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

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DEPOSITION OF LENA MANTLE,

taken on behalf of the Ameren Services Company, at the offices of MISSOURI PUBLIC SERVICE COMMISSION, 200 West Madison Street, Room 810, in the City of Jefferson City, State of Missouri, on the 31st day of October, 2008, before Michelle L. Pachesa, Registered Professional Reporter, Certified Court Reporter, and Notary Public.

APPEARANCES

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STIPULATION

IT IS HEREBY STIPULATED AND AGREED by all parties hereto, through their respective Counsel, that the deposition of LENA MANTLE, may be taken by Michelle L. Pachesa, Registered Professional Reporter, Certified Court Reporter, and Notary Public, and thereafter transcribed into typewriting.

IT IS FURTHER STIPULATED AND AGREED that any and all objections to all or any part of this deposition are hereby reserved and may be raised on the trial of this cause, and that signature of the deponent is not waived.

LENA MANTLE,
of lawful age, being first duly sworn to tell the truth, the whole truth, and nothing but the truth, deposes and says on behalf of the Ameren Services Company, as follows:

DIRECT EXAMINATION
QUESTIONS BY MR. BYRNE
Q. Good morning, Ms. Mantle. As you know, my name is Tom Byrne, and I'm an attorney representing Ameren UE, and I'm here today to take your deposition in Case Number ER-2008-0318, which is Ameren UE's electric rate case pending before the Missouri Public Service Commission.
Ms. Mantle, can you please state your name and business address.
A. My name is Lena Mantle, and my business address is P.O. Box 360, Jefferson City, Missouri 65109 -- or 102. I'm sorry.
Q. And by whom are you employed, Ms. Mantle?
A. I'm employed by the Missouri Public Service Commission.
Q. And are you the same Lena Mantle who contributed to the Staff report on Ameren UE's cost of service, which was filed in Missouri Public Service Commission Case Number ER-2008-0318?

A. Yes, I am.
Q. Okay. Ms. Mantle, I'd like to go over a few preliminary matters before I start asking the substantive questions. First, is there any reason that you know of that you would not be able to hear, understand, or answer my questions today?
A. No.
Q. For example, you're not taking any medication that might affect your ability to do any of those things?
A. No.
Q. Okay. And second if you don't hear or understand any question I ask, I would ask that you ask me to clarify it or repeat it. Can you do that?
A. Yes.
Q. Okay. And third, if you'd like to take a break, just say so, and we can stop anytime you want.
A. Okay.
Q. Ms. Mantle, can you tell me, what is your position at the Missouri Public Service Commission?
A. I'm manager of the Energy Department.
Q. Okay. And to whom do you report in that position?
A. I report to Natelle Dietrich, D-I-E-T-R-I-C-H.
MR. DOTTHEIM: And would you also spell Natelle?

A. Natelle is N-A-T-E-L-L-E.
Q. (By Mr. Byrne) And what's Natelle Dietrich's position?
A. She is Utility Operations Division Director.
Q. Okay. And then who would she report to?
A. She would report to Wess Henderson.
Q. And his position is?
A. He's an Executive Director of the Public Service Commission.
MR. DOTTHEIM: And excuse me. I'd like to ask you if you would please spell Wess Henderson just for clarity.
A. Wess is spelled W-E-S-S. Henderson is H-E-N-D-E-R-S-O-N.
Q. (By Mr. Byrne) And that -- and his is the top position amongst the Staff, is that correct? It doesn't go any higher than that other than the commissioners?
A. That's correct.
Q. Okay. And just briefly, what is the scope of your responsibilities in your current position?
A. I oversee the operations casework for all gas and electric cases filed before the Commission. I also am involved in rule makings having to do with electric and gas utilities. The gas safety section is also under my direction.

Q. Okay. And does your department file testimony in most electric and gas rate cases?
A. We would either file testimony or recommendations.
Q. Okay. And again, I know -- well, can you briefly explain the positions you've held at the Commission? I know you've been here for a while, but if you could sort of briefly explain your career at the Commission and the different positions you've held.
A. I started at the Commission as a regulatory economist in August of 1983. Within a year, I -- my position title changed to Load Management Engineer. And through the years, the engineer title changed to Engineer I/II and then an Engineer III. OA reclassified us, and I became then an Engineer I. That would have been in the mid 1990s. In the year 2000, I was promoted to Engineering Supervisor of the Engineering Section in the Energy -- at that time, it was the Electric Department. And in 2005, I became Manager of the Energy Department, which oversees both gas and electric.
Q. And, I mean, were you largely involved with electric load management issues a large part of that career?
A. That has been part of my duties pretty much since I came on; but at times, it's a large portion of what

I do, and sometimes it is not.
Q. Okay.
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 safety 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 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?

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 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's 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 correct?
A. That is correct.
Q. And you address the company's proposed fuel 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 this case?

A. That's the only issue I addressed in this case in that report.
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. That is correct.
Q. But some other witnesses filed -- you didn't file any rebuttal testimony, right?
A. No, I did not.
Q. But there were other Staff witnesses that addressed aspects of the need for a fuel adjustment clause in rebuttal testimony, and I'm thinking of Dr. Proctor is one, and are there -- is he a witness that addressed an aspect of it?
A. Dr. Proctor did address an aspect of the need for FAC. James Watkins addressed a potential rate design if the Commission were to allow an FAC.
Q. And potential tariff issues too as well, Mr. Watkins?
A. I believe -- yes. That was part of his work.
Q. Okay. Have you testified in any previous cases regarding any utility's request for a fuel adjustment clause in Missouri?
A. Yes, I have.
Q. Which cases?

A. The last Empire District Electric Company rate case.
Q. Okay. And that's the only one?
A. That's correct.
Q. And what was your position in that case on whether Empire should get a fuel adjustment clause?
A. I recommended that the Commission grant or allow Empire to have a fuel adjustment clause.
Q. Okay. And it's my understanding that the Commission did, in fact, adopt a fuel adjustment clause for Empire, is that correct?
A. Yes.
Q. Okay. How did you come to be the fuel adjustment clause witness in this case or the -- whether we should -- testifying on whether we should have a fuel adjustment clause?
A. In the development of the fuel adjustment clause rules, I was one of the main authors of that rule, along with Warren Wood. We both worked very closely with the utilities in development of that rule, and so that gave me some natural inclination towards filing testimony or including the Staff or part of the Staff report on the fuel adjustment clause.
Also, it became evident that our -- my department would be involved in prudency reviews of fuel

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adjustment clause and true-ups and, therefore, it again naturally tended to fall under my expertise to present the Staff's position on fuel adjustment clause.
Q. Did somebody ask you to file 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 Staff meeting to discuss policy, to discuss what Staff's position would be regarding the fuel adjustment clause and --
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 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 --
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

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a fuel adjustment clause, is that correct?
A. That is correct.
Q. You haven't changed your mind since your last piece of testimony?
A. No, we have not.
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?
A. It would be the Division Directors -- well, 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-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.
Q. Okay. And then legal advice obviously too. Anybody else involved?

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A. Anybody else involved in...
Q. In the decision as to what position the Staff was going to take in this case regarding the fuel adjustment clause?
A. The auditors that are involved in auditing --
Q. Okay. Like --
A. -- the Ameren UE.
Q. Like 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. Okay. Specifically, do you have a copy of the Staff report with you?
A. Yes, I do.
Q. I think the part you're responsible for starts on page 59 maybe.
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?

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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. 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 capacity that's used to generate the energy that's sold. So, therefore, the customer should receive the benefit of

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the revenues.
Q. Okay. And if it was -- if off-system sales revenues were included and costs, I guess, it would track dollar for dollar any increases in the revenues and costs that might be experienced?
A. It should, yes.
Q. And that would -- in your mind, that would be fair given -- if there's a fuel adjustment clause that tracks the other fuel costs, it's only fair that we ought to track the revenues from off-system sales, is that true?
A. That would be accurate, yes.
Q. Okay. Do you know if the fuel adjustment clauses approved for Empire and Aquila -- well, first of all, there have been fuel adjustment clauses approved for both Empire and Aquila, is that correct?
A. That is correct.
Q. Do you know if either of them have off-system sales or revenues included in the fuel adjustment clause?
A. I believe that Empire does. I'm about 80 percent certain Aquila has, but I haven't looked at that lately.
Q. I'm sorry. What are you 80 percent certain of?
A. That revenues are also included in Aquila's --
Q. Okay.

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A. -- fuel adjustment clause, but I haven't looked at that recently, so.
Q. Okay. But you're -- you know that they're included in Empire's?
A. Yes.
Q. Okay. And was that your recommendation in Empire's case as well?
A. Yes.
Q. Okay. Let me ask a little bit about your experience with fuel contracts. My understanding from our previous discussion is you've reviewed fuel contracts in the course of your duties with the Public Service Commission, is that correct?
A. Some, yes.
Q. Some. Okay. Is it very many?
A. Let me ask you to clarify that. Is that contracts for the fuel that would be burned to generate energy?
Q. Yes.
A. Okay. With that clarification, I was -- I was mistaken earlier. It would be purchased power agreements that I have reviewed and the contracts for purchased power agreements.
Q. Okay.
A. And I'm sorry about the confusion earlier.

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Q. No, that's okay. Well, let me ask you. So then you haven't reviewed like coal contracts for an electric company or gas contracts or nuclear contracts, is that right?
A. No.
Q. And I assume you haven't -- well, how about one other set of contracts. How about off-system sales contracts, have you reviewed any of those?
A. If those refer to contract off-system sales are usually longer term --
Q. Just any kind of -- I guess my question is any kind of a contract for an off-system sale, have you ever review any one?
A. I don't believe that I have.
Q. Okay. And I assume you've never -- well, I guess I'll ask because I'm not a hundred percent sure. You've never been involved in negotiating any kind of fuel supply or off-system sale or purchased power contract, have you?
A. No, I have not.
Q. Okay. And I assume you've -- this is probably subsumed in my previous question, but let me focus a little on nuclear fuel. You've never reviewed a nuclear fuel contract?
A. No, I have not.

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Q. And you've never, I assume, negotiated a contract to buy nuclear fuel?
A. No, I have not.
Q. Do you know where nuclear fuel comes from?
A. As in geographic region or...
Q. Sure. Yes. Geographic region.
A. Okay. I believe out in the western part of the United States, there's a source. We've also -- there's also been the nuclear weapons that have been dismantled, that have been a source of some of the nuclear fuel. That would be both our United States weapons that have been dismantled and other countries.
Q. Do you know what the material is that is in nuclear fuel?
A. Uranium.
Q. And do you know -- my understanding -- I have limited knowledge, but my understanding is there are some steps that have to be taken to process uranium to go from the raw form to a form that can be used as nuclear fuel. Do you know what those steps are?
A. I know there's an enrichment process, but I'm not intimately familiar with that process.
Q. Do you know who does the enrichment?
A. No.
Q. Do you know if there's any other steps to

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process nuclear fuel?
A. Of course, there would be transportation to the plant site.
Q. Do you know what form the nuclear fuel is in when it gets to the plant?
A. It's in a rod.
Q. All right. Have you -- do you have any experience or expertise in measuring power price volatility?
A. What are you -- what is your definition of volatility?
Q. I guess changes in power price.
A. Fluctuations or just a general rise?
Q. Fluctuations.
A. Okay. Now, the question again was...
Q. Did you have any -- have you ever -- do you have any experience in attempting to measure the volatility of power prices? Maybe I didn't ask the question exactly right before.
A. No, I've not.
Q. Okay. Let me ask you some questions about coal similar to what I asked you about nuclear. Do you know where the coal comes from that Ameren UE uses in its power plants?
A. The majority of the coal that Ameren UE uses

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is from the Powder River Basin out in the Wyoming/Montana area. But Ameren UE also uses to a limited extent some coal mined in Illinois.
Q. Okay. Do you know what -- do you know what types of instruments are available for Ameren UE to hedge its delivered price of coal?
A. Well, a contract signed for a period of time at a certain price or even an escalating price would be a hedge. There's also financial options out available for Ameren UE to use that could put a boundary on the costs of coal that may be purchased by Ameren UE.
Q. And where do you get those contracts, if you know?
A. The financial?
Q. Yes.
A. I think those are usually NYMEX traded type of options and futures.
Q. Is there a NYMEX market for coal contracts right now?
A. There is a NYMEX spot coal market for spot purchases. I do not know if there is for long-term coal contracts.
Q. Okay. Any other ways to hedge the delivered cost of coal to the plant?
A. Well, if you're talking the delivered cost,

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you'd also need to button down some costs on the rail transportation to get it from the Powder River Basin or from Illinois to Ameren UE's plants. I think -- or I know some of the coal is also brought to the plants on barge. So the prices for the transportation, and I believe even the diesel fuel for trucks that brings some of the coal to the plant, Ameren UE hedges some of those costs.
Q. So how do we -- how do we hedge the diesel fuel for trucks bringing coal to the plants?
A. I know I've seen documents where you've talked about how the percentage that you have hedged. The specific instruments, I don't know about.
Q. Okay. Let me ask about natural gas. Do you know where Ameren UE gets natural gas to run its generating units?
A. Through various pipelines that cross the state of Missouri.
Q. And do you know which ones in particular?
A. Not in particular.
Q. Okay. And is there a way to hedge -- for Ameren UE to hedge its natural gas fuel costs?
A. Contracts can be signed for natural gas also at a set price and quantity delivered. There's also financial instruments for natural gas also.
Q. So when you say contracts, in other words, you

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could sign a long-term contract for several years at a price determined in the contract, and that would -- that would to one degree or another lock in the price, is that right?
A. It's my understanding there is not a lot of long-term contracts for natural gas, but -- long-term being five or more years -- but you can enter into contracts for purchase of natural gas.
Q. Do you know how long you can enter into contracts for for the purchase of natural gas?
A. No, I do not.
Q. Can you explain to me how financial instruments can be used to hedge the price of natural gas supply?
A. There's different financial options. You can buy an option with a cap that more or less allows UE to if the price would rise higher than that cap, UE would only have to pay the cap. That's the choice of the purchaser of that option. And the opposite, you can put a collar on it, put both ends of it so that it...
Q. Okay. Isn't there a pretty sophisticated market for natural gas on the New York Mercantile Exchange?
A. Yes.
Q. And aren't there more opportunities and more different kinds of financial instruments like collars you

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mentioned and puts and options than there are, for example, coal or oil sources of supply?
A. Definitely for coal. More than there is for coal. It's a pretty well developed market for natural gas.
Q. Okay. And, I mean, my understanding -- correct me if I'm wrong, but my understanding is the reason that is because it's sort of developed first, you know, it's probably maybe ten years old or 12 years old than the NYMEX gas market, is that correct?
A. It did develop first. How old, I don't want to guess.
Q. Okay. But for whatever reason, there's more options available, more financial instruments available, in that market?
A. That's true.
Q. Okay. Let's talk about off-system sales for a moment. Are there ways that off-system sales can be hedged?
A. A utility can enter into a contract with another utility that needs the power. That would be a form of a hedge. A utility would then know how much it's going to be selling. Usually those are called firm contracts.
Q. And it could be for a period of several years even, I guess?
A. A few months up to a period of years, yes.

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Q. Okay. But in Ameren UE's case, aren't there some limits on its ability to do that because it doesn't know how much generation it needs for its native load for sure?
A. That's not specific to Ameren UE. That's every electric utility. But Ameren UE does have excess capacity on which it does know that it has, so then it can enter into some of those hedge -- those contracts.
Q. I mean, isn't there a seasonal component to that excess capacity? In other words, isn't there a lot more excess capacity, and probably not just for Ameren UE, for every utility, isn't there a lot more excess capacity in the shoulder months than in the summer months when the demand can be -- native load demand can be a lot higher?
A. Typically there's more excess capacity in the spring and fall, but then that would be contingent upon too the maintenance outages that may be occurring during that time.
Q. Okay. I mean, doesn't -- hasn't historically Ameren UE sold most of its off-system sales in the shoulder months?
A. I can't say.
Q. Okay. How about purchased power contracts, how could a company hedge purchased power?
A. It could enter into contracts with other

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utilities that do have excess capacity. Because capacities put on the system in lumps, a utility will often have excess capacity, but they know when they are going to need that capacity, so up to that time they can offer to sell to another utility that.
Q. So if you needed purchased power, you wouldn't necessarily have to just rely on the day-to-day market, you could enter into a long-term contract?
A. Yes, you can.
Q. And that would hedge the price and the quantity both, just like a long-term off-system sales contract?
A. Yes.
Q. Okay. Are there similarities between purchased power and off-system sales?
A. Say that again.
Q. Are there similarities between purchased power -- yeah -- purchased power and off-system sales, in other words, buying power off the market and selling power into the market?
A. Usually somebody -- if somebody is buying, somebody is selling.
Q. Okay. I mean, it all takes place in the same market, for example, doesn't it?
A. If you look at the market as being the broad

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purchasing and selling of power, I wouldn't say it all takes place in the NYMEX or some specific spot like that, but it is. If you look at the general market, yes.
Q. Okay. Do you know what kind of -- do you know what kind of coal each of Ameren UE's four coal plants use?
A. I have it in my stack, but I do not have it memorized, no.
Q. Okay. On a new subject. In your opinion, what is the standard for a utility getting a fuel adjustment clause in Missouri?
A. It would be its ability to manage its costs. Some costs are more volatile than others. Some, as you previously talked about, have different financial abilities to hedge or to not hedge. In some markets, long-term contracts are more available. So it all takes into account that and how big swings in fuel costs would affect their return.
Q. Okay. I think the Commission -- and I think this is in your part of the Staff report. Let me see if I can find it. On page 60, the Commission has laid out three considerations. I mean, are those -- in your mind, are those important in determining whether a particular utility should get a fuel adjustment clause in Missouri?
A. Definitely.
Q. Okay. And in addition to these three factors,

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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.

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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

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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?
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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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

overall, not the changes in costs, which is what this addresses, but its fuel costs overall are substantial. Would you agree with that?
A. Yes. My testimony -- or my -- the report says it comprises approximately 25 percent of Ameren UE's operation and maintenance expense.
Q. Okay. And, you know, even though a lot of these costs are hedged, there are changes from year to year, are there not?
A. Yes.
Q. And the changes can be because portions of the costs aren't hedged, is that true?
A. Yes.
Q. So, for example, you know if there's parts of our gas fuel that are not hedged, that would be a change -- that would be a change that could take place from year to year, is that right? A change in the market price of gas would result in a change in our fuel costs, is that correct?
A. That would result in a change.
Q. And in addition, even to the extent the coal costs are a hundred percent hedged, you know, isn't there the opportunity for the costs to change because the -- because the quantity of coal that is used in any given year can't be known with a hundred percent certainty? So in

other words, we hedge based on our prediction of how much coal we're going to use, but that prediction is going to be wrong to some amount or another, is that correct?
A. It will definitely be wrong.
Q. Okay.
A. But yes, it does vary from year to year based on the needs of your customers.
Q. Okay. And so that would be a change, even though it looks like you're a hundred percent hedged because the coal burned is different from year to year, that's a change in cost from year to year, is that correct?
A. That will be a change in total cost. It shouldn't be a change in cost per amenity to you.
Q. And let me ask you this. Even if coal costs are hedged, even if the price of coal is hedged, that price can go up from year to year, can't it, or down?
A. It's my understanding that some of your coal contracts does have an escalation rate in it for the cost of coal.
Q. Do you -- do you know how many of Ameren UE's coal contracts have escalation provisions in them?
A. No, I do not.
Q. Do you know if it's half?
A. No, I do not.
Q. Okay. And what about transportation, isn't

transportation on railroads a fairly significant percent of the total delivered costs?
A. Transportation is a significant portion of the coal costs, yes.
Q. Do you know what portion it is?
A. Specifically, no.
Q. Okay. And do you know to what degree Ameren UE has transportation -- long-term transportation contracts for that transportation?
A. At the time that the Staff filed the report, and actually at the time the Staff date of request 219 was given to Staff, which I believe was in July, its hedged portion regarding transportation was a hundred percent for 2008, 96 percent for 2009, and 45 percent for 2010. In the time that has elapsed since we got that date of request, I would assume the amount for 2009 has probably moved to a hundred percent and the amount for 2010 has increased also.
Q. But would you agree, you know, the same issues apply to transportation, even to the extent it's supposedly a hundred percent hedged, there can be variations in the quantity transported that would lead to changes from year to year. Is that fair to say?
A. Yes.
Q. And also there can be escalators in the contracts so that even -- even though it's a hundred

percent under contract, there will be changes from year to year. Is that fair to say?
A. I'm not familiar with the transportation contracts enough to say, but there very well could be.
Q. Okay. So you don't know if the transportation contracts have any escalators in them?
A. No. I'm not aware of that.
Q. Okay. So in any event, would you agree because of the things we've been talking about, there are some changes in fuel costs that Ameren UE experiences from year to year?
A. I would agree that the budgeted amount that Ameren UE has budgeted for will not be met and will either be higher or lower.
Q. Okay. And have you done any analysis to consider the magnitude of those changes?
A. No, I have not.
Q. Okay. So since you haven't done any analysis, I assume you don't know if those changes are substantial or not?
A. Well, I haven't done a lot of analysis specifically on fuel costs. I have done weather normalization of loads of the utilities system, not specifically for this case but for several other cases, and since the need for fuel would be directly correlated to the

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weather, I've seen variations at most maybe five percent over a year.
Q. Okay.
A. In the load.
Q. And that's from the weather?
A. In the load. From the weather, yes.
Q. But you haven't looked at whether any of the contracts have escalations in them or tried to measure the magnitude of those escalations?
A. No, I have not.
Q. Okay. And those would be a kind of change in fuel costs, wouldn't they?
A. Yes, they would.
Q. Okay. And it also says -- part of this number one says it's substantial enough to have a material impact on revenue requirements and the financial performance of the business. What in your mind would be enough of a change to have a material impact on the financial performance of a business in between rate cases?
A. I'm not an ROE expert or an expert in the area of return. It would have to do with the percentage of the change -- or the cost as it compared to, you know, total expenses would be one measure whether it were substantial enough.
Q. Well, I guess I'm looking for a specific

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number, and do you know a number that you would say meets that, you know, a percentage impact on earnings or something? Can you quantify what that -- when it becomes substantial or do you just not know that?
A. I have not -- I do not know that number.
Q. Okay. So I guess the bottom line is you're saying your belief is that Ameren UE does not meet number one on page 60 of the Staff report?
A. It's my belief that most of the change in costs over the next few years are due to those escalation rates in the coal contract, however the Commission has stated in its last Ameren UE order that that should not be a reason for an FAC.
Q. So --
A. So yes, I do not agree that UE has met that standard.
Q. Okay. Let's move on to the second standard. And the second standard says that the change in costs or revenue -- and when they say cost or revenue, what are they talking about? Why is it -- why is it cost or revenue? Is that off-system sales they're talking about?
A. I would explain it as off-system revenues.
Q. Okay.
A. I don't want to -- I don't want to say what the Commission may or may not have thought about.

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Q. But that's all you can think of that they could be talking about when they say cost or revenues?
A. And that may be off-system sales revenues. The Commission has also allowed SO2 allowance to be included in fuel adjustment clause. So there could be revenues that way. So just about any way related to fuel costs that there could be a revenue.
Q. Okay. So it could be other things as well, but would you agree that that includes off-system sales revenues?
A. Yes.
Q. Okay. Standard two says that the changes in costs or revenues have to be, quote, beyond the control of management where utility management has little influence over experienced revenue or cost levels. Did I read that right?
A. Yes.
Q. Okay. Do you think Ameren UE meets that factor?
A. No, I do not.
Q. Okay. And why not?
A. As it is explained in the direct and rebuttal testimony of your fuel experts, Ameren UE fuel is purchased by one of its affiliates -- I don't know the exact name. Ameren Energy Fuels, I believe -- that purchases fuels for

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all Ameren companies. So they do purchase a lot of fuel, and with a large -- being able to buy a large amount, you can have some influence over the price that you get. You also have experienced people that are managing these costs, that know how to use the financial instruments, that know the coal contracts, and the fact that you can buy so much, the buying power does have some influence over the cost level.
Q. So, for example, because we buy so much coal from Powder River Basin, you think we're able to influence the price that coal is being sold for in the Powder River Basin?
A. I think you can influence the costs of the coal that you are purchasing. I don't think you can influence the total overall costs for all utilities or so forth, but because you're buying in bulk, it's much the same as going to your bulk stores that you can get a better price because you're buying in a large quantity.
Q. Okay. But you don't think we can control the market price of coal in the Powder River Basin, do you?
A. No.
Q. Okay. Wouldn't it be fair to say national and international market forces set the price for coal out at the Powder River Basin?
A. Yes.

Q. Do you know where the Powder River Basin is?
A. Wyoming or northwest part of the United States.
Q. Have you ever been there?
A. Specifically to see where the coal is mined, no. I've driven through that part of the country.
Q. And have you ever talked to any coal producers of the Powder River Basin?
A. No.
Q. Okay. Do you know if international forces affect the price of coal in the Powder River Basin, like demand for coal in China or India or something like that?
A. I know the demand for coal has really increased in China and India, and that would have an influence on costs -- all types probably of costs of coal.
Q. Do you think the demand for coal in China has the same kind of influence on the price of coal from the Powder River Basin as Ameren UE, Ameren UE's ability to negotiate its purchases in bulk does?
A. I don't have any idea.
Q. Okay. You haven't done any kind of a study to determine how much influence Ameren UE does or doesn't have over the price of coal in the Powder River Basin, have you?
A. No, I have not.
Q. Okay. And you also mentioned that we can have

the ability to hedge our coal costs I think, is that correct, as one way we can influence our costs?
A. That's correct.
Q. Okay. But even if we hedge the cost, when we enter into the hedge contracts, I mean, that still doesn't change the fact that we're subject to the prices in the underlying market, does it?
A. The underlying spot market or just the long -- I mean, the long-term market?
Q. Yeah. The long-term market.
A. No. I mean, you're still subject to that -- those changes.
Q. And if the costs are going up, ultimately our costs are going to go up as well notwithstanding our ability to hedge?
A. That's correct.
Q. Okay. Wouldn't it be more fair to say that Ameren UE can't control coal costs, but it can influence them through hedging?
A. Actually, I do believe I said in the report that Ameren UE cannot control the prices.
Q. Okay.
A. I've already said that.
Q. But you're saying --
A. But yes, you do have some influence over the

costs that you incur.
Q. Okay. Let's look at the third factor that's on page 60 of your report, which is the changes in costs or revenues must be, quote, volatile in amount, causing significant swings in income and cash flows if not tracked. Did I quote that correctly?
A. Yes.
Q. Okay. And do you believe that that factor -- that Ameren UE meets that factor -- that Ameren UE's cost and revenues meet that factor?
A. I do not believe that the fuel used to meet native system load is volatile. I will agree with you that off-system sales market is volatile.
Q. And are our off-system -- is Ameren UE's off-system sales revenues, are they volatile?
A. Yes.
Q. Okay. Would you agree with me that volatility is a subjective standard?
A. I think there's some definite, I mean, boundaries about what volatility is. It's swings over short period of time up or down. I guess there could be disagreements over what that length of time was and what is considered a swing in prices.
Q. Well, let me try to explore that a little bit. If costs go up or down by 20 percent during the course of

the year, will you consider that volatile?
A. Yes.
Q. How about fifteen percent?
A. Yes.
Q. How about ten percent?
A. Here you're getting into the gray area.
Q. Okay.
A. I know what's one or the other, but the gray area in between...
Q. Where does the gray area start, do you think?
A. Oh, somewhere around ten percent, a little under ten percent.
Q. And then at a certain point, the gray area probably ends below that, and it's not volatile. Any thought of where the gray area might end?
A. Oh, probably less than five percent.
Q. Less than five percent. It wouldn't -- you would not characterize that as volatile?
A. No.
Q. It's not even gray?
A. It -- that's correct.
Q. Okay. If you look -- it's also talking about swings in income and cash flows. You know, if you looked at it from that perspective, what -- what kinds of swings in income and cash flows would be significant in your mind?

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Would a million dollars be significant? Would five million do it? What would be significant in your mind?
A. Well, of course, it has to do with what you're comparing it to. Compared to my salary, yes, a million is a lot. Compared to Ameren UE's revenues, it wouldn't be much.
Q. Right. But, I mean, isn't -- no matter what you're comparing it to, isn't a million dollars a significant amount of money? I mean, even in the federal budget, isn't a million dollars a significant amount of money?
A. I hesitate because when we design rates for Ameren UE, we have trouble meeting exactly the revenue requirement. We have to go out so many digits on the rate to even come close. A million dollars is a rounding error when it comes to rates. So to me, that's sort of my measurement. If we have trouble setting rates to that amount, then that's...
Q. Okay.
A. And a million dollars, I don't know that Ameren UE could change its rates to only increase --
Q. Sure.
A. -- its earnings by one million or decrease its earnings by one million.
Q. Okay. That makes sense to me. But where does

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that stop? I mean, what about five million or ten million dollars, would that get beyond that issue and perhaps be significant?
A. It starts becoming significant.
Q. Okay. At what point does it start becoming significant?
A. If you're talking about income in general, somewhere between five and ten million dollars.
Q. Okay. I mean --
A. I mean, that's --
Q. Sure.
A. That's the size of issue that Ameren UE and the other parties would sit down and discuss. Starting about five million would really put some great effort into working on it.
Q. Okay. But we've got -- I mean, we've got plenty of issues in this case worth less than five million dollars that at least as of right now are scheduled to go to hearing, right?
A. Yes. Yes.
Q. So at least those issues are at least significant enough to take the hearing for both of us?
A. Yes.
Q. Okay. I guess you didn't file testimony in the Aquila case, did you?

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A. Not on fuel adjustment clause.
Q. Do you -- do you support Aquila having a fuel adjustment clause? And you may not know, you know.
A. Yeah. I -- I'm -- the Commission said they could have one. So, I mean, because the Commission, you know, provides us guidelines, I would say yeah.
Q. I guess it's -- I guess it's sort of once the Commission says Aquila can have an FAC, it's a moot issue, I guess?
A. They really don't care at that point what my opinion is.
Q. Right. And I assume the same would be true in Ameren UE's case, if Ameren UE was given a fuel adjustment clause, you would deal with it?
A. That doesn't mean the next time there's a rate case I might not -- I might come up with a different position in the Staff's case; but yes, when the Commission says a utility deserves a fuel adjustment clause, then that's...
Q. And there isn't any reason, is there, from a -- what's the right way to put this -- from an administrative standpoint, you could administer a fuel adjustment clause for Ameren UE if the Commission ordered Ameren UE to have one, couldn't you?
A. If the Commission orders Ameren UE to have

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one, we will do what's necessary to administer it, yes.
Q. Okay. Empire you filed testimony. So let me focus on them. What are the reasons that you think -- you supported the fuel adjustment clause for Empire, right?
A. That's correct.
Q. And what are the reasons that Empire should get a fuel adjustment clause or has already gotten one and Ameren UE should not in your opinion? What's the difference? What are all the differences?
A. Empire's energy is mostly created through gas generation. They don't have the coal, the base load units, that Ameren UE does. And the gas market is very different from the coal market, and it's a lot more difficult to get long-term contracts for gas supply than it is coal, even though it's becoming harder for coal also; but currently, I mean, that -- that's one of probably the biggest area that I see.
Fluctuations in Empire's fuel cost -- and I measured it in the report that Staff did for Empire -- have caused -- change in natural gas prices have changed their cost very significantly over the past four years, even before they had a fuel adjustment clause.
Q. So, I mean, not to put words in your mouth, but does it boil down to Empire -- I mean, of course, Ameren UE uses gas, but you're saying Empire uses gas for

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base load power generation, whereas Ameren UE uses coal and nuclear?

A. Empire has base load -- some base load. It has a coal plant. It has base load contracts, and it also has some wind energy that's relatively inexpensive. But a lot of their needs are met through natural gas fired generation. They do have a combined cycle, which is an intermediate type plant -- I wouldn't call it a base load plant -- that they do get a lot of their energy from.

Q. Do they not have any base load plants that are gas?

A. I wouldn't characterize any of their base load -- any of their gas plants as base load.

Q. Because I mean -- and, I mean, you may understand this better than me -- but my understanding is all of Ameren UE's peaking plants are gas, so isn't that the same?

A. No. It's not the same because Ameren UE's -- the percentage of capacity that it has that is base load is quite large compared to the percentage of capacity that Empire would have that is base load. Back in the '70s and '80s when companies like Ameren UE and KCPL were building a lot of base load, they had excess. So instead of Empire building, they entered into long-term contracts so they had inexpensive base load energy too. When those contracts

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started running out for Empire, the price of gas at that time was what we would consider very low nowadays and, according to their analysis and Staffs too, combined cycle was the best alternative, and since then, adding more peakers has been their best alternative; but Ameren UE has enough base load to cover its base load and its intermediate load too.

Q. Okay.

A. So it's using the low cost base load plants to meet both its base load and its intermediate load.

Q. Okay. And what's the difference between base load and intermediate load? I'll bet you know.

A. It's one of those things you know what base load is and what peaking is. Base load plant has high capital costs, are expensive to build, but are inexpensive to run, and those are typically coal or nuclear or hydro. Hydro is also considered base load a lot of times. A peaker would be quick to build, inexpensive to build, and expensive to run. Intermediate falls in between those two categories. It's more expensive to build than a peaker but not as much as a base load, and its running costs are less than a peaker but more than a base load.

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?

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A. Typically it does not run all the time. It does have a minimum up-time that it has to be on when it does come on, similar to what a base load does; but they will turn a combined cycle plant off and on more readily than they would a base load plant.

Q. I mean, do Empire's combined cycle plants run pretty often?

A. They use them a lot, yes.

Q. Like everyday in the summer?

A. I don't know exactly.

Q. A lot of the days in the summer?

A. Most likely.

Q. Okay. Any other differences other than what we've talked about between Ameren UE and Empire that justifies Empire getting a fuel adjustment clause and not Ameren UE in your mind?

A. Empire doesn't have the purchasing abilities that UE has.

Q. Because of the scale of our purchases?

A. The scale of your purchases. And Empire is a much smaller utility, so when it goes out to purchase what it needs, it cannot demand the same sort of reduction in cost because of the bulk, the pure amount of fuel that it's purchasing.

Q. Is there a difference, do you think, in the

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expertise of our fuel purchasing departments or sophistication?

A. Do I think -- Empire's coal -- I don't know about the coal. It may be relatively close to you all's. I would believe probably with gas they may not have the expertise. They don't have as much -- as many funds to pay somebody to do that also.

Q. Okay. Maybe this is a question you can't answer, so please say you can't if you can't. But do you have any thoughts on what makes Aquila different from Ameren UE in terms of why it's justified to give Aquila a fuel adjustment clause but not justified to give Ameren UE?

A. Aquila has some base load plants. It has quite a few peakers. Aquila is a very peaking utility. It doesn't have as much base load to meet as a percentage of the total load. I mean, the way I'd put it is its load factor is lower than Ameren UE's; and due to circumstances in the past, it does not have a great amount of base load such that UE has either; and due to other circumstances, they do purchase a lot of energy off the spot market because it's cheaper than running their own capacity. They have capacity to meet their loads usually, but it's cheaper to buy off the spot market a lot of times for Aquila.

Q. Okay. Let's look at -- you've got a chart called the LM1 --

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A. Yes.
Q. -- on page 61 of the Staff's report.
A. Yes.
Q. I'd like to look at that for a second because I think it numerically shows some of the things you've been talking about and -- well, like if we look at Empire. It looks like, you know, 20 percent of its megawatt hours are generated through natural gas, is that correct, 20.7 percent?
A. Yes.
Q. Versus Ameren UE is .2 percent and Empire -- or I mean Aquila is one percent. So I guess that's showing what you were talking about, that they're more dependent on natural gas?
A. Yes.
Q. And for that matter, purchased power, they've got 30.2 percent versus Ameren UE's 3.1 percent purchased power?
A. Their purchased power is base load -- the 30 percent is a contract purchased power. Those are long-term contracts, and they are for base load, and that's also their wind falls into that. So the comparison of a purchased power contract between Ameren UE and Empire isn't a real -- it's not an apples to apples type of comparison.
Q. Okay.

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A. Because they get a lot of their energy from their long-term contracts.
Q. Okay. And to the extent that they have long-term contracts, those are sort of hedged contracts, is that fair to say?
A. They have firm prices on them, so yes.
Q. And do you know the length of those contracts? I mean, several years or...
A. Yeah. It is several years.
Q. Do you think it's five years?
A. Why I'm hesitating is I don't know how much I can say that is confidential --
Q. Okay.
A. -- versus public information.
Q. Sure.
A. But they are long-term contracts.
Q. Okay. Well, then let's talk a little bit about natural gas. You know, Empire get 20.7 percent of their megawatt hours from natural gas. I mean, is -- and I understand the natural gas market is volatile, is an issue for them -- but isn't it possible for them to hedge portions of their gas supply using some of the financial -- well, they can use long-term gas contracts for one thing, couldn't they? That could be one way they could hedge their gas supply?

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A. Yes.
Q. And they could also use financial instruments to hedge the costs of their gas supply, couldn't they?
A. Yes.
Q. Do you know if they do that? And again, if it's confidential...
A. They do do some of that.
Q. Okay. I mean, they have available to them are, you know, futures contracts and options and puts and collars and all the types of financial instruments that we've talked about, is that correct?
A. That's correct. But the natural gas instruments, the hedging instruments, are different than the coal instruments.
Q. Okay. I mean, aren't they -- they're more available, the financial instruments, are they not, than they are in the coal market?
A. Natural gas is traded more, and there are more different types of financial options for natural gas than there is for coal.
Q. I mean, some people have described the natural gas market as more liquid than the coal market. Is that a fair statement to say?
A. I would agree with that.
Q. Okay. You're more -- and does that mean --

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when you buy coal, you're more in a position of having to go negotiate with individual coal producers rather than sort of trading on a NYMEX type of a market, is that true?
A. That would be true. And there's not speculators in the coal market like there is in the natural gas market.
Q. Okay. Are there some speculators in the coal market though? I've read some things about there maybe being some now, but you tell me.
A. Well, the coal market is relatively new, and I hate to use the word evolve because I don't know that it's going to be necessarily better as it evolves to be more like the natural gas market. I believe there will be more speculators.
Q. Okay. And then looking at Aquila again -- well, they don't have very much natural gas really. It looks like only one percent of their -- one percent of their megawatt hours, is that true?
A. They generate to meet about one percent of their megawatt hours. They do have coal -- or gas capacity. So it's cheaper for them --
Q. Okay. So it's peaking --
A. It's cheaper for them to buy on the spot market a lot of times instead of running their own units.
Q. Okay. And so that's why you see -- they have

a lot of gas units that sit idle while they buy on the spot market, is that fair to say?

A. Gas and -- gas and oil, yes.

Q. Okay. Much more so than Ameren UE?

A. Yes.

Q. More so --

A. Well, as a percentage of your total.

Q. Gotcha.

A. The total need.

Q. And same, much more so than Empire as a percentage of their total need?

A. I can't say that for sure.

Q. Okay. But in any event, they get it looks like purchased power contract is 17.9 percent and, again, is that -- when you say contract, is that under long-term contracts?

A. Yes, it is.

Q. Okay. So to some degree that's hedged, right?

A. Yes.

Q. Okay. And then they've got 13.7 percent that's spot; and, I mean, I guess they could hedge that, could they not, by entering into long-term contracts?

A. If there were contracts out there for them to sign, yes. I'm just trying to think of why it's -- they're not there. I know right now purchasing on the spot is

their -- and I will say this is the result of Staff's fuel run in that model -- or in that rate case. Actually, Aquila probably has more contract purchased power than what is shown here, but to be --

Q. Well, how much more do you think they have?

A. We model them to have more natural gas capacity than they actually have.

Q. Why'd you do that?

A. Because of the South Harper turbines.

Q. Oh, okay. Okay. But you think that the contract purchased power -- the purchased power that's under long-term contracts is actually greater than 17.9 percent that's shown on this chart?

A. Yes.

Q. How much greater is it?

A. I can't say.

Q. And to the extent that that's greater, does that mean that the spot purchased power number is less?

A. I'm not for sure how that would work.

Q. Okay. It would run through the model?

A. Yeah. It would run through the model. It all has to do with the purchased power prices that are input, the natural gas prices that are input, the contract prices.

Q. So these -- so the numbers on this chart really aren't -- these are modeled numbers. They don't

necessarily tie to what's really happening in terms of how many -- how much -- how many megawatt hours are really in any given year attributed to one source or another?

A. They are normalized, just as Ameren UE's is normalized, for Taum Sauk.

Q. Gotcha. And Ameren UE's is modeled to -- it runs through --

A. That's correct.

Q. -- the realtime or ProSym model, that's what you get?

A. They're all modeled. And this morning when I was reading through this, I noticed on the footnote on page 60 that it says net system input includes Ameren UE's wholesale customer and its off-system sales. That would be its long-term off-system sales contracts. That's the footnote on the bottom of page 60.

Q. So where do our long-term off-system sales contracts appear in the numbers on LM1, table LM1?

A. They aren't separate. They're just a part of the native load that's needed or the requirements.

Q. Okay. But not the -- not the off-system sales that are made in the spot market?

A. That's correct.

Q. Okay. And those are much greater than the long-term off-system sales, is that correct, for Ameren UE?

A. The spot sales are much greater, yes.

Q. Okay. And do you know why that is?

A. Because Ameren UE has been -- as contracts end, Ameren UE has not been renewing them with the other municipalities and customers.

Q. I mean, isn't one of the reasons that we have -- we can't enter into long-term contracts for all of our off-system sales is because we have to have that generation available for native load if it is needed?

A. That's correct.

Q. Okay. So we're kind of stuck selling that power on the spot market when it's available so that native load always has first call on it?

A. Native load always has first call, yes.

Q. Okay. And that makes it hard to enter into a long-term contract when you want to give native load first call, is that correct?

A. Yes. And that's why all of these are modeled only on native load.

Q. Okay. Why didn't you include the spot off-system sales on this table LM1?

A. Because it wouldn't be a fair comparison to Empire and Aquila.

Q. Why not?

A. Because they do not make off-system sales like

Ameren UE. They don't have excess base load capacity in the spring and the fall like Ameren UE does.

Q. But isn't off-system sales revenue included in our proposed FAC?

A. Yes, it is.

Q. And when the Commission talks about at least the three standards that they've talked about, they talk about both revenues and costs, don't they?

A. They do talk about revenues and costs.

Q. I mean, so wouldn't one fair way to consider those revenues and costs be to put all the off-system sales revenues for any of the utilities of Aquila -- maybe they don't have any. Maybe the amount is zero. But if you're going -- if you're going to examine whether we meet the standards that the Commission has set out or whether the FAC that we've proposed is reasonable, don't you have to look at both costs and revenues or isn't that one way to look at it?

A. That's one way to look at it.

Q. Okay. I mean, you really can't -- the standards the Commission has set, those three that we talked about, talk about costs and revenues, so if you're going to look at those standards, you've got to look at both, don't you?

A. Yes. And I do talk about the off-system sales

revenues on page 64, the second paragraph.

Q. Wouldn't it be true that this chart would be more helpful in looking at those standards that the Commission set out if it had all the costs and revenues, including spot off-system sales revenues, in it?

A. You couldn't have this table with that.

Q. And why not? Couldn't you just put the --

A. Because this is the percentage of megawatt hours that are generated based on fuel type and the dollar cost to generate those. There's nothing with revenues in this.

Q. Okay. So I -- what you're really saying is this is talking about the cost piece, but you're acknowledging you've also got to talk about the revenue piece. It's just not appropriate -- this chart just doesn't address that piece?

A. That's correct.

Q. Okay. You address it elsewhere?

A. That's correct.

Q. But you're agreeing that it should be addressed?

A. Yes.

Q. Okay. Got it. Let me ask you a little about volatility. I understand -- let's say Aquila, to the extent they're purchasing power in the spot market, they're

subject to a certain amount of volatility, right?

A. That's a very volatile market, yes.

Q. Isn't that the same volatility that Ameren UE's revenues from spot off-system sales are subject to?

A. Yes.

Q. Okay. Let me ask this on another -- sort of starting another topic. Some people think Ameren UE -- at Ameren UE, some people think -- let me start with that. Some people think that Ameren UE is being punished for making good decisions over the years by being denied a fuel adjustment clause and, in particular, the good decisions they think they're being punished for are building low cost coal units and what's turned out to be a low cost nuclear plant over decades, putting together very effective hedging programs on our coal supply and our gas supply, you know, aggressively marketing -- you know, building capacity so we had excess that we can sell in the off-system market and lower costs for customers and then having a group of people, Shawn Schukar and now Jamie Haro, that aggressively marketed and get the most out of that excess capacity; and the other utilities in Missouri, Aquila and Empire, who appears to us haven't made as good decisions over the years get an FAC, and then we pretty consistently are denied it. Is there any truth to that? Do you have any sympathy for

that position?

A. I don't look at FAC as a reward or a punishment, either way. It's a tool that the Commission has. Ameren UE reaped the benefits for many, many years of its excess base load and its nuclear power. And at that time, Empire and Aquila reaped some benefits because they were able to buy cheap contract power. They didn't have -- did not have the same opportunities. And Empire, whose peak load is a small percentage of Ameren UE's, does not have the same opportunities. It cannot afford to build a coal plant like UE can. So to punish it or to say if you think not having a FAC is a punishment is to say, no, you can't have an FAC because you cannot build a coal plant, I think that it is -- the FAC is a tool for the Commission to use. It may be applicable for some utilities, the smaller ones that don't have the expertise and the abilities to manage fuel costs the way the others do, but that is for the Commission to determine the need. I don't look at it as a reward or a punishment, either one.

Q. You don't think it makes it easier for a utility to recover its cost of service?

A. It makes it easier for them to recover the 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 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 abilities 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 Aquila -- 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, would we qualify for an FAC then?

A. You have quite a few gas units. You guys have bought a lot of turbines in the past three or four years.

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.

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 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 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 think you can't look at a cost in isolation.

Q. Okay.

A. There's other costs that go into -- right now, the cost of natural gas is going down, which just looking at one cost in isolation causes me some difficulty in saying whether or not, you know, it would cause a company to earn or not earn its...

Q. Sure. I understand that. And I'm not asking if you look at one cost in isolation. I'm saying if you look at the overall costs, okay, not just looking 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 opportunity to recover its cost of service, 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 rate payers. To the extent, I mean, the legislation says that is one of the reasons to have a fuel adjustment clause, then yes, then that would be an adequate reason.

Q. Okay. So if the Commission determines that, they should give us a fuel adjustment clause?

A. Right.

Q. Okay. And have you done any analysis to show whether or not that's true, whether or not we need a fuel

adjustment clause to have a reasonable opportunity to recover our cost of service?

A. Typically leave that for the return analyst, rate of return analyst.

Q. Okay. What if not having a fuel adjustment clause 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 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 adversely affected Ameren UE's credit rating, you would

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expect the Staff return on equity expert to say in his testimony, wait a minute, here's a problem with not having an FAC, right, that would be his area?
A. The decision on whether or not to recommend an FAC was made with all the departments and different areas of expertise together. It was not made in isolation of that consideration.
Q. So who -- who was involved from the return -- rate of return department or who was -- who represented that consideration?
A. Bob Schallenberg.
Q. Is he a rate of return expert?
A. He is the supervisor of the manager of the rate of return group.
Q. Okay. What if not having an FAC impairs Ameren UE's access to credit, is that a consideration that's important to you?
A. I don't know.
Q. Okay. And I -- again, I assume you didn't do any analysis that shows whether not having an FAC will impair our access to credit?
A. That's correct. I did not do that analysis.
Q. Okay. And I assume Bob Schallenberg represented that interest when the decision was made to pursue not to impose an FAC for Ameren UE?

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A. That is correct.
Q. Okay. Do you understand that Ameren UE has long-term needs for capital that would be facilitated by having an FAC?
A. I can understand that they have a long-term need for capital. I don't know that they need an FAC -- how they -- if -- what is necessary is that they have the ability to get an FAC or if they have an FAC. I'm not for sure where that distinction lies.
Q. Would it be fair to say you don't necessarily see a connection between having an FAC and having access to capital over the long-term?
A. That's correct. I don't necessarily see that connection.
Q. Okay. Did you do any analysis of long-term costs and benefits to Ameren UE and its customers of having an FAC versus not having an FAC like over a five or ten-year period?
A. No. In the report, I had mentioned the fact that the next rate increase would be fairly quick after this one. The fact that it's a short time period before the next rate case did enter into consideration, not the long-term.
Q. And how do you know it's a short time period until the next rate case?

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A. Because Ameren UE is spending half a billion dollars on the Sioux plant, and it will want to earn a return on that investment as soon as it possibly can.
Q. Okay. What if there was no Sioux plant, then we wouldn't really know when the next rate case would be, is that correct?
A. That's correct.
Q. What if not having a fuel adjustment clause puts Ameren UE out of the mainstream of other integrated electric utilities, is that a -- is that a consideration that matters to you?
A. No. It doesn't matter to me.
Q. Okay. I assume you didn't spend much time looking at other states and how they treat their integrated electric utilities in terms of having a fuel adjustment clause?
A. No. I did not look at that.
Q. Okay. On another topic. Part of our concern is that we don't believe -- and, you know, I've asked some questions about this -- we think Ameren UE is going to have difficulty recovering its cost of service without a fuel adjustment clause. So I'd like to ask you some questions, walk you through some examples, and help me understand how you think we can recover our cost of service without a fuel adjustment clause.

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Assume, if you will, that Ameren UE has coal contracts and coal transportation contracts that generally have price changes on January 1st. Okay. I mean, and let me first ask, do you know if that's true or not?
A. I have heard Ameren people tell us that, yes.
Q. Okay. Well --
A. I believe it. I do believe that it is...
Q. Sure. Well, just assume it for purposes of my questions.
A. Okay.
Q. That every January 1st, and also assume that because we've got prices locked in for some significant part of our coal, we know with a high degree of likelihood that there's going to be significant increases on January 1st for like the next -- let's say the next three or four years. Okay?
A. Okay.
Q. And assume, if you will, and none of us can know this with a hundred percent certainty, but assume that there aren't going to be other cost decreases that will offset these fuel cost increases. Okay?
A. Okay.
Q. And let me ask -- I'm asking you to assume that because no one knows what will happen in the future, but do you have any reason to think that any other costs

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are going to go down over the next three or four years for Ameren UE that would offset fuel cost increases?

A. Well, the cost of natural gas is going down. But that is a small portion of your cost. I mean, that's not a very big chunk.

Q. So that's not likely to offset the other cost increases, is it?

A. No. I did -- as far as expenses, I don't know that any are going to go down. Depreciation, you know, your return on your rate -- depreciation is always moving down, so your earnings increase, I mean, to take up some of that slack. There's also the potential for -- we don't know what might happen in the off-system sales market. You could start earning a whole lot more than you do now.

Q. So it's pretty volatile out there in the off-system sales market, is it not?

A. Yes, it is.

Q. Okay. Any other -- anything else you can think of that might go down?

A. That I can think of, no.

Q. And, I mean, there's a lot of other costs that -- I don't want to put words in your mouth -- but I think are more likely to go up than down, like wages and costs of materials. Aren't those -- aren't those things going up at a pretty fast rate, right now at least?

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A. I don't know the rate, but I believe they're going up.

Q. Okay. Well, anyway, I'm asking you to assume without necessarily believing it to be true, that there aren't going to be cost savings that offset these pretty significant fuel cost increases. How do we recover our cost of service? When do we -- you know, because when we file a rate case, there's a cutoff date for known and measurable changes. So in our experience, if we're going to pick up a known and measurable change on January 1st, we've got to file, like, in July. Then we pick up the increase in coal costs on January 1st, but the rates don't go into effect until June, and that's the timing that happened in our 2007 case; and so for a period from January 1st until June when the new rates went into effect, we didn't recover that coal cost increase. How can we recover that without a fuel adjustment clause?

A. I've been told that back when I was first hired here at the Commission in the '80s, that sometimes forecasted fuel prices were used. I think Staff would be glad to sit down and discuss some other type of alternatives. Off the top of my head, that's the only thing that I can think of right now.

Q. Okay. So you could maybe have a situation -- in a best situation using forecasted fuel costs -- well,

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how far -- could we file like in February, and then the 11 months run so that the rates take effect, bang, right when the -- right when the fuel costs increase, is that possible?

A. I guess it's possible. I don't know why it's not.

Q. Would the Staff support something like that?

A. I can't speak for the whole Staff, but I think we would be willing to listen to it and to consider it.

Q. I mean, the Staff and the Commission -- well, at least in the last 25 years -- haven't really used any kind of forecasted costs, have they, or am I wrong? Maybe they have?

A. Not that I know of.

Q. I mean, didn't -- haven't parties, like when there was a lot of inflation, didn't parties -- utilities want to forecast price increases but never were able to?

A. I believe that's when they used forecast of fuel.

Q. Okay. Is that -- did I describe -- well, maybe -- did I describe accurately how the forecast of fuel would work that you're talking about or could we forecast even further into the future maybe?

A. With a rate case moratorium?

Q. Sure.

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A. No. An average price, future price -- well, you earn more now and less -- you know, recover more than your coal costs now but less in the future, an averaged type of price.

Q. So you could like, for example, say you had a three-year moratorium, you could average the coal costs over that three years maybe, is that what you're talking about, for example?

A. I think the Staff would be open to listen to and to consider something like that.

Q. Do you think other parties like the Office of Public Counsel and the industrial customers would agree to that?

A. I don't think it's likely that they would, but I don't know. I can't speak on their behalf.

Q. Do you think it's legal to do that? I mean, I'm asking you a legal question. I won't do that to you.

Do you think it violates the matching principle to do that?

A. Well, I don't think it was stopped because it was not matching -- or meeting the matching principle. I think it -- it's my understanding that we stopped doing it because the time between rate cases was getting greater and greater. There wasn't the rapid inflation. You know, utilities were finding ways to cut costs to absorb some of

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those increases. So it wasn't needed like it was back when inflation was running rampant.
Q. Okay. Forecast of fuel costs I understand. That -- I agree with you, that would be a way to recover fuel cost increases. If that's not possible, is there any other way besides a fuel adjustment clause?
A. To constantly be recovering those increases in costs?
Q. To recover the January 1 -- the significant January 1 fuel cost increases I've asked you to assume when there's -- when there are no decreases to offset them, is there any other way -- if you don't forecast fuel costs and you don't have an FAC, is there any other way through the regulatory process that we can recover our cost of service?
A. Not that I can think of.
Q. Okay. Are you familiar with -- you've testified on DSM cost recovery -- to jump to a whole different topic.
A. Yes.
Q. In previous cases, right?
A. Yes, I have.
Q. But in this case, I think Henry Warren is testifying on that, is that true?
A. That's correct.
Q. And did you work with him in putting his

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testimony together on DSM cost recovery?
A. Yes, I did.
Q. Okay. And so you're -- and what's his position -- I'm not that familiar with it, but what's his position on DSM cost recovery, if you know?
A. His position is DSM costs should be recovered in a regulatory asset account but demand response programs where a reduction in the customers usage is used to be able to earn more on the market, that it should be a net.
Q. Okay.
A. For the cost and the revenues.
Q. So like --
A. And that goes into that account.
Q. So like, for example, I think maybe an example of that would be our IDR tariff, is that an example of that, where you would make a -- ask certain customers to curtail for economic reasons because you could sell power on the market, and then in that situation, the revenues that we get would be netted against the costs of the program?
A. That's correct.
Q. Okay.
A. That's what we're talking about.
Q. But other programs where there's not this direct connection like if you just had a, you know, a

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weatherization program or some energy efficiency program where there's not an obvious connection to a revenue source, there would be no netting in those cases, is that right?
A. That's correct.
Q. Okay. And you support that and Henry Warren supports it?
A. Yes.
MR. BYRNE: Okay. Great. I think that's all the questions I have. Thank you very much, Ms. Mantle.
COURT REPORTER: Signature?
MR. DOTTHEIM: Yes. And we want the whole package.
(SIGNATURE IS NOT WAIVED)

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CERTIFICATE OF REPORTER

I, MICHELLE L. PACHESA, a Certified Court Reporter, License Number 853(g), Registered Professional Reporter, and Notary Public within and for the State of Missouri, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me to testify to the truth and nothing but the truth; that the testimony of said witness was taken by stenographic means by me to the best of my ability and thereafter reduced to typewriting under my direction.

I further certify that I am neither attorney nor counsel for nor related nor employed by any of the parties to the action in which this deposition was taken; further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in this action.

My Commission expires April 3, 2009.

____
Michelle L. Pachesa
Notary Public within and
for the State of Missouri

SIGNATURE PAGE

I, LENA MANTLE, do hereby state that I have read the foregoing questions and answers appearing in this transcript of my deposition; that this is a true and accurate report of said answers given in response to the questions appearing herein.

IT IS FURTHER STIPULATED AND AGREED, between Counsel, that this deposition may be signed before any Notary.

____
LENA MANTLE

(REPORTED BY MICHELLE L. PACHESA)
(LICENSE NO. 853(g))

CERTIFICATE

STATE OF _________________________)
)
COUNTY OF ________________________)

Before me personally appeared LENA MANTLE, known to me to be the person described in and who executed the foregoing instrument and acknowledged to and before me that he/she executed the said instrument in the capacity and for the purpose therein expressed.

WITNESS my hand and official seal this _______________ day of _______________, 2008.

____
NOTARY PUBLIC

My Commission Expires:

ERRATA SHEET

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 ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE COMPANY'S MISSOURI SERVICE AREA

Upon reading the transcript and before subscribing thereto, the deponent indicated the following changes should be made:

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October 31, 2008

MISSOURI PUBLIC SERVICE COMMISSION
Mr. Steven Dottheim
200 Madison Street, P.O. Box 360
Jefferson City, Missouri 65102 573.751.7489

IN RE: 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

Dear Mr. Dottheim:

This letter, a copy of which is inserted as the last page of the deposition taken in the above-styled case, is notice to you that the transcript has now been prepared and is ready for reading and signature.

Please send this witness, LENA MANTLE, your copy of the transcript. Have the witness read over, make any corrections on the attached correction sheet, sign before a Notary Public, and return to MR. THOMAS M. BYRNE the signed signature page and correction sheet within thirty (30) days.

Thank you,

Michelle L. Pachesa
RPR, CCR, CSR

CC: Mr. Thomas M. Byrne

SIGNATURE PAGE

I, LENA MANTLE, do hereby state that I have read the foregoing questions and answers appearing in this transcript of my deposition; that this is a true and accurate report of said answers given in response to the questions appearing herein.

IT IS FURTHER STIPULATED AND AGREED, between Counsel, that this deposition may be signed before any Notary.

Lena Mantle

LENA MANTLE

(REPORTED BY MICHELLE L. PACHESA)
(LICENSE NO. 853(g))

CERTIFICATE

STATE OF Missouri)
)
COUNTY OF Callaway)

Before me personally appeared LENA MANTLE, known to me to be the person described in and who executed the foregoing instrument and acknowledged to and before me that he/she executed the said instrument in the capacity and for the purpose therein expressed.

WITNESS my hand and official seal this 21st day of November, 2008.

Susan L. Sundermeyer

NOTARY PUBLIC

My Commission Expires:
9-21-10

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

ERRATA SHEET

WITNESS NAME: LENA MANTLE

IN RE: IN THE MATTER OF UNION ELECTRIC COMPANY d/b/a AMERENUE'S TARIFFS TO INCREASE ITS ANNUAL REVENUES FOR ELECTRIC SERVICE

Upon reading the deposition and before subscribing thereto, the deponent indicated the following changes should be made:

Page 33 Line 20 Should read: They don't know exactly. . .

Reason for change: Sentence didn't make sense as transcribed.

Page 35 Line 13 Should read: Shouldn't be a change in mmbtu.

Reason for change: Reporter didn't understand what was said.

Page 51 Line 3 Should read: their analysis, and Staff's too, combined

Reason for change: Added missing punctuation.

Page 69 Line 3 Should read: A. Typically I leave that for the return analyst

Reason for change: Added missing word for clarification.

Page Line Should read:

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