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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

October 4, 2000  
Jefferson City, Missouri  
Volume 7

In the Matter of Union Electric )  
Company d/b/a AmerenUE for )  
Authority to File Tariffs ) Case No. GR-2000-512  
Increasing Rates for Gas Service)  
Provided to Customers in the )  
Company's Missouri Service Area.)

BILL HOPKINS, Presiding,  
SENIOR REGULATORY LAW JUDGE.

SHEILA LUMPE, Chair,  
ROBERT G. SCHEMENAUER,  
COMMISSIONERS.

REPORTED BY:

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ASSOCIATED COURT REPORTERS, INC.

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1 P R O C E E D I N G S

2 JUDGE HOPKINS: This is Wednesday,  
3 October the 4th, year 2000. We are having a hearing  
4 in Room 310 of the Governor Office Building, Jefferson  
5 City, Missouri. The case number is GR-2000-512.  
6 Operation of law date here is the 27th of January  
7 2001. Caption of the case is In the Matter of Union  
8 Electric Company d/b/a AmerenUE for Authority to File  
9 Tariffs Increasing Rates for Gas Service Provided to  
10 Customers in the Company's Missouri Service Area.

11 I am Judge Bill Hopkins. I am the presiding  
12 officer for this hearing. We'd like to have entries  
13 of appearance from all attorneys here. We'll start up  
14 front, Tom, with you.

15 MR. BYRNE: Thank you, your Honor. My name  
16 is Thomas M. Byrne. I'm appearing on behalf of the  
17 company, Union Electric Company, doing business as  
18 AmerenUE. My address is 1901 Chouteau Avenue,  
19 St. Louis, Missouri 63103.

20 MR. SCHWARZ: My name is Tim Schwarz. With  
21 me today are Cliff Snodgrass and Robert Franson with  
22 the General Counsel's Office representing the Staff of  
23 the Missouri Public Service Commission. Our address  
24 is P.O. Box 360, Jefferson City, Missouri 65102.

25 JUDGE HOPKINS: Ms. Woods.

1 MS. WOODS: Good morning, your Honor. My  
2 name is Shelley Woods. I'm an Assistant Attorney  
3 General representing the Missouri Department of  
4 Natural Resources. My address is Post Office Box 899,  
5 Jefferson City, Missouri 65102.

6 JUDGE HOPKINS: Thank you. Mr. Micheel.

7 MR. MICHEEL: Douglas E. Micheel appearing  
8 on behalf of the Office of the Public Counsel and the  
9 Public, P.O. Box 7800, Jefferson City, Missouri  
10 65102-7800.

11 JUDGE HOPKINS: Thank you, sir. Thank you  
12 all.

13 Are there any preliminary matters before we  
14 start this?

15 (No response.)

16 Hearing no response, I'm assuming there are  
17 no preliminary matters. There are no unruléd motions.  
18 The main reason for this hearing is a presentation by  
19 the parties for their rationales for entering into the  
20 Unanimous Stipulation and Agreement previously filed  
21 in this case.

22 We are also here for the purpose of allowing  
23 any of the Commissioners who so desire to ask  
24 questions of any of the parties. We will proceed by  
25 allowing the Staff to go first with any opening

1 statements or witnesses, then the Office of the Public  
2 Counsel, the DNR and then Ameren. So, Staff.

3 MR. SCHWARZ: May it please the Commission.

4 The parties have the -- each have their  
5 direct testimony which will be filed in the case.  
6 That's something that we can probably do, I think,  
7 after the hearing. I'm sure -- I haven't checked, but  
8 I'm sure it will all be admitted by stipulation.  
9 There won't be any objections to having the direct  
10 testimony that has been prefiled admitted.

11 In addition, the Staff somehow received a  
12 letter that I think was -- it was addressed to the  
13 Public Service Commission and it ended up with the  
14 Staff. We will also be submitting that into the  
15 record as well.

16 I think that the Staff's position was set  
17 out pretty well in its explanatory memorandum. The  
18 Company initially proposed an increase in revenue  
19 requirement of about \$12 million, which included a  
20 proposed increase in the customer charge to \$15.

21 The Staff's initial case was filed with a  
22 proposed revenue requirement of 2.2 to \$2.8 million  
23 based on a range for return on equity of 10 to 10 1/2  
24 percent. The parties settled on a revenue requirement  
25 of \$4.2 million, which the Staff feels is a very

1 reasonable result in this case.

2 The Staff and the other parties have  
3 recommended to the Commission an increase in the  
4 customer charge for residential customers of \$1, from  
5 \$8 to \$9, again which we feel is a reasonable  
6 resolution of the issue.

7 I really don't have anything further to add,  
8 and will be glad to answer any questions that the  
9 Commission might have.

10 JUDGE HOPKINS: All right. Thank you very  
11 much. Commissioner Lumpe, do you have any questions?

12 CHAIR LUMPE: Yes. Mr. Schwarz, maybe you  
13 can answer this for me. If not . . .

14 What is the percentage increase per class  
15 for each class of customer? I think in your statement  
16 in support you imply that it was within 1 percent, but  
17 could you give me the exact percentages?

18 MR. SCHWARZ: I don't know that I have  
19 percentages. Well, Mr. Tom Imhoff of the Staff will  
20 address that.

21 CHAIR LUMPE: Does he need to be sworn?

22 JUDGE HOPKINS: Yes, we need to swear him  
23 in.

24 (Witness sworn.)

25 JUDGE HOPKINS: Thank you. Will you please

1 be seated and state and spell your name for the court  
2 reporter.

3 THE WITNESS: My name is Thomas M. Imhoff.  
4 Last name is spelled I-m-h-o-f-f.

5 JUDGE HOPKINS: Please speak into the  
6 microphone, and Mr. Schwarz, go ahead.

7 THOMAS M. IMHOFF testified as follows:

8 QUESTIONS BY MR. SCHWARZ:

9 Q. Would you -- Chair Lumpe has asked what the  
10 percentage change was going to be for the various rate  
11 classes. Can you provide that information?

12 A. Yes, I can. For the residential, the  
13 overall change will be 11.84 percent. For the general  
14 service class, it will be 10.54 percent. For the  
15 interruptible service, it'll be 10.55 percent. For  
16 the standard transportation class, it will be 10.84  
17 percent. And for the large volume transportation  
18 service, it will be 10.56 percent. The overall change  
19 is 11.35 percent in revenues overall.

20 QUESTIONS BY CHAIR LUMPE:

21 Q. Okay. So when your statement was that it  
22 was within 1 percent for each class, then that would  
23 be the -- those would be the numbers and that would be  
24 within 1 percent?

25 A. Yes.

1 CHAIR LUMPE: All right. Thank you,  
2 Mr. Imhoff. That's all the questions I would have of  
3 Mr. Imhoff, I think. I don't know whether any of my  
4 questions are his or not.

5 JUDGE HOPKINS: Commissioner Schemenauer?

6 COMMISSIONER SCHEMENAUER: Thank you, your  
7 Honor.

8 QUESTIONS BY COMMISSIONER SCHEMENAUER:

9 Q. Good morning, Mr. Imhoff.

10 A. Good morning.

11 Q. If I ask you some questions that maybe you  
12 can't answer, then I'll hold them until someone gets  
13 up there that can answer them. And I would like to  
14 start with your Staff Explanatory Memorandum.

15 A. Yes, sir.

16 Q. The return on equity, Staff proposes a range  
17 of 10.0 to 10.5, and Staff said it's within the range.  
18 Do you know, is it at the 10 percent or is at 10.5  
19 percent?

20 A. I'm afraid that I would have to refer you to  
21 another Staff witness.

22 MR. SCHWARZ: If I might, the Staff's view  
23 is that its final revenue requirement is consistent  
24 with calculation in the range of 10 to 10.5. The  
25 calculation that we submitted in our explanatory



1 statement was computed at the 10.5 --

2 COMMISSIONER SCHEMENAUER: 10.5 percent?

3 MR. SCHWARZ: -- ROE. But I would like to  
4 emphasize that that's Staff's view of how you compute  
5 a \$4.2 million revenue requirement. The Company does  
6 not, nor OPC, nor Natural Resources, necessarily  
7 concur in how those calculations are made.

8 COMMISSIONER SCHEMENAUER: Okay. Thank you.

9 BY COMMISSIONER SCHEMENAUER:

10 Q. The rate increase for the monthly customer  
11 service charge from 8 to \$9 per month, does this apply  
12 to gas customers only of UE or to all their customers?

13 A. This only applies to the gas customers.

14 Q. So UE's gas customers will be paying \$9 a  
15 month for service, and if they're an electric customer  
16 they will also pay an additional fee for the electric  
17 customer service charge?

18 A. I'm not sure about the electric charge, but  
19 I assume that they probably would, but I --

20 MR. SCHWARZ: Yes.

21 BY COMMISSIONER SCHEMENAUER:

22 Q. Okay. Your explanatory memorandum said the  
23 customer charge increased in February of '98 to \$8 per  
24 month. Was that electric that went up \$8 a month or  
25 gas?

1           A.     No. That was -- that was from the prior gas  
2 rate case.

3           Q.     Okay. So a UE customer receiving gas and  
4 electricity from UE then will be paying \$9 a month to  
5 be hooked up to their gas and an additional -- and I  
6 don't know what the electric charge is. I'm trying to  
7 think what it is, maybe \$10 a month. So they're going  
8 to be paying a double shot just to be hooked up to UE?

9           A.     I would assume so.

10          Q.     Can you tell me the ratio of employees that  
11 work in the gas service area for UE to the number of  
12 gas customers they have?

13                 MR. SCHWARZ: I think that is a question  
14 that would be better addressed to the Company.

15                 COMMISSIONER SCHEMENAUER: Okay. I would  
16 like the Company maybe to give me that answer.

17                 MR. BYRNE: Okay. Your Honor, I'm going to  
18 have to find out, but it's the ratio of gas employees  
19 to customers versus electric employees to customers?

20                 COMMISSIONER SCHEMENAUER: No. The ratio of  
21 employees, say in 1992 versus year 2000.

22                 MR. BYRNE: Okay. Is that all employees or  
23 just gas employees?

24                 COMMISSIONER SCHEMENAUER: Just the gas  
25 employees since we're talking about the gas service

1 charge.

2 MR. BYRNE: Okay.

3 BY COMMISSIONER SCHEMENAUER:

4 Q. Under the weatherization program,  
5 Mr. Imhoff, on page 3, the parties agree to continue  
6 the weatherization program until the next rate case,  
7 and that the company would annually fund \$125,000 for  
8 this program. That's funded from this rate increase,  
9 isn't it?

10 MR. SCHWARZ: It's funded from the company's  
11 rates, yes, and whether -- again, once the revenue  
12 requirement is determined, you don't really segregate  
13 specific rate elements or charge for any particular  
14 expense. But yes, the weatherization program will be  
15 funded from the company's revenue streams which is  
16 generated by the rates.

17 COMMISSIONER SCHEMENAUER: And on page 6 I  
18 see a line item for weatherization program expense  
19 adjustments, \$125,000, and that's weatherization?

20 MR. SCHWARZ: Correct.

21 COMMISSIONER SCHEMENAUER: And that's the  
22 same level it's been in past years?

23 MR. SCHWARZ: That's correct.

24 MR. BYRNE: Your Honor, this is a new  
25 program that has not been in effect in previous years.

1 We had another weatherization program, but it had  
2 already -- it had expired. So this is a new program.

3 COMMISSIONER SCHEMENAUER: So last year the  
4 Company didn't have a weatherization program for low  
5 income users?

6 MR. BYRNE: That's correct.

7 COMMISSIONER SCHEMENAUER: It was just the  
8 federal money coming through the LIHEAP?

9 MR. BYRNE: That's correct, your Honor.

10 COMMISSIONER SCHEMENAUER: Back on the  
11 revenue adjustment explanations, I had a question on  
12 merger cost amortization on page 5. The increase  
13 would be 148,000 a year, and I find that over on  
14 your -- in your breakdown also. How many years is  
15 that going to be in effect?

16 MR. SCHWARZ: That's a ten-year  
17 amortization.

18 COMMISSIONER SCHEMENAUER: Ten-year  
19 amortization?

20 MR. SCHWARZ: Yes, sir.

21 COMMISSIONER SCHEMENAUER: Is that in rate  
22 base, then? They receive a return on it or is this  
23 just an expense item?

24 MR. SCHWARZ: Expense item only.

25 COMMISSIONER SCHEMENAUER: And previously

1 the Commission didn't allow the company to amortize  
2 any of those merger costs in previous rate cases?

3 MR. SCHWARZ: It has been a component of the  
4 credit calculation on the experimental regulation plan  
5 on the electric side.

6 COMMISSIONER SCHEMENAUER: On the electric  
7 side. So they've been recovering the merger premium  
8 or the merger cost on the electric side and now we're  
9 going to allow them to recover it on the gas side?

10 MR. SCHWARZ: It's only the cost. It's only  
11 the merger cost.

12 COMMISSIONER SCHEMENAUER: Did the merger  
13 that AmerenUE, when they merged with CIPS, did they --  
14 was that a merger where they picked up some gas  
15 customers in Illinois also or just electric customers?

16 MR. SCHWARZ: They picked up gas and  
17 electric customers in Illinois.

18 COMMISSIONER SCHEMENAUER: And so we're  
19 going to pass this merger cost on to Missouri  
20 ratepayers?

21 MR. SCHWARZ: A portion of it, not the --

22 COMMISSIONER SCHEMENAUER: Did the --

23 MR. SCHWARZ: I mean, it's allocated.  
24 There's a jurisdictional --

25 COMMISSIONER SCHEMENAUER: I know it's

1 allocated. I know that. But tell me, did the  
2 ratepayers in Missouri receive any benefits of the  
3 merger through a cost reduction because of less  
4 expenses?

5 MR. SCHWARZ: That's one of the principles,  
6 I think, on which the experimental plan is based, yes.

7 COMMISSIONER SCHEMENAUER: The experimental  
8 plan in the electric side?

9 MR. SCHWARZ: Yes.

10 COMMISSIONER SCHEMENAUER: So we're going to  
11 throw a little bit over on the gas side to have the  
12 gas ratepayers help pay for the merger cost also?

13 MR. SCHWARZ: Yes.

14 BY COMMISSIONER SCHEMENAUER:

15 Q. On page 6, the adjusted revenue requirement,  
16 that \$338,000, Mr. Imhoff, can you tell me what --  
17 explain to me what that is a little bit?

18 A. I'm afraid that I'm going to have to refer  
19 you to --

20 MR. SCHWARZ: If I might? The Company had  
21 in its original filing requested an incentive plan  
22 similar to the one the Commission has provided for  
23 Laclede Gas Company.

24 As the parties have agreed in the  
25 Stipulation and Agreement, the Company will simply

1 continue the elements of the incentive plan as they  
2 currently are. That is, there is no commodity-related  
3 savings, and Staff valued that for purposes of the  
4 settlement at \$338,000. I'm not sure that that is  
5 something that again the other parties would  
6 necessarily share the view of that, but that was  
7 Staff's valuation of that issue.

8 COMMISSIONER SCHEMENAUER: Okay. Maybe I've  
9 too much sugar this morning. Would you explain that  
10 to me again? There's no commodity savings so we're  
11 going to give them \$338,000 from the ratepayers?

12 MR. SCHWARZ: It's Staff's valuation of  
13 the -- I'm trying to -- Staff's valuation of  
14 resolution of the incentive plan issue on the current  
15 program elements, yes.

16 COMMISSIONER SCHEMENAUER: So UE has a GSIP  
17 program where they're hedging to buy gas at a lower  
18 price?

19 MR. SCHWARZ: No. This is not a -- this is  
20 not the hedging incentive plan. This is a plan that  
21 is -- their current plan is only on capacity release  
22 and off-system sales of their system supply, and  
23 there -- but there is no element for the actual  
24 purchase of the gas.

25 COMMISSIONER SCHEMENAUER: So they -- I

1 mean, the Staff is estimating that this is -- whatever  
2 UE gains on their off-system sales, they will reduce  
3 their revenue requirement by that much, in exchange  
4 we're going to give them \$338,000 in revenue  
5 requirement?

6 MR. SCHWARZ: The Company had proposed a  
7 commodity -- a commodity purchase incentive plan  
8 similar to Laclede, an issue which we have -- the  
9 Staff has litigated a number of times, not very  
10 successfully in our view. And in order to preserve  
11 the status quo as it were, Staff valued that at  
12 \$338,000.

13 COMMISSIONER SCHEMENAUER: And I'm still  
14 having an empty space where -- what are the ratepayers  
15 getting for this \$338,000?

16 MR. SCHWARZ: They're not having a -- in  
17 Staff's view, and I don't want to -- in Staff's view,  
18 they're not having a commodity savings plan similar to  
19 that of Laclede, and yes, the Staff thinks that's  
20 worth at least \$338,000.

21 COMMISSIONER SCHEMENAUER: So then my  
22 deduction is that any commodity savings plan is an  
23 expense to the ratepayers instead of a savings?

24 MR. SCHWARZ: Any commodity savings that the  
25 Company realizes will flow directly to the consumers,



1 and the Company won't retain any savings that they  
2 obtain by their commodity purchasing practices, going  
3 out and --

4 COMMISSIONER SCHEMENAUER: So they will not  
5 do any of those practices; is that correct? They  
6 don't have any incentive to do them since they're  
7 already getting the money, right? I mean, why would  
8 you take a risk in the futures market on gas purchases  
9 if you already got your money up front and you're not  
10 going to get to keep any gain but you're going to have  
11 to eat the loss?

12 MR. SCHWARZ: Well --

13 COMMISSIONER SCHEMENAUER: Maybe the Company  
14 can answer.

15 MR. SCHWARZ: I mean, that's essentially  
16 what we said in the Laclede programs, and we didn't  
17 win. I don't know how to explain it to you. The tie  
18 between practices and results from Staff's perspective  
19 was never very good as far as the Laclede program was  
20 concerned. We litigated it and were not successful in  
21 our proposed adjustments. We still feel that there  
22 was value, and we think that \$338,000 a year is fair  
23 value for the issue.

24 COMMISSIONER SCHEMENAUER: Okay. I had a  
25 last question on depreciation in the Stip and

1 Agreement. And I read on page 5, Item 4, about the  
2 Company's going to devise its depreciation rates to  
3 depreciation rates set forth in Schedule 2, and I --  
4 as I follow your explanation, Schedule 2 is the rates  
5 that are going to go into effect with this Stip, and  
6 if this appeal on a previous case, if the Company  
7 loses, then they'll go back to Schedule 3?

8 MR. SCHWARZ: That's correct.

9 COMMISSIONER SCHEMENAUER: Is there any  
10 difference? I mean, we're just looking at a  
11 difference between the amount they're depreciating per  
12 year, correct? We're not talking about an increase in  
13 depreciation -- I mean an increase in the items to be  
14 depreciated. We're just talking about how fast we're  
15 going to depreciate them; is that correct?

16 MR. SCHWARZ: Yes. Yes.

17 COMMISSIONER SCHEMENAUER: So if we go to  
18 Schedule 2 and we're depreciating those assets and  
19 that amount is rolled into the accumulated  
20 depreciation account, then when we go back to this  
21 schedule we'll pick up the balance of those assets and  
22 not go back and redepreciate them again?

23 MR. SCHWARZ: That is correct.

24 COMMISSIONER SCHEMENAUER: And then why is  
25 this dependent on the appeal that you're talking about

1 on page 6? You're talking about the net salvage  
2 component.

3 MR. SCHWARZ: Correct. If you'll recall in  
4 the Laclede gas rate case --

5 COMMISSIONER SCHEMENAUER: I recall, yes.

6 MR. SCHWARZ: -- the Staff --

7 COMMISSIONER SCHEMENAUER: Didn't want to  
8 increase the salvage value of the gas holders because  
9 the Company had not spent any money to remediate that.

10 MR. SCHWARZ: That was part of it. The  
11 other part of the depreciation dispute in the Laclede  
12 gas case was, after observation, the Staff -- after  
13 looking at the records, the Staff observed that if you  
14 figured the net salvage cost, the net salvage portion  
15 of depreciation as a percentage of the original cost,  
16 it generated a depreciation -- and put that into rates  
17 as a percentage, it generated a depreciation expense  
18 or cost of removal expense that was larger  
19 significantly, in Staff's opinion, than the costs that  
20 were actually observed.

21 Rather than relitigate that same issue here,  
22 the parties have agreed that -- that's the only issue  
23 that Laclede has appealed from its rate case. It's  
24 currently pending in the Cole County Circuit Court,  
25 and the parties have agreed that that appeal will

1 determine the treatment for Ameren gas as well.

2 MR. BYRNE: Your Honor, Ameren's also a  
3 party to that appeal.

4 MR. SCHWARZ: So that's what this means.  
5 Now, the expense -- well, I'll leave it at that.

6 COMMISSIONER SCHEMENAUER: I mean, we're not  
7 increasing the depreciation, the asset account; we're  
8 just changing how quickly we're allowing that account  
9 to be depreciated down to zero --

10 MR. SCHWARZ: That's correct.

11 COMMISSIONER SCHEMENAUER: -- in net  
12 salvage. I think that's all I have. Thank you.

13 CHAIR LUMPE: I have further questions. I  
14 just didn't have them of Mr. Imhoff.

15 MR. SCHWARZ: Can he then --

16 CHAIR LUMPE: I don't know whether he's the  
17 proper witness or not. I guess ask, and then if he is  
18 or isn't, and probably not on this one.

19 One of the issues that came up at the  
20 hearing was the service center in Columbia, and I  
21 think a response was given to Commissioner Drainer who  
22 had asked that on that question asking, since she is  
23 not here today, in MGE we had them reopen a service  
24 center. And what I'd like to know from both Staff and  
25 Public Counsel, are they -- did they support the

1 requests or do they -- are they supportive of this  
2 request or the closing of this service center? Do  
3 they think this is different from the MGE case?

4 Mr. Micheel, if you would answer as well  
5 as -- I think the basic question is, what the  
6 difference is between closing one in Columbia and  
7 closing one in the Kansas City MGE case?

8 MR. SCHWARZ: Well, in resolution of the MGE  
9 case, I think the cost of that additional office was  
10 eventually rolled into the company's revenue  
11 requirement and rates. That has not been done in this  
12 case, and we haven't discussed with Company, to my  
13 knowledge, whether that is a viable alternative.

14 CHAIR LUMPE: It's not a concern on the part  
15 of Staff or Public Counsel of the closing of this rate  
16 center -- or this service center? Pardon me.

17 MR. SCHWARZ: I wouldn't say that it's not a  
18 concern, but it's not anything that we've -- we  
19 haven't obviously in our direct testimony provided any  
20 revenue for reopening it, and it's not something that  
21 we dealt with with our case in chief.

22 CHAIR LUMPE: Okay. Mr. Micheel?

23 MR. MICHEEL: I would say, Commissioner,  
24 it's certainly a concern to the Office of the Public  
25 Counsel. In looking at the proposed settlement of

1     this case, that's not something that was caught up  
2     into the settlement. Oftentimes, you know, I find it  
3     odd that companies want to manage their, you know,  
4     their business, and this is a company management  
5     decision that they've made and they're going to have  
6     to live with the consequences.

7             Generally do we think that customers should  
8     get good customer service and that company employees  
9     should be available to customers? Certainly. But it  
10    is not something that we addressed when we decided to  
11    settle this case.

12            CHAIR LUMPE: All right. Let me go back to  
13    the GSIP issue and let's see if I thoroughly  
14    understand that also.

15            The GSIP for UE is different from the  
16    Laclede one in that it only had, as you said,  
17    provisions for capital release and off-system sales.  
18    It did not have incentives for commodity purchasing  
19    and that sort of thing; am I correct?

20            MR. SCHWARZ: That is correct.

21            CHAIR LUMPE: And the Laclede one that has  
22    those incentives has a sort of sharing program and  
23    trans-- I think there was transportation and all that  
24    sort of thing and then various percentages and you got  
25    into which percentage was which and whether it was

1       this or whether it was that, et cetera.

2               And it is your position that instead of  
3       fussing over whether it was transportation or whether  
4       it was commodity and whether they actually say this or  
5       actually say that, to put in this particular amount  
6       was worth not having all that argument to put in this  
7       what I was sort of calling a rounding number, but I  
8       understand that you're tying it to the GSIP. Did I  
9       paraphrase you correctly, Mr. Schwarz?

10              MR. SCHWARZ: I would say that Staff's  
11       concern with the commodity element of the Laclede plan  
12       goes beyond and deeper than merely attributing chunks  
13       of savings to the commodity part or the transportation  
14       part.

15              Frankly, we just -- well, we've litigated  
16       it. We don't like the commodity, the way the  
17       commodity savings is structured and calculated, in  
18       addition to the problems with attribution of bundled  
19       services that the Company might have. And yes, our  
20       value for avoiding that element is as set forth in the  
21       agreement.

22              CHAIR LUMPE: Mr. Byrne, do you feel that  
23       this amount of these -- this rounding dollar that I  
24       call it sort of makes up for what you were requesting?

25              MR. BYRNE: Well, your Honor, that's a

1       difficult question for me to answer. I guess, you  
2       know, this reconciliation is not the Company's. We  
3       would not have done the reconciliation that way.  
4       Maybe we -- it's hard to reconcile. I guess everyone  
5       views -- the beauty of the settlement is everyone can  
6       view it through their own eyes.

7               CHAIR LUMPE: You give some, you get some.

8               MR. BYRNE: You give some and you get some.  
9       In this case, with respect to the GSIP, and I -- well,  
10      first of all, what we agreed to do in this case is  
11      take it out of this case, and we have a current  
12      program that will expire in March.

13              And under the stipulation anyone is free --  
14      I guess we're -- from the Company's standpoint, we are  
15      not opposed to the concept of incentives at all.  
16      We've agreed to take it out of this case as part of  
17      the settlement, and -- but we still have the existing  
18      program that deals with capacity release and  
19      off-system sales.

20              CHAIR LUMPE: Did you say that that expires  
21      in March?

22              MR. BYRNE: I believe that's right, your  
23      Honor. So I guess what I don't want you to be left  
24      with is the impression that we've agreed to trade not  
25      having any kind of an incentive program for a certain



1       number of dollars. That's not what happened.

2               You know, pursuant to the terms of the  
3       stipulation, anyone is free to propose any new  
4       incentive, the Staff or the Public Counsel or the  
5       Company, and that may well happen. So I don't -- I  
6       don't want -- and I would not have attributed any  
7       money to this if I was trying to put together a  
8       similar reconciliation.

9               So I guess what I don't want to have happen  
10      is, at some later point, either the Company or for  
11      that matter the Staff or Public Counsel to come in  
12      with an incentive plan and you say, Oh, that was  
13      resolved in this case, because I think it's pursuant  
14      to the terms of the stipulation that it is left  
15      unresolved.

16              CHAIR LUMPE: It's unresolved. All right.  
17      But you would admit that those GSIPs can be very  
18      contentious and may be lots of argument?

19              MR. BYRNE: I have some experience with  
20      that, yes.

21              CHAIR LUMPE: I believe you do. I have  
22      another question for you, and it comes from the  
23      hearings in Mexico, and I believe you were there.

24              MR. BYRNE: Yes, your Honor.

25              CHAIR LUMPE: There were a number of

1 customers who got up and talked about the dates for  
2 paying their bills and asking for greater flexibility.  
3 I recall one specifically who said that when her check  
4 comes in, it is sort of automatically a day after your  
5 last paying day, and so that every month she ends up  
6 paying the penalty, and so in effect she felt she was  
7 already paying in excess of what she should.

8 Do you have a flexible program that people  
9 can, depending upon when their bills come, have some  
10 leeway or whatever? I think there were at least five  
11 people that mentioned that particular problem.

12 MR. BYRNE: Yes. I checked into that after  
13 that hearing, your Honor. We do not have a general  
14 program.

15 CHAIR LUMPE: Is it one you would consider?

16 MR. BYRNE: On a case-by-case basis, my  
17 understanding is that there are people, and I believe  
18 in most cases it's tied to disabled people, but I  
19 think they do have some customers who on a  
20 case-by-case basis they've made an exception for.

21 There is not a general program like, for  
22 example, for everyone that gets a Social Security  
23 check or, you know, where we would -- and I believe  
24 the reason for that is the expense of running  
25 duplicate billing systems.

1           CHAIR LUMPE: I think there are other  
2 companies that do do that, and I just think it would  
3 be good for you to look into that so that those who  
4 have the least aren't ending up with penalties every  
5 month. It would certainly seem to be something. And  
6 I agree with you, it is people that tend to get  
7 government checks such as Social Security or SSI, and  
8 some concern for those people I think would be  
9 appropriate.

10           I do have some questions on the -- oh, may I  
11 ask you, then, just one more, and I think the rest  
12 I'll have maybe for Ms. Woods. Have you filed your  
13 winter PGA yet and when do you do that?

14           MR. BYRNE: Your Honor, we file our winter  
15 PGA in mid October. We have not filed it yet. It  
16 takes effect November 1st.

17           CHAIR LUMPE: My concern is that if this is  
18 to go into effect November 1, what are you -- maybe I  
19 can't ask this, but are you anticipating that it's  
20 going to be higher than -- your PGA is going to be  
21 higher than what it is currently?

22           MR. BYRNE: My understanding based on the  
23 wholesale prices of gas is yes, that's true, and --

24           CHAIR LUMPE: And how will we explain this  
25 carefully to the customers that this is one charge

1 based on these expenses and this is another one, so  
2 that they will be thoroughly informed about what's  
3 going on?

4 MR. BYRNE: Well, from the Company's  
5 standpoint, I guess we recently answered a request  
6 from Wes Henderson of the Staff who asked how we were  
7 going to communicate our winter PGA to the extent that  
8 our gas rate increases, and basically our response is,  
9 we have a series of press releases that have gone out  
10 and are going out that talk about the increase in the  
11 wholesale prices of gas.

12 We also are putting a bill message, I think  
13 it's probably already started, that will run at least  
14 one bill cycle before that November 1st date that  
15 says, you know, there's been an increase in wholesale  
16 prices of gas and, you know, it's going to fairly  
17 significantly increase your bill and here are some  
18 options for you, you know, budget billing and look  
19 into weatherization. It's a brief bill message, but  
20 at least it puts them on notice a little bit ahead.

21 And with respect to the rate case, I assume  
22 it'll -- we will certainly put a press release out  
23 when it -- when and if it is approved by the  
24 Commission.

25 And I guess there may be an element of

1       confusion for both of the rates to take effect on  
2       November 1st. I think the Staff's view and our view  
3       as well was that it was probably better for it all to  
4       happen at once than sequentially, but I guess  
5       reasonable people could disagree about that.

6               CHAIR LUMPE: All right. Sometimes people  
7       do get confused, and I thought that in the interest of  
8       trying to make it as clear as possible, I wondered  
9       what you might be doing.

10              I think the last question I may have is on  
11       the weatherization, and Commissioner Drainer had some  
12       questions about that, too. Can you provide some more  
13       detail, and it might be Ms. Woods and it might be the  
14       Company also, before we approve this -- and I think  
15       Commissioner Schemenauer asked.

16              I wasn't clear in either of these documents  
17       whether it was funded by the Company above or below  
18       the line, but I think what Mr. Schwarz told me or told  
19       us was that it would be in the rate base, is that  
20       correct, or be part of this settlement?

21              MR. SCHWARZ: That's correct.

22              CHAIR LUMPE: So it would be ratepayers  
23       picking this up as opposed to shareholders?

24              MR. SCHWARZ: That's correct.

25              CHAIR LUMPE: Correct?

1 MR. SCHWARZ: That's correct.

2 CHAIR LUMPE: All right. My question is  
3 somewhat -- I need a little more detail. The social  
4 service agencies that we're talking about in here,  
5 these are not -- this is not the Social Services  
6 Department of the State of Missouri?

7 MS. WOODS: No.

8 CHAIR LUMPE: Ms. Woods, would you address a  
9 little more in detail how you have this program to  
10 work?

11 MS. WOODS: Commissioner Lumpe, these are  
12 community service agencies. They're basically in  
13 metropolitan areas throughout the state, and they  
14 contract with, and they've contracted in the past with  
15 the Department of Natural Resources Energy Center and  
16 before that the Division of Energy, to provide these  
17 types of services.

18 There is federal money that's also  
19 available, at least it has been in the past, for  
20 weatherization and for low income households. We have  
21 sort of a track record with these. Were you  
22 interested in --

23 CHAIR LUMPE: Let me see if I understand,  
24 then. The money would come from the ratepayers, flow  
25 to Union Electric Gas, from Union Electric Gas to the

1 Department of Natural Resources Energy Center? Where  
2 does it go?

3 MS. WOODS: These agencies would get that  
4 money directly from UE. There is a --

5 CHAIR LUMPE: So would UE contract with them  
6 or would you contract with them and then tell UE,  
7 We've contracted with Agency X?

8 MS. WOODS: UE would contract with them.

9 CHAIR LUMPE: So the Energy Center is really  
10 not a go-between or really doesn't get the money or  
11 pay it out or have anything to do with it. It's a  
12 direct contract -- and Mr. Byrne, you can jump in here  
13 if you like. It's a direct contract then for this  
14 amount of money to an agency, a non-for-profit I'm  
15 assuming --

16 MS. WOODS: Yes.

17 CHAIR LUMPE: -- that you would select?

18 MR. BYRNE: And it wouldn't just be us.  
19 We're going to enter into a collaborative process with  
20 the Office of the Public Counsel and the Staff and the  
21 Department of Natural Resources and so it'll be joint  
22 oversight, but Union Electric would write a check to  
23 those agencies once it's set up.

24 CHAIR LUMPE: Mr. Micheel, you are dancing  
25 around back there. Would you tell me what your

1 concept is?

2 MR. MICHEEL: Well, yeah. I'd like to speak  
3 to this because this is a program that was proposed in  
4 the direct testimony of Ryan Kind, Public Counsel  
5 witness, to the best of my knowledge and belief, and  
6 so really I think that the impetus of the program was  
7 set forth by the Office of the Public Counsel in their  
8 direct testimony, and the continuation of the program  
9 was set forth by the Office of the Public Counsel.

10 As Mr. Byrne indicated, we are going to have  
11 a collaborative setup with specifically how we're  
12 going to work out how the social service agencies  
13 receive the \$125,000. Indeed, the \$125,000 is funded  
14 above the line by the ratepayers.

15 Our belief -- and we've had programs like  
16 this with AmerenUE. That program recently ended in  
17 February 2000. Pursuant to that program, AmerenUE is  
18 required to do a study and an evaluation as to how  
19 effective that program was.

20 We've had programs in the past and we  
21 currently have a program with Missouri Gas Energy and  
22 we've had evaluations that have been done. The theory  
23 behind allowing ratepayers to fund programs like this,  
24 the \$125,000 for weatherization, is that by  
25 weatherizing homes of customers who are having



1 problems paying their natural gas bills, who have high  
2 natural gas bills, that the uncollectible expense that  
3 is also a component built into the expense that  
4 ratepayers pay is going to be reduced.

5 All right. So that reduction in the  
6 uncollectible expense is going to make up for the  
7 \$125,000 that ratepayers are paying. It's not like my  
8 office is offering up all ratepayer money and the  
9 ratepayers aren't getting benefit.

10 If you'll look at the analysis done in the  
11 evaluation of the MGE plan, it seems to indicate that  
12 customers who have indeed been weatherized, their  
13 payments are lower, thus we're getting a lower  
14 uncollectible expense, and so thus rates for that  
15 increment of uncollectible expense are going to be  
16 reduced.

17 The way the Stipulation is written and  
18 proposed, we are going to have a collaborative, just  
19 like we had with the MGE program, where all of the  
20 parties that are interested are going to sit down and  
21 develop how the money is going to be spent. Mr. Byrne  
22 is absolutely correct that within the parameters of  
23 the program -- and that's why you'll see we have  
24 within this Stipulation some requirements that social  
25 service agencies provide us with the information that

1 indicates indeed they've spent the money for  
2 weatherization and things like that.

3 But all AmerenUE is going to be doing is  
4 acting as a conduit for this money to go to the social  
5 service agencies, and that is all going to be  
6 determined with the collaborative that will probably  
7 have Dr. Warren and Ryan Kind, the representatives  
8 from the Department of Natural Resources and  
9 representatives from Union Electric. And that's  
10 essentially what we did with the MGE program also,  
11 Commissioner.

12 CHAIR LUMPE: In the collaborative, and I  
13 understand you'd have Company, you'd have DNR and  
14 you'd have Staff and you'd have somebody from Public  
15 Counsel. When you say others, are you then meaning  
16 various interested entities that want to receive some  
17 of the money, or would it be just the four of you  
18 putting together the details of the program?

19 MR. MICHEEL: Let me turn that specific over  
20 to Ryan Kind because he's dealt with it in the  
21 Missouri Gas Energy program and this is really a  
22 program that he's presented.

23 CHAIR LUMPE: I guess Mr. Kind would be --  
24 Mr. Imhoff, you can probably leave -- would have to be  
25 sworn.

1 JUDGE HOPKINS: You can go ahead and step  
2 down. I may need to recall you, Mr. Imhoff, but  
3 you'll still be under oath.

4 MR. IMHOFF: Okay.  
5 (Witness sworn.)

6 JUDGE HOPKINS: Please be seated and state  
7 and spell your name for the court reporter.

8 THE WITNESS: My name is Ryan Kind, and it's  
9 spelled R-y-a-n K-i-n-d.  
10 RYAN KIND testified as follows:

11 QUESTIONS BY CHAIR LUMPE:

12 Q. Mr. Kind, you have heard the discussion  
13 that's been ongoing. Would you give me the detail  
14 that I'm seeking here?

15 A. I'll be glad to. As I understand your last  
16 question was who will be in the collaborative, and it  
17 will be just those four parties that were mentioned by  
18 my attorney. It will be the Company, Staff, Public  
19 Counsel and the DNR Energy Center.

20 The social service agencies may -- will be  
21 part of the dialog probably that takes place within  
22 the collaborative in that the collaborative will --  
23 the way the collaborative worked last time with the UE  
24 weatherization program was that we went and searched  
25 out which social service agencies are actually present

1 in UE's gas service territory and then established a  
2 dialog with those agencies to see if they wanted to  
3 participate in the program.

4 And then the collaborative determined a  
5 formula for allocating the funds to those social  
6 service agencies largely, I think, the last time that  
7 allocation was made based on the number of UE  
8 customers that resided within the geographic areas  
9 that were covered by those social service agencies.

10 Q. So there is an allocation procedure, then,  
11 based on number of customers so that one area wouldn't  
12 get it all?

13 A. Correct.

14 Q. So that it would be spread around to the  
15 various locales where UE gas is provided?

16 A. That's correct.

17 Q. And as I understand it, what UE didn't want  
18 to have to do again was an analysis, et cetera, and  
19 you feel that enough analyses have been done that show  
20 this is a valuable program, that it does cut down on  
21 uncollectibles, I don't know if it's equal/equal, but  
22 you feel sufficient analyses have been done that you  
23 don't need to further do that or is somebody else  
24 going to do that instead of UE?

25 A. I do feel like sufficient analysis has been

1       done both within the state of Missouri and nationwide  
2       in terms of evaluating gas weatherization programs.  
3       We've had the MGE evaluation was an extensive  
4       evaluation, and there have also been a lot of other  
5       evaluations done across the country.

6               However, there is still an evaluation that  
7       is yet to be done as part of the last UE  
8       weatherization program, and it's because of UE's  
9       commitment to carry out that agreement and perform  
10      that evaluation that we didn't feel like an additional  
11      evaluation would be necessary for what OPC sees as a  
12      continuation of essentially the same program.

13             CHAIR LUMPE:   Okay.   Thank you, Mr. Kind.   I  
14      don't think I have any further questions on that.   I  
15      appreciate the detail that each of you have provided  
16      to me on that.   I believe those are all the questions  
17      that I have.

18             JUDGE HOPKINS:   Thank you.   You may step  
19      down.

20             COMMISSIONER SCHEMENAUER:   I think I have  
21      some questions probably for DNR regarding the  
22      weatherization program funding.   And in MDNR's  
23      Explanatory Memorandum on page 2, you indicate that  
24      Missouri could lose its current annual federal  
25      allocation of approximately three and a half million

1       dollars unless they get 25 percent matching funds; is  
2       that correct?

3               MS. WOODS:  Yes, that's correct.

4               COMMISSIONER SCHEMENAUER:  And these  
5       matching funds, and just my math shows that Missouri  
6       would need \$875,000 to retain all the federal funds.  
7       Did DNR request an appropriation from the Legislature  
8       for any of this money?

9               MS. WOODS:  I think that's a question that's  
10      going to have to be answered by Brenda Wilbers who's  
11      here with me today from DNR.  So if we could get her  
12      sworn in, please.

13              (Witness sworn.)

14              JUDGE HOPKINS:  Thank you.  Please be seated  
15      and state and spell your name for the court reporter.

16              THE WITNESS:  My name is Brenda Wilbers,  
17      B-r-e-n-d-a, W-i-l-b-e-r-s.

18      BRENDA WILBERS testified as follows:

19      QUESTIONS BY COMMISSIONER SCHEMENAUER:

20              Q.     Thank you, Ms. Wilbers.  Could you answer  
21      the question, did DNR seek an appropriation from the  
22      Legislature for the matching funds and were they  
23      successful?

24              A.     There is an appropriation, state  
25      appropriation under the UtiliCare program that has

1       been funded by the State for the last two years, and  
2       that is in an amount of approximately a million  
3       dollars for weatherization and for energy assistance,  
4       the LIHEAP payments. So this has been in place for  
5       the last couple of years.

6               Our concern was that a couple of instances,  
7       I guess, that it is subject to appropriation, and this  
8       is a new federal match requirement by Congress.

9       Q.     So we're really not in danger of losing the  
10      allocation because we did get the appropriation from  
11      the Legislature?

12      A.     For this current year, yes.

13      Q.     The \$125,000 then will be in addition to,  
14      what I compute, 4.4 million, something like that,  
15      federal funds, state funds and then -- and, of course,  
16      UE isn't the only company contributing. I think all  
17      the utility companies contribute something, correct?

18      A.     I'm not sure. There are other utility  
19      companies that do.

20      Q.     The \$125,000 that we're allowing above the  
21      line to be collected from ratepayers, that's in  
22      addition to any voluntary contributions that the  
23      ratepayers make? Like on your bill you can mark \$1  
24      for heating aid, I think, or something like that.  
25      That's an additional amount, isn't it?

1           A.     Yes, that's my understanding.

2           Q.     Do you know how much the companies collect  
3     on this voluntary contribution from ratepayers? Does  
4     it flow through the same process?

5           A.     I'm not aware of how that is distributed.  
6     The Company might be able to answer that.

7           MR. BYRNE: We certainly can find out how  
8     much is collected. I don't -- off the top of my head,  
9     I don't know.

10          COMMISSIONER SCHEMENAUER: But do you  
11     distribute that to those agencies in the same manner  
12     you would distribute this \$125,000? How does that get  
13     to the people that need the weatherization?

14          MR. BYRNE: I think it is different agencies  
15     that do it, but I think the principle of the money  
16     going to -- well, I better find out for sure.

17     BY COMMISSIONER SCHEMENAUER:

18          Q.     But these voluntary contributions would also  
19     help meet the state matching requirement, wouldn't  
20     they? I mean, according to the testimony filed, I  
21     think, under the federal law the 25 percent cost share  
22     may also be matched with non-federal leverage  
23     resources from energy suppliers or other sources  
24     through negotiation, regulation or voluntary  
25     contributions.



1           So all of that should flow into that pot to  
2 match the money to get the federal money, right?

3           A.     I think that it could be reported as match  
4 if that is a state or local contribution.

5           Q.     So we're not in -- we're not in a position  
6 right now where we're going to lose any federal funds?

7           A.     No, not currently, not at least for this  
8 next fiscal year.

9           Q.     And the 125,000 that will be collected  
10 through this negotiation will be used to help  
11 customers of UE only or anyone that applies?

12          A.     This would be just Ameren natural gas  
13 customers, as I understand it. This is similar to the  
14 experimental weatherization program what was just in  
15 place.

16          Q.     So it's limited to those customers and those  
17 communities --

18          A.     Yes.

19          Q.     -- that have AmerenUE gas customers?

20          A.     Yes.

21                 COMMISSIONER SCHEMENAUER: I think that's  
22 all I have. Thank you.

23                 CHAIR LUMPE: One more question, and it's a  
24 clarifying question. It's on page 3 of the Stip and  
25 it's Item C, parentheses 3, increase assurance gas

1       surcharges. Could you just explain that to me, either  
2       Staff or Company?

3               MR. BYRNE: I'm going to ask Mr. Kovach  
4       who's our rate expert to explain that.

5               (Witness sworn.)

6               JUDGE HOPKINS: Please be seated and state  
7       and spell your name.

8               THE WITNESS: Richard J. Kovach,  
9       R-i-c-h-a-r-d, K-o-v-a-c-h.

10       RICHARD J. KOVACH testified as follows:

11       QUESTIONS BY CHAIR LUMPE:

12       Q.     Mr. Kovach, would you just explain that to  
13       me?

14       A.     Yes, ma'am. You're referring to Item C(3)  
15       on page 3?

16       Q.     Correct. What is assurance gas surcharges?

17       A.     Yes. That is a charge that is a part of the  
18       Company's interruptible rate for nonresidential  
19       customers. Generally, these are larger industrial  
20       customers that go on this rate, and those customers  
21       have -- under that rate, have the option to specify  
22       which portion of their gas supply they wish to have as  
23       firm gas supply, and we call that assurance gas, and  
24       then the balance of their gas supply is interruptible.

25               And the way that rate happens to be

1       structured is that they pay a common rate for all of  
2       their gas, and the portion that they designate as firm  
3       gas, or assurance gas as we have labeled it, they pay  
4       an additional, and we've called it a surcharge for  
5       that gas because it is firm as opposed to being  
6       interruptible, and that's what that rate component  
7       refers to.

8           Q.     Thank you.  So if I had read firm -- or if  
9       it had said firm, then I think I might have known what  
10      it was.

11      A.     Yes.

12      Q.     But I wasn't sure.  I didn't know what  
13      assurance gas was.

14      A.     That would be correct, yes.

15      Q.     And the next one, too, would you explain  
16      that?  Clarify the application of the PGA clause to  
17      interruptible rate schedule.  How will you clarify  
18      that?

19      A.     This is mainly a housekeeping item that was  
20      a carryover from the last gas case.  In that case, we  
21      proposed some restructuring in the rate design again  
22      for these interruptible customers, and that case was  
23      also settled, and in that case we did not settle under  
24      the same terms and conditions as we originally  
25      proposed.  In other words, the structure that was

1       being proposed was changed as a part of the  
2       settlement.

3               And after those rates were put into effect,  
4       we determined that part of the changes that we had  
5       made to reflect our proposed rate design should have  
6       also been changed as a part of the settlement but it  
7       was not.

8               Now, it does turn out that this did not have  
9       any effect on any customers and so there was no  
10      revenue impact, but it was mainly an editorial, a text  
11      change that was required to be made, and as I say, it  
12      falls into the category of housekeeping changes.

13              So we propose to make that change as part of  
14      this case and that's all that that was, and it was a  
15      noncontroversial item, I think, for all of the  
16      parties. No one had any position on it other than  
17      saying that that was an okay change that should be  
18      made.

19              CHAIR LUMPE: Okay. Thank you, Mr. Kovach.  
20      That's all I have, then.

21              JUDGE HOPKINS: Thank you. You may step  
22      down.

23              I had one question from Commissioner Murray,  
24      and I didn't know if Mr. Imhoff or who could answer  
25      this, so let me ask it and someone tell me who can

1 answer it.

2 If you go to page 4 of the Unanimous  
3 Stipulation and Agreement and you look at paragraph  
4 D5, that calls for replacing one-time electronic gas  
5 meter installation charge of \$4,800 with a monthly  
6 meter equipment charge of \$21 for all new  
7 installations of such meters for transportation  
8 service. It appears that it would take the Company  
9 228.57 months to recover \$4,800 per meter. That is  
10 over 19 years. Please explain this change.

11 MR. BYRNE: Mr. Kovach can explain it if  
12 you'd like.

13 JUDGE HOPKINS: Just from right there would  
14 be fine, Mr. Kovach. You're still under oath. Go  
15 ahead.

16 MR. KOVACH: This particular charge relates  
17 to again larger customers taking gas transportation  
18 service, and they're basically nonresidential  
19 customers. And gas transportation service is simply a  
20 service where these customers do not buy their natural  
21 gas from the company, but they buy it through a gas  
22 broker or some other gas supplier and they merely work  
23 out the arrangements for the company to transport that  
24 gas through its system to the customer's premises.

25 When we first got into the gas

1 transportation business, it was a requirement to  
2 account for the daily use of these customers that were  
3 taking transportation service because there were  
4 certain balancing requirements with the pipeline where  
5 this data on actual schedules and actual use had to be  
6 balanced out.

7 Hence, a special meter that gave us that  
8 information on the customer's daily use was required,  
9 and at the time we got into this business those meters  
10 were very expensive, and that is how the original  
11 \$4,800 price was determined. And we filed for that,  
12 and the Staff, of course, did audit that price and the  
13 \$4,800 rate or charge for that meter was approved.

14 That was an up-front charge, and there were  
15 no additional monthly charges associated with that  
16 meter once the customer paid for that cost.

17 We have since gotten several years of  
18 experience in working with transportation customers  
19 under our belts since beginning that service, and we  
20 have had inquiries from smaller customers, again  
21 nonresidential customers, about the availability of  
22 that service.

23 And a number of them have said that the  
24 \$4,800 is a pretty stiff entry fee to pay for that  
25 service and would the Company be willing to offer

1 another alternative to perhaps reduce that to some  
2 monthly payment which would be a continuous monthly  
3 payment basically covering the fixed charges on the  
4 meter installation, much the same as we do with our  
5 other gas meters.

6 And after looking at that, we decided that,  
7 yeah, we could go ahead and offer that option, which  
8 would make transportation service available to more  
9 nonresidential customers, and that formed the basis  
10 for determining that for the price of \$21 a month we  
11 could go ahead and install that same meter and offer  
12 that to the new customers that are not currently  
13 taking that service for \$21 a month.

14 JUDGE HOPKINS: Thank you very much. Any  
15 other questions, Chair Lumpe?

16 CHAIR LUMPE: No.

17 JUDGE HOPKINS: Commissioner Schemenauer?

18 COMMISSIONER SCHEMENAUER: No more  
19 questions.

20 JUDGE HOPKINS: All right. When can we  
21 expect this transcript?

22 MR. BYRNE: Your Honor, I was wondering if I  
23 could briefly address the Stipulation? I kind of  
24 skipped over.

25 MR. MICHEEL: I would like to address it

1       also.

2                   JUDGE HOPKINS:  I'm sorry.  Go ahead,  
3       Mr. Byrne.

4                   MR. BYRNE:  I'll try to be brief.  We've  
5       already addressed in the questions a number of the  
6       things, so I'll skip over what's already been  
7       addressed.

8                   But I guess from the Company's standpoint we  
9       would encourage the Commission to -- from the  
10      Company's standpoint, we would encourage the  
11      Commission to approve this Stipulation.  I guess I  
12      would like to point out that this is only the second  
13      rate increase for gas service that AmerenUE has sought  
14      since 1987.

15                  As the Commission is well aware from other  
16      local distribution companies coming in before it and  
17      asking for rate increases, the cost of replacing gas  
18      mains and other costs that local distribution  
19      companies incur have gone up over that period, and  
20      this has only been our second rate increase.  So we  
21      hope that by historically not coming in very  
22      frequently, the Commission will approve a rate  
23      increase when it really is necessary, which we believe  
24      this one is.

25                  Also, with regard to the increase, I would



1 point out that the parties have recommended that the  
2 new rates be approved to take effect November 1st,  
3 2000. I know that's coming up quickly. And although  
4 this recommendation does not bind the Commission, it  
5 was an important factor in determining an agreeable  
6 amount of the increase. It was factored into our  
7 negotiations when we negotiated the amount of the  
8 increase.

9 So we're hopeful the Commission will be able  
10 to accept the recommendation of the parties and  
11 approve it in time to be effective November 1st.

12 I guess finally, you know, although the  
13 Company did not propose the weatherization plan and  
14 Office of the Public Counsel and DNR did, we think the  
15 \$125,000 program that continues every year is a good  
16 idea. As Commissioner Schemenauer pointed out, it can  
17 attract federal matching funds and it can be of some  
18 help to the company's poorest customers and maybe help  
19 reduce their utility bills a little bit.

20 So for all these reasons we would urge the  
21 Commission to approve the Stipulation. Thank you.

22 JUDGE HOPKINS: All right. Ms. Woods, do  
23 you have anything?

24 MS. WOODS: Yes, your Honor, we do. Thank  
25 you. Basically our position is set out in the

1 Statement of Position that we did file, I believe it  
2 was Monday with the Commission, but I would like to  
3 add a couple of things to that.

4 Commissioner Schemenauer did ask about  
5 whether there was a weatherization program that was  
6 set up last year, and I think the Company indicated  
7 that there was not. Maybe there's a little confusion  
8 here, and it may be in how that program was funded.  
9 But we view this as a continuation of or continuance  
10 of a weatherization pilot program or experimental  
11 program that AmerenUE has worked with in particular  
12 the Office of the Public Counsel and then with these  
13 local service agencies that have previously been  
14 mentioned. It's been an ongoing program. It expired  
15 in March of this year.

16 And I think we also view this \$125,000 per  
17 year added to the rate base as part of or basically a  
18 continuation of that program.

19 There is a Department of Energy study that  
20 has indicated that on average homes that have gone  
21 through this weatherization process or a similar  
22 weatherization process have been able to cut their  
23 monthly bills by approximately 20 percent, and that  
24 can be a very significant amount to a household, and  
25 as Mr. Micheel has stated, it certainly helps to

1     reduce the amount that the household is in arrears,  
2     which can help benefit other ratepayers as well as the  
3     Company.

4             And it will further help another topic of  
5     this hearing this morning, and that is low income  
6     residents deal with the higher cost of home heating,  
7     particularly this winter which I think we all know is  
8     likely to be an expensive one.

9             I appreciate the Commission's time.

10            JUDGE HOPKINS: Thank you very much.

11     Mr. Micheel?

12            MR. MICHEEL: Yes. I would just like to say  
13     that the Office of the Public Counsel certainly  
14     supports the Stipulation and Agreement. If we didn't  
15     think it was a good result, I certainly would not have  
16     signed the Stipulation and Agreement.

17            But with respect to the Staff's Explanatory  
18     Memorandum, I want to stress that the Office of the  
19     Public Counsel settled on the dollar number. There  
20     were a lot of different factors that went into the  
21     Office of the Public Counsel settling on this specific  
22     dollar number, and as noted in the Staff Memorandum,  
23     that's Staff's view of what took place. It's not the  
24     Office of the Public Counsel's view. And when you  
25     think about whether you should approve this, I want

1       you to keep that in mind.

2                   And specifically, Mr. Schwarz talked about  
3       the AmerenUE case as it related to the amortization of  
4       the costs and whether or not there was a recovery of a  
5       premium. First of all, the CIPS/AmerenUE merger case  
6       was a settled case and there was explicit language  
7       indicating there was no premium recovery in there and  
8       the specific language in the settlement that it had no  
9       ratemaking treatment. So I don't want this Commission  
10      or the Commissioners to get the idea that in some way,  
11      shape or form that was approved in that case because  
12      it wasn't, and that's certainly not the Office of the  
13      Public Counsel's view.

14                   It's certainly not the Office of the Public  
15      Counsel's view in this proceeding that any particular  
16      money was given for that amortization. Again, we  
17      settled on a dollar number. There are a lot of  
18      factors that go into that, but that's settlement  
19      negotiations.

20                   The second thing that I wanted to talk about  
21      was I believe Commissioner Schemenauer had a question  
22      about AmerenUE's Dollar Help proposal. It's my  
23      understanding, and I participate in AmerenUE's Dollar  
24      Help, that AmerenUE's Dollar Help money only goes for  
25      heating assistance, in other words payment for

1 specific bills that are in arrears, and that that  
2 money does not go for weatherization.

3 So that's a separate and distinct matter and  
4 as it relates to the \$125,000 in leveraging the  
5 federal funds. So I think that's something that we  
6 need to keep in mind when we're looking at this, that  
7 the Dollar Help merely goes when a customer has the  
8 unfortunate situation that they're in arrears in bills  
9 and they enter into, for example, a cold weather  
10 agreement and they need to pay a certain amount to  
11 keep their heat on per that cold weather agreement,  
12 then the Dollar Help funds come into effect.

13 So I don't want the Commission to get the  
14 idea -- and if I'm wrong, I mean, I hope AmerenUE will  
15 correct me, but that's my understanding based on the  
16 discovery and the fact that I participate in the  
17 program, that it goes for heating assistance.

18 MR. BYRNE: Other than the fact that it's  
19 Dollar More, not Dollar Help, that's right.

20 MR. MICHEEL: I'm sorry. Dollar More,  
21 Dollar Help. Sorry about that, Tom.

22 So I think, again, the Staff indicated in  
23 their memorandum that they settled, I believe, at a  
24 ten-five number. Again, I just want to make it clear  
25 that that's not the calculus that the Public Counsel

1       went through. We looked at it total and decided based  
2       on our litigation risks and all of the issues out  
3       there that \$4.2 million was an appropriate number.  
4       Okay. So that is the Staff number.

5               We do think it's a good settlement and would  
6       urge the Commission to approve it.

7               COMMISSIONER SCHEMENAUER: Did OPC file a  
8       memorandum on that?

9               MR. MICHEEL: No, we did not, your Honor.

10              COMMISSIONER SCHEMENAUER: Thank you.

11              JUDGE HOPKINS: All right. Thank you. Now,  
12       when can we expect the transcript?

13              THE REPORTER: The normal time is ten  
14       working days.

15              JUDGE HOPKINS: Ten working days, is that  
16       all right with everybody? Thank you very much? We're  
17       off the record.

18              WHEREUPON, the Presentation of the  
19       Stipulation and Agreement was concluded.

20              (REPORTER'S NOTE: Following the hearing,  
21       Exhibit Nos. 1 through 31 were marked and made a part  
22       of the record.)

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1	E X H I B I T S		
2		MARKED	REC'D
3	EXHIBIT NO. 1		
4	Direct Testimony of Dennis Patterson	61	61
5	EXHIBIT NO. 2		
6	Direct Testimony of James D. Schwieterman	61	61
7	EXHIBIT NO. 3		
8	Direct Testimony of Henry E. Warren	61	61
9	EXHIBIT NO. 4		
10	Staff Accounting Schedules	61	61
11	EXHIBIT NO. 5		
12	Direct Testimony of Paul W. Adam	61	61
13	EXHIBIT NO. 6		
14	Direct Testimony of Gary Bangert	61	61
15	EXHIBIT NO. 7		
16	Direct Testimony of Daniel I. Beck	61	61
17	EXHIBIT NO. 8		
18	Direct Testimony of Daniel I. Beck	61	61
19	EXHIBIT NO. 9		
20	Direct Testimony of John M. Boczkiewicz	61	61
21	EXHIBIT NO. 9HC		
22	Direct Testimony of John M. Boczkiewicz, Highly Confidential	61	61
23	EXHIBIT NO. 10		
24	Direct Testimony of John P. Cassidy	61	61
25	EXHIBIT NO. 11		
	Direct Testimony of Guy C. Gilbert	61	61
	EXHIBIT NO. 12		
	Direct Testimony of James A. Gray	61	61
	EXHIBIT NO. 13		
	Direct Testimony of Thomas M. Imhoff	61	61

1	EXHIBIT NO. 14		
2	Direct Testimony of Paul R. Harrison	61	61
3	EXHIBIT NO. 15		
4	Direct Testimony of Roberta McKiddy	61	61
5	EXHIBIT NO. 15HC		
6	Direct Testimony of Robert McKiddy		
7	Highly Confidential	61	61
8	EXHIBIT NO. 16		
9	Direct Testimony of Ted Robertson	61	61
10	EXHIBIT NO. 16HC		
11	Direct Testimony of Ted Robertson		
12	Highly Confidential	61	61
13	EXHIBIT NO. 17		
14	Direct Testimony of Ryan Kind	61	61
15	EXHIBIT NO. 18		
16	Direct Testimony of James A. Busch	61	61
17	EXHIBIT NO. 18HC		
18	Direct Testimony of James A. Busch		
19	Highly Confidential	61	61
20	EXHIBIT NO. 19		
21	Direct Testimony of Mark Burdette	61	61
22	EXHIBIT NO. 20		
23	Direct Testimony of Richard J. Kovach	61	61
24	EXHIBIT NO. 21		
25	Direct Testimony of Kathleen C. McShane	61	61
26	EXHIBIT NO. 22		
27	Direct Testimony of Lee R. Nickloy	61	61
28	EXHIBIT NO. 23		
29	Direct Testimony of Gary S. Weiss	61	61
30	EXHIBIT NO. 24		
31	Direct Testimony of Robert J. Kenney	61	61
32	EXHIBIT NO. 25		
33	Direct Testimony of James R. Pozzo	61	61



1	EXHIBIT NO. 26		
2	Direct Testimony of Philip B. Difani	61	61
3	EXHIBIT NO. 27		
4	Supplemental Direct Testimony of		
5	Philip B. Difani	61	61
6	EXHIBIT NO. 28		
7	Direct Testimony of William Warwick	61	61
8	EXHIBIT NO. 29		
9	Supplemental Direct Testimony of		
10	William Warwick	61	61
11	EXHIBIT NO. 30		
12	Direct Testimony of Scott A. Glaeser	61	61
13	EXHIBIT NO. 31		
14	Letter from Reform Organization of		
15	Welfare	61	61
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			