.	7	have we can't enter into long-term contracts for all of
8	Q. Why'd you do that?	8	our off-system sales is because we have to have that
9	A. Because of the South Harper turbines.	9	generation available for native load if it is needed?
10	Q. Oh, okay. Okay. But you think that the	10	A. That's correct.
11	contract purchased power the purchased power that's	11	Q. Okay. So we're kind of stuck selling that
12	under long-term contracts is actually greater than	12	power on the spot market when it's available so that native
13	17.9 percent that's shown on this chart?	13	load always has first call on it?
14	A. Yes.	14	A. Native load always has first call, yes.
15	Q. How much greater is it?	15	Q. Okay. And that makes it hard to enter into a
16	A. I can't say.	16	long-term contract when you want to give native load first
17	Q. And to the extent that that's greater, does	17	call, is that correct?
18	that mean that the spot purchased power number is less?	18	A. Yes. And that's why all of these are modeled
19	A. I'm not for sure how that would work.	19	only on native load.
20	Q. Okay. It would run through the model?	20	Q. Okay. Why didn't you include the spot
21	A. Yeah. It would run through the model. It all	21	off-system sales on this table LM1?
22	has to do with the purchased power prices that are input,	22	A. Because it wouldn't be a fair comparison to
23	the natural gas prices that are input, the contract prices.	23	Empire and Aquila.
24	Q. So these so the numbers on this chart	24	Q. Why not?
25	really aren't these are modeled numbers. They don't	25	A. Because they do not make off-system sales like
	roung aron t those are modered numbers. They don't	2,5	11. Decause they do not make our-system sales like

Page 64 Page 62 Ameren UE. They don't have excess base load capacity in 1 subject to a certain amount of volatility, right? 1 2 the spring and the fall like Ameren UE does. 2 A. That's a very volatile market, yes. 3 3 Q. Isn't that the same volatility that Q. But isn't off-system sales revenue included in 4 our proposed FAC? 4 Ameren UE's revenues from spot off-system sales are subject 5 5 A. Yes, it is. 6 O. And when the Commission talks about at least 6 A. Yes. 7 7 the three standards that they've talked about, they talk Q. Okay. Let me ask this on another -- sort of 8 8 about both revenues and costs, don't they? starting another topic. Some people think Ameren UE -- at 9 9 Ameren UE, some people think -- let me start with that. A. They do talk about revenues and costs. 10 10 Some people think that Ameren UE is being punished for Q. I mean, so wouldn't one fair way to consider 11 those revenues and costs be to put all the off-system sales 11 making good decisions over the years by being denied a fuel 12 revenues for any of the utilities of Aquila -- maybe they 12 adjustment clause and, in particular, the good decisions 13 13 don't have any. Maybe the amount is zero. But if you're they think they're being punished for are building low cost 14 going -- if you're going to examine whether we meet the 14 coal units and what's turned out to be a low cost nuclear 15 15 plant over decades, putting together very effective hedging standards that the Commission has set out or whether the 16 16 programs on our coal supply and our gas supply, you know, FAC that we've proposed is reasonable, don't you have to 17 look at both costs and revenues or isn't that one way to 17 aggressively marketing -- you know, building capacity so we 18 18 had excess that we can sell in the off-system market and look at it? 19 19 A. That's one way to look at it. lower costs for customers and then having a group of 20 20 people, Shawn Schukar and now Jamie Haro, that aggressively Q. Okay. I mean, you really can't -- the 21 21 standards the Commission has set, those three that we marketed and get the most out of that excess capacity; and 22 22 the other utilities in Missouri, Aquila and Empire, who talked about, talk about costs and revenues, so if you're 23 going to look at those standards, you've got to look at 23 appears to us haven't made as good decisions over the years 24 24 get an FAC, and then we pretty consistently are denied it. both, don't you? 25 A. Yes. And I do talk about the off-system sales 25 Is there any truth to that? Do you have any sympathy for Page 63 Page 65 1 that position? 1 revenues on page 64, the second paragraph. 2 2 Q. Wouldn't it be true that this chart would be A. I don't look at FAC as a reward or a 3 more helpful in looking at those standards that the 3 punishment, either way. It's a tool that the Commission 4 4 has. Ameren UE reaped the benefits for many, many years of Commission set out if it had all the costs and revenues, 5 5 its excess base load and its nuclear power. And at that including spot off-system sales revenues, in it? 6 6 A. You couldn't have this table with that. time, Empire and Aquila reaped some benefits because they 7 7 were able to buy cheap contract power. They didn't have --Q. And why not? Couldn't you just put the --8 8 A. Because this is the percentage of megawatt did not have the same opportunities. And Empire, whose 9 hours that are generated based on fuel type and the dollar 9 peak load is a small percentage of Ameren UE's, does not 10 10 have the same opportunities. It cannot afford to build a cost to generate those. There's nothing with revenues in 11 11 coal plant like UE can. So to punish it or to say if you this. 12 12 Q. Okay. So I -- what you're really saying is think not having a FAC is a punishment is to say, no, you 13 13 can't have an FAC because you cannot build a coal plant, I this is talking about the cost piece, but you're 14 14 acknowledging you've also got to talk about the revenue think that it is -- the FAC is a tool for the Commission to 15 piece. It's just not appropriate -- this chart just 15 use. It may be applicable for some utilities, the smaller 16 doesn't address that piece? 16 ones that don't have the expertise and the abilities to 17 17 manage fuel costs the way the others do, but that is for A. That's correct. 18 18 Q. Okay. You address it elsewhere? the Commission to determine the need. I don't look at it 19 A. That's correct. 19 as a reward or a punishment, either one. 20 20 Q. But you're agreeing that it should be Q. You don't think it makes it easier for a utility to recover its cost of service? 21 addressed? 21 22 22 A. It makes it easier for them to recover the A. Yes.

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cost of fuel. But at the same time, if they earn more

revenue on the spot market than what is in the rate case

that sets those rates, that goes back to the customer. If

23

2.4

Q. Okay. Got it. Let me ask you a little about

extent they're purchasing power in the spot market, they're

volatility. I understand -- let's say Aquila, to the

23

24

25

they did not have that FAC, then they could keep that revenue, a hundred percent of it.  Q. Is there anything that Ameren UE could do in your mind to qualify for an FAC?  A. I don't know.  Q. What if we stopped hedging our coal, would we qualify for an FAC then?  A. I think at that point Staff would come in and say you were not being prudent in your management of the fuel.  Q. Okay.  A. So whether that would mean you would get an FAC or not, I don't know, but I think that's something the Commission would take into account, that you had the shillites and expertise to hedge and you chose not to.  Q. What if we starb tuilding gas-fired units instead of a coal or nuclear base load unit, I mean eventually when the gas units take over, as they have for eventually when the gas units take over, as they have for it terms of having a whole bunch of gas units, you gays have bought a lot of furbines in the past three or four years.  Page 67  In Illinois and here in Missouri, you've got a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. Well, i		Page 66		Page 68
2 revenue, a hundred percent of it. 3 Q. I there anything that Ameren UE could do in your mind to qualify for an FAC? 4 A. I don't know. 6 Q. What if we stopped hedging our coal, would we qualify for an FAC then? 7 qualify for an FAC then? 8 A. I think at that point Staff would come in and say you were not being prudent in your management of the full. 10 Q. Okay. 11 FAC or not, I don't know, but I think that's something the commission would take into account, that you had the abilities and expertise to hedge and you chose not to. 10 Q. What if we start building gas-fired units instead of a coal or muchae hase load unit, I mean ventually when the gas units take over, as they have for Aguilar or I guess it Sempire really. Of course, Aquila old one the same thing that Aquila and Empire have done in terms of having a whole bunch of gas units, would we done the same thing that Aquila and Empire have done in terms of having a whole bunch of gas units, would we gadily for an FAC then? 2 A. You have quite a few gas units. You guys have bought a lot of furbines in the past three or four years. 2 In Illinois and here in Missouri, you've got a lot of excess capacity. Well, if Taum Suak was on, you'd have a card think of any whay Ameren UE could do anything to qualify it to have an FAC; 3 Q. Okay, So right as you sit here today, you card think of any way Ameren UE could do anything to qualify it to have an FAC; 3 Q. Du you can't think of anything specific we should do to qualify? 4 A. It maters because the financial health of the an adequate reason. 4 Q. Okay, What if mot having a feel adjustment clause; they are redit rating, does that matter? 4 A. It maters because the financial health of the an adequate reason. 4 Q. Okay, And have you done any analysis to show whether or not thata's true, whether or not we need a fuel to earn of the cases capacity. 5 Q. Okay, So right as you sit here today, you can't think of anything specific we should do to qualify? 5 Q. Okay, So right as you sit here today, you can't think of anythin	1	they did not have that EAC, then they could keep that	1	O Okay
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4 at one cost in isolation causes me some difficulty in graphs. 5 A. I don't know. 6 Q. What if we stopped hedging our coal, would we qualify for an FAC then? 7 qualify for an FAC then? 8 A. I think at hat point Staff would come in and say you were not being prudent in your management of the fuel. 10 Q. Okay. 11 A. So whether that would mean you would get an FAC or not, I don't know, but I think that's something the abilities and expertise to hedge and you chose not to. 10 Q. What if we start building gas-fired units instead of a coal or muclear base load unit, I mean the same thing that Aguil and Empire have done in terms of having a whole bunch of gas units that sit idle. But once we have a cought of turning a whole bunch of gas units, would we and the abilities and expertise to hedge and you gays have bought a lot of turnines in the past three or four years.  10 In Illinois and here in Missouri, you've got a lot of excess capacity. Well, if Taum Sauk was on, you'd have a card think of any whay Ameren UE could do anything to earth think of any whay Ameren UE would never qualify to have an FAC. 20 Q. Okay. So right as you sit here today, you can't into day any Ameren UE could do anything to qualify it to have an FAC. 31 A. Thin of going to sit fere today and say that should do requalify? 4 A. The most going to sit here today and say that should do requalify? 5 Q. Okay. So right as you sit here today, you after the function of turnines in the past three or four years.  11 A. Thing a function of turnines in the past three or four years.  12 A. It matters because the financial health of the unit matter?  23 particularly the matter of the extent. I mean, the legislation says that is one of the reasons to have a reasonable opportunity to recover story of the extent. I mean, the legislation says that is one of the reasons to have a reasonable opportunity to recover story of the care and the past three or four years.  11 See that doesn't seem to be a good goal for a utility.  22 A. It matters because the financial he				
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A. I think at that point Staff would come in and say you were not being prudent in your management of the fuel.  Q. Okay.  A. So whether that would mean you would get an FAC or not, I don't know, but I think that's something the Commission would take into account, that you had the shillties and expertise to hedge and you chose not to. Q. What if we start building gas-fired units instead of a coal or nuclear base load unit. I mean eventually when the gas units take over, as they have for Aquilar or I guess it's Empire really. Of course, Aquila has got a lot of gas units that sit idle. But once we have done the same thing that Aquila and Empire have done in terms of having a whole bunch of gas units. You guys have bought a lot of turbines in the past three or four years.  Page 67  In Illinois and here in Missouri, you've got a lot of excess capacity. Well, if Taum Sauk was on, you'd have a lot of excess capacity. That in itself does not justify a fuel adjustment clause of the return analyst, rate of return analyst, and that matter?  A. I'm not going to sit here today, you can't think of any way Ameren UE ould do anything to qualify it to have an FAC?  A. I'm out going to sit here today and say that A. It's hould do to qualify?  A. It's hould manage its costs prudently and effectively, its finel costs?  Q. Okay. Let me ask you this. What if not having a FAC prevents Ameren UE from having a reasonable opportunity to recover our cost of involved increase the cost of Ameren UE also death of the unity of the overall costs, day, not just lookking at fuel costs or one cost in isolation.  A. Okay.  Q. If you look at the overall costs and not having an FAC prevents Ameren UE from having a reasonable costs or one cost in isolation.  A. It matters because the financial health of the utility comes back to the rate prover, in your opinion does that mean we should get an FAC, or does it not matter?  A. It matters because the financial health of the utility comes back to the retere. The mean, the overall costs and not having an				
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2 excess capacity. Well, if Taum Sauk was on, you'd have a 3 lot of excess capacity. That in itself does not justify a 4 fuel adjustment clause. 5 Q. Okay. So right as you sit here today, you 6 can't think of any way Ameren UE could do anything to 7 qualify it to have an FAC? 8 A. I'm not going to sit here today and say that 9 Ameren UE would never qualify to have an FAC. 9 A. If your goal is to get an FAC, I mean, to me, 11 should do to qualify? 12 A. If your goal is to get an FAC, I mean, to me, 13 that doesn't seem to be a good goal for a utility. 14 Q. Okay. 15 Q. Do you think Ameren UE has been managing its 16 costs prudently and effectively, its fuel costs? 17 Q. Do you think Ameren UE has been managing its 18 costs prudently and effectively, its fuel costs? 19 A. From what I've seen, yes. 20 Q. Okay. Let me ask you this. What if not having a 21 FAC prevents Ameren UE from having a reasonable opportunity 22 to recover our cost of service? 3 A. Typically leave that for the return analyst, rate of return analyst. 5 Q. Okay. What if not having a fuel adjustment clause and return analyst. 5 Q. Okay. What if not having a fuel adjustment of return analyst. 6 Q. Okay. What if not having a filed this case diversely affects Ameren UE's credit rating, does that matter?  8 A. I'm not going to sit here today and say that 8 A. I guess it would cause the cost capital to go up for Ameren UE, which would increase the cost of 9 Ameren UE, which would increase the cost of 10 Ameren UE, which would increase the cost of 11 Ameren UE, which would increase the cost of 12 Ameren UE, which would increase the cost of 13 A. Typically leave that for the return analyst. 14 rate of return analyst. 15 Q. Okay. What if not having a feet and particular and		Page 67		Page 69
3  lot of excess capacity. That in itself does not justify a 4  fuel adjustment clause. 5  Q. Okay. So right as you sit here today, you 6  can't think of any way Ameren UE could do anything to 7  qualify it to have an FAC? 8  A. I'm not going to sit here today and say that 9  Ameren UE would never qualify to have an FAC. 10  Q. But you can't think of anything specific we 11  should do to qualify? 12  A. If your goal is to get an FAC, I mean, to me, 13  that doesn't seem to be a good goal for a utility. 14  Q. Okay. 15  A. It should manage its costs prudently and 16  effectively. 17  Q. Do you think Ameren UE has been managing its 18  A. From what I've seen, yes. 19  A. From what I've seen, yes. 20  Cokay. So right as you sit here today, you 21  A. It doesn't seem to be a good goal for a utility. 22  stands for fuel adjustment to day. What if not having a reasonable opportunity 23  FAC prevents Ameren UE from having a reasonable opportunity 24  to recover its cost of service, does that matter to you? 25  A. I have read them before. 26  Cokay. So right as you sit here today, you 26  Cokay. What if not having a fuel adjustment clause adversely affects Ameren UE's credit rating, does 27  that matter? 28  A. I'm not going to sit here today, you 29  A. I'm ont going to sit here today, you 30  A. Typically leave that for the return analyst. 31  Cokay. What if not having a fuel adjustment clause adversely affects Ameren UE's credit rating, does 4  that matter? 4  A. I guess it would cause the cost capital to go 4  that matter?  4  A. I guess it would cause the cost capital to go 4  Ameren UE altogether, so I guess that does matter. 4  Q. But again, you didn't do any analysis of that, 4  is that still a cost of capital type of issue? 4  A. I that would be correct. I didn't do 4  Q. Okay. You didn't you haven't talked about 4  your FAC recommendation with any credit analyst or credit 5  A. No, I have not. 6  Ameren UE's credit reports in the course of developing your 7  PAC prevents Ameren UE from having a reasonab	1	In Illinois and here in Missouri, you've got a lot of	1	adjustment clause to have a reasonable opportunity to
fuel adjustment clause.  Q. Okay. So right as you sit here today, you can't think of any way Ameren UE could do anything to qualify it to have an FAC? A. I'm not going to sit here today and say that A. I'm not going to sit here today and say that A. I'm not going to sit here today and say that B. A. I'm not going to sit here today and say that A. I guess it would cause the cost capital to go up for Ameren UE, which would increase the cost of Ameren UE altogether, so I guess that does matter.  A. If your goal is to get an FAC, I mean, to me, that doesn't seem to be a good goal for a utility. A. It should manage its costs prudently and effectively.  Q. Okay. A. Is hould manage its costs prudently and effectively.  Q. Do you think Ameren UE has been managing its costs prudently and effectively, its fuel costs? A. From what I've seen, yes.  Q. Okay. Creview have you looked at A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before. Q. Okay. So let's say not having an FAC  Q. Okay. So let's say not having an FAC  Q. Okay. So let's say not having an FAC	2	excess capacity. Well, if Taum Sauk was on, you'd have a	2	recover our cost of service?
Q. Okay. So right as you sit here today, you can't think of any way Ameren UE could do anything to qualify it to have an FAC? A. I'm not going to sit here today and say that A. I'm not going to sit here today and say that Q. But you can't think of anything specific we should do to qualify? L. A. If your goal is to get an FAC, I mean, to me, that doesn't seem to be a good goal for a utility. Q. Okay. A. It should manage its costs prudently and effectively. Q. Do you think Ameren UE has been managing its Costs prudently and effectively, its fuel costs? A. From what I've seen, yes. Q. Okay. Let me ask you this. What if not having an FAC and to the extent I've been using FAC, it stands for fuel adjustment to lause adversely affects Ameren UE's credit rating, does that matter? A. I guess it would cause the cost capital to go up for Ameren UE, which would increase the cost of A. I guess that does matter. Q. But again, you didn't do any analysis of that, is that still a cost of capital type of issue? A. That would be correct. I didn't do Q. Okay. You didn't you haven't talked about your FAC recommendation with any credit analyst or credit rating agencies or anything like that? A. No, I have not. Q. Okay. Or review have you looked at A. From what I've seen, yes. Q. Okay. Let me ask you this. What if not having an FAC and to the extent I've been using FAC, it stands for fuel adjustment clause what if not having a FAC prevents Ameren UE from having a reasonable opportunity The recommendation when the course of developing your recommendation? A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before. Q. Okay. So let's say not having an FAC	3	lot of excess capacity. That in itself does not justify a	3	A. Typically leave that for the return analyst,
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Ameren UE would never qualify to have an FAC.  Q. But you can't think of anything specific we should do to qualify?  A. If your goal is to get an FAC, I mean, to me, that doesn't seem to be a good goal for a utility.  Q. Okay.  A. It should manage its costs prudently and effectively.  Q. Do you think Ameren UE has been managing its costs prudently and effectively, its fuel costs?  A. From what I've seen, yes.  Q. Okay. Let me ask you this. What if not having a FAC prevents Ameren UE from having a reasonable opportunity and effective, does that matter to you?  9 up for Ameren UE, which would increase the cost of Dameter UE altogether, so I guess that does matter.  Q. But again, you didn't do any analysis of that,  A. That would be correct. I didn't do  Q. Okay. You didn't you haven't talked about your FAC recommendation with any credit analyst or credit rating agencies or anything like that?  A. No, I have not.  Q. Okay. Or review have you looked at Ameren UE's credit reports in the course of developing your recommendation?  A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before.  Q. Okay. So let's say not having an FAC	7	qualify it to have an FAC?	7	that matter?
Q. But you can't think of anything specific we should do to qualify?  A. If your goal is to get an FAC, I mean, to me, that doesn't seem to be a good goal for a utility.  Q. Okay.  A. It should manage its costs prudently and effectively.  Q. Do you think Ameren UE has been managing its costs prudently and effectively, its fuel costs?  A. From what I've seen, yes.  Q. Okay. Let me ask you this. What if not having a FAC prevents Ameren UE from having a reasonable opportunity and effective, does that matter to you?  Ameren UE altogether, so I guess that does matter.  Q. But again, you didn't do any analysis of that, is that still a cost of capital type of issue?  A. That would be correct. I didn't do  Q. Okay. You didn't you haven't talked about your FAC recommendation with any credit analyst or credit rating agencies or anything like that?  A. No, I have not.  Q. Okay. Or review have you looked at Ameren UE's credit reports in the course of developing your recommendation?  A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before.  Q. Okay. So let's say not having an FAC	8	A. I'm not going to sit here today and say that	8	A. I guess it would cause the cost capital to go
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12 A. If your goal is to get an FAC, I mean, to me, 13 that doesn't seem to be a good goal for a utility. 14 Q. Okay. 15 A. It should manage its costs prudently and 16 effectively. 17 Q. Do you think Ameren UE has been managing its 18 costs prudently and effectively, its fuel costs? 19 A. From what I've seen, yes. 20 Q. Okay. Let me ask you this. What if not 21 having an FAC and to the extent I've been using FAC, it 22 stands for fuel adjustment clause what if not having a 23 FAC prevents Ameren UE from having a reasonable opportunity 24 to recover its cost of service, does that matter to you? 20 Q. Okay. Or review have you looked at any since UE has 21 filed this case. There may have been one or two come 22 across my desk. I have read them before. 24 Q. Okay. So let's say not having an FAC	10	Q. But you can't think of anything specific we	10	Ameren UE altogether, so I guess that does matter.
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Q. Okay. You didn't you haven't talked about your FAC recommendation with any credit analyst or credit rating agencies or anything like that?  Q. Do you think Ameren UE has been managing its costs prudently and effectively, its fuel costs?  A. From what I've seen, yes.  Q. Okay. Let me ask you this. What if not Q. Okay. Let me ask you this. What if not stands for fuel adjustment clause what if not having a FAC prevents Ameren UE from having a reasonable opportunity to recover its cost of service, does that matter to you?  14 Q. Okay. You didn't you haven't talked about your FAC recommendation with any credit analyst or credit rating agencies or anything like that?  A. No, I have not. Q. Okay. Or review have you looked at PAmeren UE's credit reports in the course of developing your recommendation? A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before. Q. Okay. So let's say not having an FAC	12	A. If your goal is to get an FAC, I mean, to me,	12	is that still a cost of capital type of issue?
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16 effectively.  Q. Do you think Ameren UE has been managing its 17	14	Q. Okay.	14	Q. Okay. You didn't you haven't talked about
Q. Do you think Ameren UE has been managing its costs prudently and effectively, its fuel costs?  A. From what I've seen, yes.  Q. Okay. Let me ask you this. What if not having an FAC and to the extent I've been using FAC, it stands for fuel adjustment clause what if not having a FAC prevents Ameren UE from having a reasonable opportunity to recover its cost of service, does that matter to you?  A. No, I have not.  Q. Okay. Or review have you looked at recommendation?  A. No, I have not.  A. No, I have not.  A. No, I have not.  A. I don't trip to looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before.  Q. Okay. So let's say not having an FAC	15	A. It should manage its costs prudently and	15	your FAC recommendation with any credit analyst or credit
18 costs prudently and effectively, its fuel costs?  19 A. From what I've seen, yes.  19 Q. Okay. Or review have you looked at  19 Ameren UE's credit reports in the course of developing your  20 Q. Okay. Let me ask you this. What if not  21 having an FAC and to the extent I've been using FAC, it  22 stands for fuel adjustment clause what if not having a  23 FAC prevents Ameren UE from having a reasonable opportunity  24 to recover its cost of service, does that matter to you?  18 Q. Okay. Or review have you looked at  19 Ameren UE's credit reports in the course of developing your  20 recommendation?  21 A. I don't think I've looked at any since UE has  22 filed this case. There may have been one or two come  23 across my desk. I have read them before.  24 Q. Okay. So let's say not having an FAC	16	effectively.	16	rating agencies or anything like that?
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having an FAC and to the extent I've been using FAC, it stands for fuel adjustment clause what if not having a FAC prevents Ameren UE from having a reasonable opportunity to recover its cost of service, does that matter to you?  A. I don't think I've looked at any since UE has filed this case. There may have been one or two come across my desk. I have read them before.  Q. Okay. So let's say not having an FAC	19	A. From what I've seen, yes.	19	Ameren UE's credit reports in the course of developing your
<ul> <li>stands for fuel adjustment clause what if not having a</li> <li>FAC prevents Ameren UE from having a reasonable opportunity</li> <li>to recover its cost of service, does that matter to you?</li> <li>filed this case. There may have been one or two come</li> <li>across my desk. I have read them before.</li> <li>Q. Okay. So let's say not having an FAC</li> </ul>	20	Q. Okay. Let me ask you this. What if not	20	recommendation?
<ul> <li>stands for fuel adjustment clause what if not having a</li> <li>FAC prevents Ameren UE from having a reasonable opportunity</li> <li>to recover its cost of service, does that matter to you?</li> <li>filed this case. There may have been one or two come</li> <li>across my desk. I have read them before.</li> <li>Q. Okay. So let's say not having an FAC</li> </ul>	21	having an FAC and to the extent I've been using FAC, it	21	A. I don't think I've looked at any since UE has
FAC prevents Ameren UE from having a reasonable opportunity across my desk. I have read them before.  24 to recover its cost of service, does that matter to you?  28 across my desk. I have read them before.  29 Q. Okay. So let's say not having an FAC	22	stands for fuel adjustment clause what if not having a	22	· · · · · · · · · · · · · · · · · · ·
24 to recover its cost of service, does that matter to you? 24 Q. Okay. So let's say not having an FAC	23		23	
	24	to recover its cost of service, does that matter to you?	24	Q. Okay. So let's say not having an FAC
25 adversely affected	25	A. I think you can't look at a cost in isolation.	25	adversely affected Ameren UE's credit rating, you would

Page 72 Page 70 1 1 A. Because Ameren UE is spending half a billion expect the Staff return on equity expert to say in his 2 testimony, wait a minute, here's a problem with not having 2 dollars on the Sioux plant, and it will want to earn a 3 3 return on that investment as soon as it possibly can. an FAC, right, that would be his area? 4 A. The decision on whether or not to recommend an 4 Q. Okay. What if there was no Sioux plant, then 5 5 we wouldn't really know when the next rate case would be, FAC was made with all the departments and different areas 6 of expertise together. It was not made in isolation of 6 is that correct? 7 7 A. That's correct. that consideration. 8 8 Q. So who -- who was involved from the return --Q. What if not having a fuel adjustment clause 9 9 puts Ameren UE out of the mainstream of other integrated rate of return department or who was -- who represented 10 10 electric utilities, is that a -- is that a consideration that consideration? 11 11 A. Bob Schallenberg. that matters to you? 12 Q. Is he a rate of return expert? 12 A. No. It doesn't matter to me. 13 13 A. He is the supervisor of the manager of the Q. Okay. I assume you didn't spend much time 14 rate of return group. 14 looking at other states and how they treat their integrated 15 15 electric utilities in terms of having a fuel adjustment Q. Okay. What if not having an FAC impairs 16 Ameren UE's access to credit, is that a consideration 16 clause? 17 that's important to you? 17 A. No. I did not look at that. 18 18 Q. Okay. On another topic. Part of our concern A. I don't know. 19 19 Q. Okay. And I -- again, I assume you didn't do is that we don't believe -- and, you know, I've asked some 20 20 questions about this -- we think Ameren UE is going to have any analysis that shows whether not having an FAC will 21 21 impair our access to credit? difficulty recovering its cost of service without a fuel 22 A. That's correct. I did not do that analysis. 22 adjustment clause. So I'd like to ask you some questions, 23 Q. Okay. And I assume Bob Schallenberg 23 walk you through some examples, and help me understand how 24 you think we can recover our cost of service without a fuel 24 represented that interest when the decision was made to 25 pursue not to impose an FAC for Ameren UE? 25 adjustment clause. Page 71 Page 73 1 A. That is correct. 1 Assume, if you will, that Ameren UE has coal 2 2 Q. Okay. Do you understand that Ameren UE has contracts and coal transportation contracts that generally 3 long-term needs for capital that would be facilitated by 3 have price changes on January 1st. Okay. I mean, and let 4 having an FAC? 4 me first ask, do you know if that's true or not? 5 A. I can understand that they have a long-term 5 A. I have heard Ameren people tell us that, yes. 6 6 need for capital. I don't know that they need an FAC --Q. Okay. Well --7 how they -- if -- what is necessary is that they have the 7 A. I believe it. I do believe that it is... 8 8 ability to get an FAC or if they have an FAC. I'm not for Q. Sure. Well, just assume it for purposes of my 9 sure where that distinction lies. 9 questions. 10 10 Q. Would it be fair to say you don't necessarily A. Okay. 11 see a connection between having an FAC and having access to 11 Q. That every January 1st, and also assume that 12 capital over the long-term? 12 because we've got prices locked in for some significant 13 A. That's correct. I don't necessarily see that 13 part of our coal, we know with a high degree of likelihood 14 connection. 14 that there's going to be significant increases on 15 Q. Okay. Did you do any analysis of long-term 15 January 1st for like the next -- let's say the next three 16 costs and benefits to Ameren UE and its customers of having 16 or four years. Okay? 17 an FAC versus not having an FAC like over a five or 17 A. Okay. 18 ten-year period? 18 Q. And assume, if you will, and none of us can 19 A. No. In the report, I had mentioned the fact 19 know this with a hundred percent certainty, but assume that 20 20 there aren't going to be other cost decreases that will that the next rate increase would be fairly quick after 21 this one. The fact that it's a short time period before 21 offset these fuel cost increases. Okay? 22 the next rate case did enter into consideration, not the 22 A. Okay. 23 23 Q. And let me ask -- I'm asking you to assume 24 24 that because no one knows what will happen in the future, Q. And how do you know it's a short time period

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but do you have any reason to think that any other costs

25

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until the next rate case?

Page 76 Page 74 1 are going to go down over the next three or four years for 1 how far -- could we file like in February, and then the 11 2 Ameren UE that would offset fuel cost increases? 2 months run so that the rates take effect, bang, right when 3 3 A. Well, the cost of natural gas is going down. the -- right when the fuel costs increase, is that 4 But that is a small portion of your cost. I mean, that's 4 possible? 5 5 not a very big chunk. A. I guess it's possible. I don't know why it's 6 Q. So that's not likely to offset the other cost 6 not. 7 increases, is it? 7 Q. Would the Staff support something like that? 8 A. No. I did -- as far as expenses, I don't know 8 A. I can't speak for the whole Staff, but I think 9 9 we would be willing to listen to it and to consider it. that any are going to go down. Depreciation, you know, 10 10 O. I mean, the Staff and the Commission -- well. your return on your rate -- depreciation is always moving 11 down, so your earnings increase, I mean, to take up some of 11 at least in the last 25 years -- haven't really used any 12 that slack. There's also the potential for -- we don't 12 kind of forecasted costs, have they, or am I wrong? Maybe 13 know what might happen in the off-system sales market. You 13 they have? 14 could start earning a whole lot more than you do now. 14 A. Not that I know of. 15 15 Q. So it's pretty volatile out there in the Q. I mean, didn't -- haven't parties, like when 16 off-system sales market, is it not? 16 there was a lot of inflation, didn't parties -- utilities 17 A. Yes, it is. 17 want to forecast price increases but never were able to? 18 Q. Okay. Any other -- anything else you can 18 A. I believe that's when they used forecast of 19 think of that might go down? 19 fuel. 20 A. That I can think of, no. 20 Q. Okay. Is that -- did I describe -- well, 21 Q. And, I mean, there's a lot of other costs 21 maybe -- did I describe accurately how the forecast of fuel 22 22 would work that you're talking about or could we forecast that -- I don't want to put words in your mouth -- but I 23 think are more likely to go up than down, like wages and 23 even further into the future maybe? 24 24 costs of materials. Aren't those -- aren't those things A. With a rate case moratorium? 25 going up at a pretty fast rate, right now at least? 25 O. Sure. Page 77 Page 75 1 1 A. I don't know the rate, but I believe they're A. No. An average price, future price -- well, 2 2 going up. you earn more now and less -- you know, recover more than 3 Q. Okay. Well, anyway, I'm asking you to assume 3 your coal costs now but less in the future, an averaged 4 4 without necessarily believing it to be true, that there type of price. 5 aren't going to be cost savings that offset these pretty 5 Q. So you could like, for example, say you had a 6 6 significant fuel cost increases. How do we recover our three-year moratorium, you could average the coal costs 7 cost of service? When do we -- you know, because when we 7 over that three years maybe, is that what you're talking 8 file a rate case, there's a cutoff date for known and 8 about, for example? 9 measurable changes. So in our experience, if we're going 9 A. I think the Staff would be open to listen to 10 10 to pick up a known and measurable change on January 1st, and to consider something like that. 11 11 we've got to file, like, in July. Then we pick up the Q. Do you think other parties like the Office of 12 increase in coal costs on January 1st, but the rates don't 12 Public Counsel and the industrial customers would agree to 13 go into effect until June, and that's the timing that 13 that? 14 14 happened in our 2007 case; and so for a period from A. I don't think it's likely that they would, but 15 January 1st until June when the new rates went into effect, 15 I don't know. I can't speak on their behalf. 16 16 we didn't recover that coal cost increase. How can we Q. Do you think it's legal to do that? I mean, 17 recover that without a fuel adjustment clause? 17 I'm asking you a legal question. I won't do that to you. 18 A. I've been told that back when I was first 18 Do you think it violates the matching 19 19 hired here at the Commission in the '80s, that sometimes principle to do that? 20 20 forecasted fuel prices were used. I think Staff would be A. Well, I don't think it was stopped because it 21 glad to sit down and discuss some other type of 21 was not matching -- or meeting the matching principle. I 22 alternatives. Off the top of my head, that's the only 22 think it -- it's my understanding that we stopped doing it 23 thing that I can think of right now. 23 because the time between rate cases was getting greater and Q. Okay. So you could maybe have a situation --24 24 greater. There wasn't the rapid inflation. You know, 25 in a best situation using forecasted fuel costs -- well, 25 utilities were finding ways to cut costs to absorb some of

	LENA MANILE	_	0/31/2008
	Page 78		Page 80
1	those increases. So it wasn't needed like it was back when	1	weatherization program or some energy efficiency program
2	inflation was running rampant.	2	where there's not an obvious connection to a revenue
3	Q. Okay. Forecast of fuel costs I understand.	3	source, there would be no netting in those cases, is that
4	That I agree with you, that would be a way to recover	4	right?
5	fuel cost increases. If that's not possible, is there any	5	A. That's correct.
6	other way besides a fuel adjustment clause?	6	Q. Okay. And you support that and Henry Warren
7	A. To constantly be recovering those increases in	7	supports it?
8	costs?	8	A. Yes.
9	Q. To recover the January 1 the significant	9	MR. BYRNE: Okay. Great. I think that's all
10	January 1 fuel cost increases I've asked you to assume when	10	the questions I have. Thank you very much, Ms. Mantle.
11	there's when there are no decreases to offset them, is	11	COURT REPORTER: Signature?
12	there any other way if you don't forecast fuel costs and	12	MR. DOTTHEIM: Yes. And we want the whole
13	you don't have an FAC, is there any other way through the	13	package.
14	regulatory process that we can recover our cost of service?	14	(SIGNATURE IS NOT WAIVED)
15	A. Not that I can think of.	15	
16	Q. Okay. Are you familiar with you've	16	
17	testified on DSM cost recovery to jump to a whole	17	
18	different topic.	18	
19	A. Yes.	19	
20	Q. In previous cases, right?	20	
21	A. Yes, I have.	21	
22 23	Q. But in this case, I think Henry Warren is	22	
24	testifying on that, is that true?  A. That's correct.	24	
25	Q. And did you work with him in putting his	25	
23	Page 79	23	Page 81
1	testimony together on DSM cost recovery?	1	CERTIFICATE OF REPORTER
2	A. Yes, I did.	2	
3	Q. Okay. And so you're and what's his	3	I, MICHELLE L. PACHESA, a Certified Court Reporter,
4	position I'm not that familiar with it, but what's his	4	License Number 853(g), Registered Professional Reporter, and
5	position on DSM cost recovery, if you know?	5	Notary Public within and for the State of Missouri, do hereby
6	A. His position is DSM costs should be recovered	6	certify that the witness whose testimony appears in the
7	in a regulatory asset account but demand response programs	7	foregoing deposition was duly sworn by me to testify to the
8	where a reduction in the customers usage is used to be able	8	truth and nothing but the truth; that the testimony of said
9 10	to earn more on the market, that it should be a net.	9 10	witness was taken by stenographic means by me to the best of my ability and thereafter reduced to typewriting under my
11	<ul><li>Q. Okay.</li><li>A. For the cost and the revenues.</li></ul>	11	direction.
12	Q. So like	12	I further certify that I am neither attorney nor counsel
13	A. And that goes into that account.	13	for nor related nor employed by any of the parties to the
14	Q. So like, for example, I think maybe an example	14	action in which this deposition was taken; further, that I am
15	of that would be our IDR tariff, is that an example of	15	not a relative or employee of any attorney or counsel
16	that, where you would make a ask certain customers to	16	employed by the parties hereto or financially interested in
17	curtail for economic reasons because you could sell power	17	this action.
18	on the market, and then in that situation, the revenues	18	My Commission expires April 3, 2009.
19	that we get would be netted against the costs of the	19	,
20	program?	20	
21	A. That's correct.	21	Michelle L. Pachesa
22	Q. Okay.	22	Notary Public within and
23	A. That's what we're talking about.	23	for the State of Missouri
24	Q. But other programs where there's not this	24	
25	direct connection like if you just had a, you know, a	25	

## LENA MANTLE 10/31/2008

	Page 82	Page 84
1	SIGNATURE PAGE	1 MIDWEST LITIGATION SERVICES
2	I, LENA MANTLE, do hereby state that I have read	711 NORTH ELEVENTH STREET 2 ST. LOUIS, MISSOURI 63101
4	the foregoing questions and answers appearing in this transcript of my deposition; that this is a true and accurate	1.800.280.3376 3
	report of said answers given in response to the questions	4
5	appearing herein. IT IS FURTHER STIPULATED AND AGREED, between	October 31, 2008 5
6	Counsel, that this deposition may be signed before any	6
7	Notary.	MISSOURI PUBLIC SERVICE COMMISSION 7 Mr. Steven Dottheim
8		200 Madison Street, P.O. Box 360
9	LENA MANTLE	8 Jefferson City, Missouri 65102 573.751.7489 9 IN RE: IN THE MATTER OF UNION ELECTRIC COMPANY D/B/A AMEREN
10	(DEDODTED BY MIGHELLE L. DACHEGA)	UE FOR AUTHORITY TO FILE TARIFFS INCREASING RATES
11	(REPORTED BY MICHELLE L. PACHESA) (LICENSE NO. 853(g))	10 FOR ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE COMPANY'S MISSOURI SERVICE AREA
12 13		11 CASE NO: ER-2008-0318
	CERTIFICATE	12 Dear Mr. Dottheim: 13 This letter, a copy of which is inserted as the last page of
14 15		the deposition taken in the above-styled case, is notice to
	STATE OF)	14 you that the transcript has now been prepared and is ready for reading and signature.
16	STATE OF) COUNTY OF)	15
17		Please send this witness, LENA MANTLE, your copy of the transcript. Have the witness read over, make any corrections
18	Before me personally appeared LENA MANTLE, known to me to be the person described in and who executed the	on the attached correction sheet, sign before a Notary
	foregoing instrument and acknowledged to and before me that	Public, and return to MR. THOMAS M. BYRNE the signed signature page and correction sheet within thirty (30) days.
19	he/she executed the said instrument in the capacity and for the purpose therein expressed.	18
20	WITNESS my hand and official seal this day of, 2008.	Thank you, 19
21	day of, 2006.	20
22	NOTARY PUBLIC	Michelle L. Pachesa 21 RPR, CCR, CSR
23		22 CC: Mr. Thomas M. Byrne
24	My Commission Expires:	23 24
25		25
	Page 83	
1	_	
1 2	ERRATA SHEET	
3 4	WITNESS NAME: LENA MANTLE IN RE: IN THE MATTER OF UNION ELECTRIC COMPANY d/b/a AMEREN	
	UE FOR AUTHORITY TO FILE TARIFFS INCREASING RATES FOR	
5	ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE COMPANY'S MISSOURI SERVICE AREA	
6		
7	Upon reading the transcript and before subscribing thereto, the deponent indicated the following changes should be made:	
8	Page Line Should read:	
9	Reason for change:	
	Page Line Should read:	
10 11	Reason for change: Page Line Should read:	
10	Reason for change:	
12	Page Line Should read:	
13 14	Reason for change: Page Line Should read:	
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22 23	Reason for change: Page Line Should read:	
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24 25		

## LENA MANTLE 10/31/2008

	Page 82	
1	SIGNATURE PAGE	
2		
3	I, LENA MANTLE, do hereby state that I have read	
	the foregoing questions and answers appearing in this	
4	transcript of my deposition; that this is a true and accurate	
{ _	report of said answers given in response to the questions	
5	appearing herein.	
6	IT IS FURTHER STIPULATED AND AGREED, between  Counsel, that this deposition may be signed before any	
"	Notary.	
7	Notary.	
8	Q m H	
	Leva Mantle	
9	LENA MANTLE	
10		
11	(REPORTED BY MICHELLE L. PACHESA)	
ļ	(LICENSE NO. 853(g))	
12		
13		
14	CERTIFICATE	
15		
	STATE OF Missauri	
16		
}	STATE OF Missouri )  COUNTY OF Callaway )	
17	,	
{	Before me personally appeared LENA MANTLE, known to	
18	me to be the person described in and who executed the	
}	foregoing instrument and acknowledged to and before me that	
19	he/she executed the said instrument in the capacity and for	
20	the purpose therein expressed.	
20	WITNESS my hand and official seal this  day of November 2008	
21	day of November, 2008.	
22	Ama Filman	
	NOT'ARY PUBLIC	
23		
	My Commission Expires: SUSANL SUNDERMEYER	
24	9 - 2/- //) STARY S- My Commission Expires	
25	SEAL September 21, 2010 Callaway County	
1	Commission #06942086	

1 ERRATA SHEET

- 2 WITNESS NAME: LENA MANTLE
- 3 IN RE: IN THE MATTER OF UNION ELECTRIC COMPANY d/b/a AMERENUE'S
- 4 TARIFFS TO INCREASE ITS ANNUAL REVENUES FOR ELECTRIC SERVICE

5

- 6 Upon reading the deposition and before subscribing thereto,
- 7 the deponent indicated the following changes should be made:
- 8 Page 33 Line 20 Should read: They don't know exactly. . .
- 9 Reason for change: Sentence didn't make sense as transcribed.
- 10 Page 35 Line 13 Should read: Shouldn't be a change in mmbtu.
- 11 Reason for change: Reporter didn't understand what was said.
- 12 Page 51 Line 3 Should read: their analysis, and Staff's too, combined
- 13 Reason for change: Added missing punctuation.
- 14 Page 69 Line 3 Should read: A. Typically I leave that for the return analyst
- 13 Reason for change: Added missing word for clarification.
- 14 Page Line Should read:
- 15 Reason for change:
- 16 Page Line Should read:
- 17 Reason for change:
- 18 Page Line Should read:
- 19 Reason for change:
- 20 Page Line Should read:
- 21 Reason for change:
- 22 Page Line Should read:
- 23 Reason for change: