

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
3  
4 TRANSCRIPT OF PROCEEDINGS  
5 Hearing  
6 January 8, 2002  
7 Jefferson City, Missouri  
8 Volume 2

8 In the Matter of the Joint )  
9 Application of Union Electric )  
Company and Gascosage Electric )  
10 Cooperative for an Order Approving )  
a Change in Electric Service )  
11 Supplier for Certain Union )  
Electric Company Customers for ) Case No. EO-2002-178  
12 Reasons in the Public Interest; )  
Authorizing the Sale, Transfer, )  
13 and Assignment of Certain Electric )  
Distribution Facilities, )  
14 Substations, and Easements from )  
Union Electric Company to )  
15 Gascosage Electric Cooperative; )  
and Approving the First Amendment )  
16 to the Union Electric Company and )  
Gascosage Electric Cooperative )  
17 Territorial Agreement. )

18  
19 NANCY M. DIPPELL, Presiding,  
SENIOR REGULATORY LAW JUDGE.

20 SHEILA LUMPE,  
21 CONNIE MURRAY,  
STEVE GAW,  
22 BRYAN FORBIS,  
COMMISSIONERS.

23 REPORTED BY:

24 KELLENE K. FEDDERSEN, CSR, RPR  
25 ASSOCIATED COURT REPORTERS

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22

23

24

25

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

2 (EXHIBIT NOS. 1 THROUGH 7 WERE MARKED FOR  
3 IDENTIFICATION BY THE REPORTER.)

4 JUDGE DIPPELL: This is Case No. EO-2002-178,  
5 in the Matter of the Joint Application of Union Electric  
6 Company and Gascosage Electric Cooperative for an Order  
7 Approving a Change in Electric Supplier for Reasons in the  
8 Public Interest; Authorizing the Sale, Transfer and  
9 Assignment of Certain Electrical Distribution Facilities,  
10 Substations and Easements from Union Electric Company; and  
11 Approving First Amendment of the Union Electric Company and  
12 Gascosage Electric Cooperative Territorial Agreement.

13 My name is Nancy Dippell. I'm the Regulatory  
14 Law Judge assigned to this matter, and it's January 8th,  
15 2002. We've come here today for an evidentiary hearing in  
16 this matter, and at this time I'll ask the attorneys to make  
17 their oral entries of appearance. You may just state your  
18 name and party that you represent. You've already made your  
19 written entries of appearance. Addresses and such aren't  
20 really necessary. We'll go ahead and begin with AmerenUE.

21 MR. BOBNAR: Yes. Thank you, your Honor.  
22 William B. Bobnar, Ameren Services Company, appearing on  
23 behalf of AmerenUE.

24 JUDGE DIPPELL: And Gascosage.

25 MR. SCOTT: Victor Scott and Lisa Chase with

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1 the law firm of Andereck, Evans, Milne, Peace & Johnson.

2 JUDGE DIPPELL: For the Staff?

3 MR. FRANSON: Robert Franson, Associate  
4 General Counsel, representing the Staff of the Missouri  
5 Public Service Commission.

6 JUDGE DIPPELL: And Office of the Public  
7 Counsel?

8 MR. COFFMAN: John B. Coffman appearing on  
9 behalf of the Office of the Public Counsel and the  
10 rate-paying public.

11 JUDGE DIPPELL: And the intervenors, for the  
12 unions? The Employees of Gascoage?

13 MR. SCOTT: The Employees of Gascoage again  
14 are represented by Victor Scott and Lisa Chase of the law  
15 firm Andereck Evans.

16 JUDGE DIPPELL: And I don't see anyone  
17 representing the unions present. I have currently pending a  
18 Request for Leave to Withdraw as Parties of the  
19 International Union of Operating Engineers Local 148 and the  
20 International Brotherhood of Electrical Workers 1455. This  
21 was filed on January 4th. Is there any objection to this  
22 request for leave to withdraw?

23 MR. FRANSON: No objection on behalf of Staff,  
24 your Honor.

25 MR. COFFMAN: No objection.

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1                   MR. BOBNAR: No objection on behalf of  
2 AmerenUE.

3                   MR. SCOTT: No objection on behalf of  
4 Gascosage or the Employees of Gascosage.

5                   JUDGE DIPPELL: At this time, then, I'll grant  
6 the request to withdraw and dismiss the unions from this  
7 matter.

8                   We have premarked the exhibits, and I've been  
9 informed by counsel that there is someone from the general  
10 public who would like to speak, and we will insert that into  
11 our proceeding after the opening statements. We will allow  
12 members of the public to be sworn as witnesses and give  
13 testimony. I will allow cross-examination of those  
14 witnesses, and if there are any objections to those  
15 witnesses, you should state so at the time they come up, or  
16 to that testimony.

17                   The order that we're going to go in today will  
18 be the opening -- we'll do opening statements and then we'll  
19 do testimony from the general public and then we'll proceed  
20 with the order of witnesses that was proposed by the  
21 parties. And I believe that we'll probably do closing  
22 statements in lieu of Briefs, but counsel will let me know  
23 if they would like the opportunity to file Briefs at the  
24 close of the hearing.

25                   Is there anything further before I go to let

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1 the Commissioners know that we're ready for opening  
2 statements?

3 All right, then. We can go off the record.

4 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

5 JUDGE DIPPELL: I believe, then, we're ready  
6 for opening statements, and I believe we were going to start  
7 with AmerenUE.

8 MR. BOBNAR: Your Honor, Mr. Scott will be  
9 making the opening statement for the Joint Applicants.

10 JUDGE DIPPELL: Okay. I'm going to need you  
11 to speak into the microphone, Mr. Bobnar.

12 MR. BOBNAR: Okay.

13 JUDGE DIPPELL: Mr. Scott?

14 MR. SCOTT: If it may please the Commission?  
15 I'm sorry. Does the Commission mind if I approach or stand  
16 by the podium?

17 JUDGE DIPPELL: I would prefer you to stand by  
18 the podium actually. I didn't mention that earlier, but I  
19 would like for each of you to ask your questions and make  
20 your statements from the podium.

21 MR. SCOTT: Thank you, Commissioner. This is  
22 a joint application by AmerenUE and Gascosage Electric  
23 Cooperative requesting three items of relief. The first  
24 item is to amend a Territorial Agreement that this  
25 Commission approved approximately three years ago. The

1 second is to exchange customers in the area that is proposed  
2 to be changed from AmerenUE to Gascosage Electric. And the  
3 third part of the application is requesting permission of  
4 AmerenUE to sell those facilities.

5                   What I have in front of the Commission is  
6 Exhibit 2B of the first Territorial Agreement showing the  
7 original boundaries this Commission approved. The second  
8 map is Exhibit 2B Revision 1 which shows the new territory.  
9 I apologize for it not being in color. However, the  
10 boundary lines from -- do I need to mark it?

11                   JUDGE DIPPELL: No. That's fine.

12                   MR. SCOTT: The boundary lines, on the  
13 original agreement Gascosage had the southeastern corner of  
14 Miller County, and the rest of the county was designated as  
15 AmerenUE.

16                   Over the last several years, part of the  
17 Territorial Agreements and part of the discussions between  
18 AmerenUE and the coops have been trying to find ways to  
19 enhance service not only to the customers but also to make  
20 their equipment and facilities the most economical for the  
21 companies themselves. We believe that it reduces  
22 duplication, provides better service, and at the same time  
23 saves the customers money.

24                   In doing the Amended Territorial Agreement,  
25 the additional territory is the entire portion of Miller

1 County going up to the river and across to the bound-- to  
2 the western border of Miller County. Within that area being  
3 transferred there are approximately 1,200 customers  
4 currently being served by AmerenUE.

5               That territory and that area, the average  
6 customer per mill line is somewhere over or under, depending  
7 on how you say it, between 2.5 to 3.6. That is more typical  
8 of the customers that Gascoisage serves. More typically  
9 AmerenUE is a company that serves in larger metropolitan  
10 areas, and due to the relief requested we're asking that the  
11 two companies be allowed to make this exchange so as to  
12 provide better service to this area.

13              One item that came up during the discussions  
14 is this is an area that is served by older facilities that  
15 have had service problems in the past and that customers in  
16 that area requested several years ago to be exchanged from  
17 AmerenUE to the cooperative.

18              When AmerenUE approached Gascoisage, Gascoisage  
19 looked at it from an engineering aspect, determined was this  
20 a good deal for Gascoisage. When it was determined from an  
21 engineering standpoint because of this southeastern corner  
22 there are several towns, one being Iberia in this area that  
23 is being served by single feeder line of Gascoisage.

24              By doing this Territorial Agreement and  
25 extending Gascoisage's territory all the way across to Miller



1 County, Gascosage and its generation/transmission  
2 cooperative Sho-Me will be able to provide additional  
3 substations and at the same time will then begin providing  
4 what we call loop feed service between the communities of  
5 Brumley, Ulman and Iberia.

6                   This enhanced service will provide enhanced  
7 service not only to the customer coming from AmerenUE but  
8 also Gascosage's existing service facilities. Without doing  
9 this exchange and having this territory being exchanged from  
10 AmerenUE to Gascosage, Gascosage could not provide that loop  
11 service. It would be uneconomical to do it. We would not  
12 be able to place the substations in the proper location for  
13 engineering reasons.

14                   So that's one reason Gascosage said we are  
15 willing to do this transaction. It is for engineering  
16 reasons. So for that reason, we're asking that the First  
17 Amended Territorial Agreement be approved as it's not  
18 detrimental to the public interest.

19                   Secondly, we're asking that the customers be  
20 exchanged from AmerenUE to Gascosage because we believe it  
21 is in the public interest, and again, we believe that it is  
22 in the public interest to allow AmerenUE to sell these  
23 facilities to Gascosage so Gascosage can use those  
24 facilities and integrate them into their own network, and  
25 that's the request being asked for by the Applicant.

1 JUDGE DIPPELL: Thank you. Is there an  
2 opening statement from Staff?

3 MR. FRANSON: There is, your Honor.

4 JUDGE DIPPELL: I'm sorry. Mr. Franson,  
5 before you get into that, Mr. Scott, you mentioned  
6 Exhibit 2B. Was that an exhibit to the application?

7 MR. SCOTT: Your Honor, Exhibit 2B of the  
8 original agreement is part of the application. Exhibit 2B  
9 Revision 1 is also an exhibit to the application in this  
10 case.

11 JUDGE DIPPELL: All right. Thank you. I'm  
12 sorry, Mr. Franson. Please proceed.

13 MR. FRANSON: Thank you. If I may proceed,  
14 your Honor?

15 JUDGE DIPPELL: Yes, please.

16 MR. FRANSON: Judge, Commissioners, the Staff  
17 supports the Nonunanimous Stipulation & Agreement. However,  
18 there is one thing I need to correct from the Staff's  
19 Statement of Positions that has, in fact, changed since  
20 the -- in light of the filing of the Nonunanimous  
21 Stipulation & Agreement.

22 That is, in Issue D, the testimony of Steve  
23 Rackers, which the Staff still anticipates will come in,  
24 contains a specific condition, and in Issue D in our  
25 Statement of Positions, Staff talked about why the specific

1 condition was necessary.

2                   However, Staff has modified its position that  
3 what we're really talking about in the testimony of  
4 Mr. Rackers and in the Nonunanimous Stipulation & Agreement,  
5 paragraph 20, is what, if any, ratemaking treatment the  
6 Commission is affording to this stipulation, to this  
7 application for the things that it asks for and the fact  
8 that it also includes a Territorial Agreement, the fact that  
9 there could be ratemaking considerations later.

10                   Staff's position is that that kind of  
11 determination can only be made in a ratemaking proceeding,  
12 whether that's a complaint case, whether that is a  
13 ratemaking case, some future ratemaking proceeding.

14                   Here, what Staff and the other parties in the  
15 Nonunanimous Stipulation & Agreement and from actually  
16 reading Mr. Coffman's Statement of Position is that the idea  
17 that those kind of considerations will be reserved for a  
18 future case and everyone can make whatever arguments they  
19 wish about it at that time, the idea being here there would  
20 be no ratemaking determination by the Commission.

21                   So Staff's position on Issue D is reflected in  
22 paragraph 20 of the Nonunanimous Stipulation & Agreement.  
23 Other than that, the Staff supports the Nonunanimous  
24 Stipulation & Agreement and believes that it covers all of  
25 the issues in the case, and that would conclude our opening

1 statement.

2 JUDGE DIPPELL: Thank you. Mr. Coffman, does  
3 Office of the Public Counsel have an opening statement?

4 MR. COFFMAN: Thanks. May it please the  
5 Commission?

6 Public Counsel approaches these Territorial  
7 Agreements very seriously, and unfortunately Public Counsel  
8 is not taking a position either in support or in opposition  
9 to this Territorial Agreement and the related relief the  
10 Joint Applicants are requesting.

11 And we're sorry that we can't provide you with  
12 a clearcut answer, but representing all of the customers  
13 that are affected is very difficult. The impacts to each  
14 individual customer in the affected area varies a great  
15 deal, and based on the standards, we found it difficult to  
16 make a decision one way or the other.

17 We understand the Commission doesn't have that  
18 luxury and it has to make a decision up or down on the items  
19 that the Applicants have requested.

20 But Public Counsel sees its initial role in  
21 these cases to ensure that there is adequate opportunity for  
22 public input, that there's adequate notice, and that all the  
23 affected parties have the opportunity to provide the  
24 Commission with their opinion.

25 Secondly, we believe that it's important that

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1 the Commission have an adequate record and that it's aware  
2 of all the issues that need to be addressed. And to aid the  
3 Commission, I'd just like to list the factors that I think  
4 are important as you look at the joint application, and  
5 these are in the order that we see their importance to the  
6 customers involved.

7               No. 1 is the rate change that will occur, and  
8 this is a unique situation where the rate changes will vary  
9 widely on usage and on just the type of customer that you  
10 are. Between the regulated AmerenUE territory and the  
11 unregulated as far as rates go Gascosage Cooperative, there  
12 is a weather differential.

13              The rates for AmerenUE are higher in the  
14 summertime and lower in the winter, and if you are a  
15 customer that has high use in the winter, Union Electric  
16 would be a better rate for you. If you have a high use in  
17 the summer, as most people do -- or rather if you have high  
18 use in summer, then perhaps Gascosage would be better.

19              The customer charge difference is also  
20 important. There is a lower customer charge for AmerenUE  
21 and a higher customer charge for the cooperative. If you  
22 are a low-use customer, then the rate change will be  
23 detrimental to you. If you are a high-use customer, then it  
24 may be beneficial to you.

25              Most of the customers are going to see

1 something of an increase, and it's our intent to offer into  
2 the record a bill comparison that shows the approximate  
3 1,200 customers, how they would be affected in the rates.

4           This is a unique area in that it's a rural  
5 area. We believe that there are some farm buildings and  
6 other equipment that may be separately metered. So there  
7 are a lot of accounts that may have low usage. These  
8 customers may decide to set up different metering  
9 arrangements if the switch is to occur, and that's something  
10 that you should consider.

11           There also in this proposal is no particular  
12 phase-in as to the rates. The rate change would be flash  
13 cut, although it may not occur for many months into the  
14 future if it were approved.

15           Customer preference we believe is an important  
16 consideration as to the public interest. We did not receive  
17 an overwhelming response to the public notice. Of course,  
18 there were at least one public meeting and notices before  
19 the case came to the Commission.

20           The Office of the Public Counsel received  
21 contact from six customers. All of them were opposed to the  
22 increase. We didn't feel that that response was sufficient  
23 to request a local public hearing, but we thought we would  
24 at least note that.

25           The prepared testimony shows that there were

1 at least a dozen folks that showed up at the public meeting  
2 and many were concerned about rates.

3                   Also important to the public interest is  
4 reliability. I'm not sure if this is an issue that cuts  
5 necessarily either way. I think both applicants are capable  
6 of providing reliable and adequate service in making the  
7 improvements that would be necessary to maintain that.

8                   Customer service is an issue you may also want  
9 to take into account as far as response time goes. Each  
10 provider may have a difference in the ability to respond to  
11 an outage quicker depending on where their service personnel  
12 are.

13                   The Commission should also be aware that  
14 approving a switch of customers from a regulated utility to  
15 a coop will relinquish Commission oversight over the safe  
16 and adequate service and just and reasonable rates for --  
17 the Commission does have regulation over safety, but in many  
18 regards coops are considered owned by their own members and  
19 the Commission will no longer have that umbrella of  
20 protection over these customers.

21                   For that reason, we do suggest you scrutinize  
22 these type of switches more closely than you would a switch  
23 to a regulated utility.

24                   We also are concerned about potential loss of  
25 revenues to AmerenUE and what the impact of that may be in

1 the pending complaint case against AmerenUE's rates. Of  
2 course, there have been some mention of property tax impact.  
3 We believe that's also relevant to the public interest  
4 standard and you can take that into account.

5                   Please look at all these factors. I know it's  
6 going to be a difficult decision, but our interest is that  
7 you have all the information you can have in front of you to  
8 make a good decision.

9                   That's all I have. Thank you very much.

10                  JUDGE DIPPELL: Thank you.

11                  Mr. Scott, I'm assuming that from here on out  
12 your questioning and statements and so forth will take into  
13 account both of your clients, is that correct, or did the  
14 intervenors have an opening statement?

15                  MR. SCOTT: The intervenors do not have an  
16 opening statement and will not be making any further  
17 comments, and so yes, you're correct. Basically, I'll be  
18 representing Gascosage Electric Cooperative. The employees  
19 support the requested relief, and we're going to leave it at  
20 that time at this time.

21                  JUDGE DIPPELL: Okay. Thank you. We  
22 previously dismissed the other intervenors, the unions. So  
23 at this time, then, I would like to offer -- I understand  
24 that there is perhaps a member of the general public.  
25 Mr. Coffman, you had informed me of that. Mr. Doerhoff, is



1 that correct?

2 MR. DOERHOFF: Yes, ma'am.

3 JUDGE DIPPELL: I'll let you come forward at  
4 this time. If you'd like to go ahead and come over to the  
5 witness stand.

6 This is a bit unusual in that we did not have  
7 a local public hearing where this type of testimony would  
8 normally be taken, but since Mr. Doerhoff is here, I'm going  
9 to allow him to speak unless there are objections. Is there  
10 any objections to the Commission hearing testimony from  
11 members of the general public?

12 MR. BOBNAR: No, your Honor.

13 MR. FRANSON: No objection, your Honor.

14 MR. SCOTT: No, your Honor.

15 JUDGE DIPPELL: Mr. Coffman, I assume you have  
16 no objection?

17 MR. COFFMAN: Right. Yes.

18 (Witness sworn.)

19 JUDGE DIPPELL: Would you please state your  
20 name and spell it for the court reporter.

21 THE WITNESS: Sidney John Doerhoff,  
22 S-i-d-n-e-y, middle name John, J-o-h-n, last name Doerhoff,  
23 D-o-e-r-h-o-f-f.

24 JUDGE DIPPELL: You can go ahead and be seated  
25 if you like. Would you give us your address, please.

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1                   THE WITNESS: Post Office Box 82,  
2 St. Elizabeth, Missouri 65075.

3                   JUDGE DIPPELL: I believe you had some  
4 comments you'd like to make about this Territorial Agreement  
5 and customer exchange?

6                   THE WITNESS: Yes, ma'am. First of all, in  
7 your concerns that I represent the school district, if  
8 that's a problem, I'm also a patron of the district and have  
9 been for 43 years. So if you would rather I represent as a  
10 patron, I'll --

11                  JUDGE DIPPELL: That's fine.

12                  THE WITNESS: If I misspeak in my statement,  
13 I'll try and address that.

14                  JUDGE DIPPELL: I understand that you can  
15 speak as to what's happening to the school and so forth, and  
16 in fact, I would like you to tell us about your position  
17 there so it's on the record as to what your employment  
18 situation is. But as to your comments, they should be your  
19 representations and not a representation of the school.

20                  THE WITNESS: I understand that. Thank you  
21 first of all for hearing me. As I said, I am Sid Doerhoff,  
22 and I'm going to read a prepared statement that I have here  
23 so I don't misspeak, and I'm going to try and avoid stepping  
24 on any toes if I can, but I would like to get to the point  
25 and let you know what our feelings are.

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1 I'm the superintendent of schools at  
2 St. Elizabeth, Missouri, and I've come to express my concern  
3 over the impact that this change will have mainly on the  
4 school districts in Miller County. Their combined loss in  
5 railroad and utility tax revenue has been projected by the  
6 Miller County Assessor to be approximately \$200,000 for the  
7 year 2003, with some of this loss being annual.

8 Although some of this loss may be made up in  
9 the future by increased value of upgraded facilities, it is  
10 doubtful that the majority of the first year losses will be  
11 recovered in the short term.

12 After speaking to representatives from both  
13 utility companies, the Public Service Commission, all the  
14 superintendents in Miller County and our State  
15 Representative who was present at the community meetings  
16 where the problems that in part initiated this change were  
17 discussed, it's come to my forefront that there's  
18 considerable disagreement on why this proposed change was  
19 initiated to start with.

20 Everyone agrees that this change will improve  
21 electrical service in the area where the change of service  
22 is proposed, and I'm not opposing a change of service. If  
23 it's good for both the consumer and the producer, it would  
24 have to be considered progress, and I'm not arguing with  
25 that at all.

1                   The concern that our patrons would have is  
2 that if this is a result of insufficient investment into the  
3 repair and maintenance for several years prior to the  
4 problems that arose in June and July of 1999, our school  
5 should not suffer for their lack of foresight or desire to  
6 reinvestment in the system, and that point was made here  
7 also by Mr. Scott about deteriorating facilities.

8                   If such enormous repairs are required now,  
9 it's hard to imagine that this area was maintained as well  
10 as it could have been in the years prior to the change.

11                  I would propose one of two modifications to  
12 the transfer agreement to help offset this loss to public  
13 schools, and I'm not sure if these are legally possible or  
14 what the time line is.

15                  First of all, I would propose that AmerenUE be  
16 required to credit monthly the utility account of each  
17 public school system in Miller County over the next three  
18 years an amount that would cumulatively equal this projected  
19 loss in revenue to the public schools. This would spread  
20 the impact on the utility company out and would still  
21 provide a means for the schools to recoup some of the funds  
22 that they will lose because of this change.

23                  If financial restrictions prevent that option  
24 from happening, another way to address this loss would be to  
25 designate 80 of AmerenUE's current scholarships over the

1 next three to five years for students in Miller County with  
2 the number for each school being prorated according to their  
3 loss of revenue.

4           The value of 80 scholarships is approximately  
5 equal to the cumulative loss of revenue. This alternative  
6 would allow some form of repayment to the school district  
7 patrons without adding financial burden to the utility  
8 company.

9           And I believe that this is as close as I can  
10 or I can come with the lack of information that I had up  
11 front to meeting the provision that this is not detrimental  
12 to the public interest. I think it can still be achieved,  
13 but I think this is something that, because of how we got  
14 into this situation, should be addressed.

15           And I would entertain any questions that  
16 anyone would have at this time.

17           JUDGE DIPPELL: Thank you. At this time I'll  
18 see if there's any cross-examination first and then I'll ask  
19 if the Commissioners have any questions for Mr. Doerhoff.  
20 Is there any cross-examination from AmerenUE?

21           MR. BOBNAR: No, your Honor.

22           JUDGE DIPPELL: Gascoage?

23           MR. SCOTT: Just a couple questions, your  
24 Honor.

25 CROSS-EXAMINATION BY MR. SCOTT:

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1 Q. Sir, what is the amount your school district  
2 is projected to lose?

3 A. \$10,400.

4 Q. That's per year?

5 A. First year.

6 Q. First year?

7 A. After that, we can't determine the amount  
8 because the proration factor in the foundation formula, we  
9 can't be sure that it's going to be one. As a matter of  
10 fact, almost everyone in the education arena is in agreement  
11 it's going to be less than one.

12 So we're not going to lose the majority of  
13 that each year after that. Some schools in Miller County  
14 will. For example, School of the Osage which is a hold  
15 harmless school --

16 Q. That's fine. I just asked what your school  
17 is.

18 A. Okay.

19 Q. That leads me to my next question, which is,  
20 is each year the amount of tax revenue you receive based on  
21 this utility tax is calculated at that time, correct?

22 A. It's calculated annually, yes.

23 Q. Okay. And so my next question is,  
24 theoretically, if AmerenUE were to build and extend  
25 facilities in the exact same number of miles of line that

1 they're currently going to sell to Gascosage, it would be  
2 revenue neutral to you; is that correct?

3       A.       It might increase the revenue if the assessed  
4 value of that property would increase, depending on how it's  
5 assessed.

6       Q.       All right. So if Gascosage increases its  
7 value and also adds and extends lines, your tax revenue will  
8 increase?

9       A.       Not necessarily, because Gascosage is assessed  
10 much differently because it is a cooperative and is only in  
11 the distribution business. That's why we're losing the  
12 revenue.

13       Q.       I understand. But if they extend and increase  
14 the number of their facilities, your tax revenue from  
15 Gascosage will go up?

16       A.       It will go up from the area that it has been  
17 depleted to.

18       Q.       But the amount of money that you get from  
19 Gascosage will increase?

20       A.       From Gascosage, yes.

21       Q.       So it's not a net loss, there is some offsets  
22 for your tax revenue?

23       A.       There will certainly be a net loss because the  
24 way -- AmerenUE is assessed at a much higher rate than  
25 Gascosage.

1 Q. I apologize for the question. It was poorly  
2 worded. It's not a total loss?

3 A. Not a total loss, no. I'll agree to that.

4 Q. And the other -- and the next final question I  
5 have for you is, each year because of the increase in  
6 facilities either in valuation or the addition of  
7 facilities, you may have increased tax revenues?

8 A. If that takes place, yes.

9 Q. Okay. And you also have the ability to raise  
10 your taxes pursuant to state law; is that correct?

11 A. We can vote a levy on your district, yes.

12 Q. All right. And do you know of any state law  
13 or any other statute that says a company, a business is  
14 required to pay taxes?

15 A. I'm not familiar enough with --

16 MR. FRANSON: Your Honor, I'm going to object  
17 to that.

18 MR. SCOTT: I'll rephrase the question.

19 BY MR. SCOTT:

20 Q. That they have the opportunity to minimize  
21 their tax obligations?

22 MR. FRANSON: Same objection, your Honor.

23 He's not qualified as an expert in the law, and I think that  
24 question is beyond the witness' knowledge.

25 JUDGE DIPPELL: I'll sustain your objection.



1 MR. SCOTT: Nothing further, your Honor.  
2 JUDGE DIPPELL: Are there any questions from  
3 Staff?  
4 MR. FRANSON: No questions from Staff, your  
5 Honor.  
6 JUDGE DIPPELL: Public Counsel?  
7 MR. COFFMAN: No questions, your Honor.  
8 JUDGE DIPPELL: Are there any questions from  
9 the Commissioners? Commissioner Lumpe.  
10 QUESTIONS BY COMMISSIONER LUMPE:  
11 Q. Mr. Doerhoff, you've explained that the  
12 assessment of the public utility and a coop are different;  
13 is that correct?  
14 A. That's my understanding, yes.  
15 Q. One of your proposed modifications, was that  
16 sort of like what we sometimes call pilot payment in lieu of  
17 taxes where you would --  
18 A. I wouldn't consider it in lieu of taxes. I  
19 would consider it in lieu of repairs that weren't done prior  
20 to this agreement, and the fact that they all need done now  
21 would indicate that that probably would have been good  
22 management.  
23 And I'm not an electrical provider, so I don't  
24 feel I have a professional expertise in that area, but the  
25 fact that all of a sudden when we transfer and now we need a

1 tremendous amount of work done would indicate that probably  
2 that could have been done in the recent past.

3 Q. Have you thought of the notion of payment in  
4 lieu of taxes? I know you talked about scholarships, but  
5 have you thought about that notion as opposed to --

6 A. Quite frankly, I haven't had the opportunity  
7 to discuss that. Every other school district in Miller  
8 County was visited by AmerenUE except ours, and I haven't  
9 had the opportunity to discuss back and forth, other than on  
10 the telephone, and I have discussed several things with  
11 them.

12 But I think that's an option that could be  
13 discussed, but I'm not sure that we're the ones should make  
14 that decision.

15 Q. The two items that you did suggest were, one,  
16 that they should somehow prorate or allocate to you some  
17 figure that represents --

18 A. The loss.

19 Q. -- what they let go?

20 A. Yes.

21 Q. Okay. Thank you,

22 A. Thank you.

23 Q. Oh, one other question I had. The communities  
24 that you're talking about are considered rural communities;  
25 is that correct?

1           A.       I would think in most definitions, yes. Eldon  
2 is -- Eldon and Osage are certainly not considered rural  
3 when you compare them to Kansas City and St. Louis, but  
4 compared to St. Elizabeth they would be.

5                   COMMISSIONER LUMPE: Thank you. That's all.

6                   JUDGE DIPPELL: Commissioner Gaw, do you have  
7 questions?

8                   COMMISSIONER GAW: Thank you, Judge.

9 QUESTIONS BY COMMISSIONER GAW:

10          Q.       Is it Doerhoff?

11          A.       Yes, that's fine.

12          Q.       It's confusing around here. The pronunciation  
13 of that name sometimes changes a little. Maybe that's the  
14 spelling that changes.

15          A.       In the school business I get called a lot of  
16 things, and I'll accept whatever comes this way.

17          Q.       Well, if I might just ask you a couple of  
18 questions. First of all, how long have you been  
19 superintendent?

20          A.       This is my second year as superintendent, 24th  
21 year in the district.

22          Q.       All right. So this is your home area?

23          A.       That's correct.

24          Q.       And so you're very familiar with what's been  
25 going on around there for the last 24 years?

1           A.       Yes, sir.

2           Q.       Would you say that -- has there been any  
3 discussion with you about helping in this transition from  
4 the parties in this case?

5           A.       Nothing -- there hasn't been any discussion  
6 that I didn't initiate. Certainly wasn't anything that had  
7 to do with assisting us, other than --

8           Q.       There is -- excuse me. I didn't mean to  
9 interrupt.

10          A.       Well, I would like to amend what I said there.  
11 The superintendents in the county did meet and sent a letter  
12 to the Public Service Commission, and it wasn't decided that  
13 they should move collectively, because we certainly have  
14 different interests there.

15                   For example, the School of the Osage which has  
16 AmerenUE's Bagnell Dam in their district has very  
17 conflicting feelings about it. He doesn't want to argue  
18 about this because this is also one of his largest  
19 taxpayers. He wants to represent a district, but we weren't  
20 in that same situation, and that's probably why I'm the only  
21 one that's here.

22          Q.       I see. But the impact will be to all of the  
23 districts that have territory within this --

24          A.       Yes.

25          Q.       -- proposed area of transfer?

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1           A.       Yes, sir.  Roughly the Eldon School District  
2 is going to lose about 80,000, Osage 50, Iberia 33, and  
3 Tuscumbia is 20-something.

4           Q.       I realize this is a complicated issue, so I  
5 don't want to get into it too far, but the possibility that  
6 you will lose assessed valuation and the ability to tax at  
7 the same amount the assets that are being transferred, will  
8 it be -- will there be any cushion to that from any  
9 particular rollback provision that may be in that area?

10          A.       Not to my knowledge in that immediate year.  
11 The following year the foundation formula has a deduction in  
12 it which will take care of a big part of it depending on the  
13 proration factor, but the initial year it's going to be a  
14 direct hit.

15          Q.       How much of a help will it be the following  
16 year?

17          A.       I would say in most districts it's fair to say  
18 the majority of the money will come back, with the exception  
19 of the School of the Osage.  The majority of the loss will  
20 take place in one year.

21          Q.       And then tell me about the School of the  
22 Osage, how that's different.

23          A.       They're a school district which is not on the  
24 state's foundation formula.  Therefore, they don't have the  
25 luxury of that deduction changing.

1 Q. When you think they're not on the foundation  
2 formula, do you mean they're a --

3 A. They're hold harmless.

4 Q. -- hold harmless?

5 A. Yes. In other words, they were paid more in  
6 the foundation formula before it was rewritten. Therefore,  
7 they are grandfathered in at the amount that they have.

8 Q. I understand. So the impact on them will  
9 be --

10 A. Annual.

11 Q. Yes. It will continue?

12 A. Yes, sir.

13 Q. All right. And there is no -- there has been  
14 nothing offered to your district that you're -- or any of  
15 the other districts that you're aware of from Ameren?

16 A. Not that I'm aware of.

17 COMMISSIONER GAW: I think that's all I have.  
18 Thank you very much, superintendent.

19 JUDGE DIPPELL: Commissioner Forbis, did you  
20 have questions?

21 COMMISSIONER FORBIS: No.

22 JUDGE DIPPELL: Is there any further  
23 cross-examination based on questions from the Bench from  
24 Ameren?

25 MR. BOBNAR: Yes, your Honor.

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1 RE CROSS-EXAMINATION BY MR. BOBNAR:

2 Q. Sir, where is your school district located?

3 A. We're about 30 miles south of here.

4 Q. So you're not in the area that is being  
5 transferred?

6 A. No, we're not. We're in the county, but not  
7 in the actual area of transfer of service.

8 Q. And you have talked to Mr. Merry multiple  
9 times on the phone?

10 A. I think twice. I may be off on that, but yes,  
11 I spoke with him by telephone.

12 Q. And was he willing to meet with you to discuss  
13 this matter?

14 A. I asked why we weren't visited, I'll say that,  
15 and I was given the reason that time constraints and  
16 schedule did not permit.

17 Q. Did Mr. Merry mention the fact that you were  
18 outside the area being transferred as a reason?

19 A. No, not to my knowledge. I don't recollect  
20 that.

21 Q. You said that for one year you'd be losing  
22 \$10,000 until the state foundation formula can kick in and  
23 restore that. What's your school district's total budget?

24 A. Just in excess of \$2 million.

25 Q. So \$2 million number. Do you also experience

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1 growth in your area and changes in the amount of money you  
2 receive as a result of other people?

3       A.       Right now, it's probably closer to declining  
4 because of student population, and we're very dependent on  
5 the foundation formula. Our number of student decline.  
6 Next year our enrollment will go by 10, and over the next  
7 five it'll go down by 42.

8       Q.       But as a result of the growth in the  
9 facilities that are taxable in your district, are you  
10 experiencing any growth there?

11       A.       I would just have to answer that on an annual  
12 basis, and right now over the last two or three years I  
13 would say yes, but it would be slight. I'd have to get my  
14 figures out to see that exact amount.

15       Q.       Would slight be on the order of \$10,000?

16       A.       Much smaller than.

17       Q.       Much smaller?

18       A.       Uh-huh.

19       Q.       500?

20       A.       I would say, if I were guessing, I'm  
21 speculating here, between 500 and \$1,000 difference.

22               MR. BOBNAR: Thank you, sir.

23               JUDGE DIPPELL: Mr. Scott?

24               MR. SCOTT: None, your Honor.

25               JUDGE DIPPELL: Staff?

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1 MR. FRANSON: No questions, your Honor.

2 JUDGE DIPPELL: Mr. Coffman?

3 MR. COFFMAN: No questions.

4 JUDGE DIPPELL: All right. I believe that's  
5 all the questions for you, Mr. Doerhoff. Thank you for --

6 THE WITNESS: Thank you for allowing me to  
7 come.

8 (Witness excused.)

9 JUDGE DIPPELL: Is there any other member of  
10 the general public who wished to speak?

11 Okay. Then seeing none, we'll go ahead and  
12 proceed. I'd like to ask the attorneys for the next  
13 witnesses to go ahead and come to the podium to ask your  
14 questions. And Mr. Scott, I may have you remove your  
15 display unless that's going to be needed in  
16 cross-examination of the witnesses.

17 MR. SCOTT: I can move it now, your Honor.

18 JUDGE DIPPELL: The Commissioners are going to  
19 excuse themselves because they have to go to their regular  
20 agenda meeting. So as I call the witnesses, I may reserve  
21 time for the witnesses to come back up for Commission  
22 questions at the end.

23 Okay. Let's go ahead then with the first  
24 witness, or second witness in this case, first witness for  
25 Ameren.

1                   MR. BOBNAR: Thank you. Your Honor, and may it  
2 please the Commission. I call Larry Merry.

3                   (Witness sworn.)

4                   JUDGE DIPPELL: Thank you. You may be seated.  
5 You may proceed, Mr. Bobnar.

6 LARRY MERRY testified as follows:

7 DIRECT EXAMINATION BY MR. BOBNAR:

8           Q.       Please state your name for the record.

9           A.       My name is Larry Merry. That's M-e-r-r-y.

10          Q.       By whom are you employed?

11          A.       I'm employed by AmerenUE.

12          Q.       What is your position at AmerenUE?

13          A.       My position is district manager over capital  
14 and lakeside districts in Missouri.

15          Q.       Are you familiar with the subject matter of  
16 this joint application of AmerenUE and Gascosage Electric  
17 Cooperative in this case?

18          A.       Yes, I am familiar with it.

19          Q.       Have you prepared testimony for submission in  
20 this case?

21          A.       Yes, I have.

22          Q.       I direct your attention to a document that has  
23 been marked Exhibit 2HC and 2 and ask you to identify them  
24 for the record.

25          A.       Yes. This is the testimony that I prepared

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1 for this case and the other attachments, the contract for  
2 purchase and sale, a list of exhibits, all relative to this  
3 particular case.

4 Q. Thank you. Again, I'm going to hand you a  
5 document that's been marked as Exhibit 3 and ask you if you  
6 can identify this?

7 A. Yes. This is -- this is my surrebuttal  
8 testimony.

9 Q. If I asked you now each of the questions  
10 appearing in your testimony, would your answers be the same  
11 as therein?

12 A. Yes, my answers would be the same now as they  
13 were then.

14 Q. Do you wish to make any additions, corrections  
15 or deletions to your testimony at this time?

16 A. No, I do not.

17 Q. In your opinion, should the Commission approve  
18 the Stipulation & Agreement?

19 A. Yes, in my opinion, the Commission should  
20 approve it.

21 MR. BOBNAR: Your Honor, I move that  
22 Exhibit 2HC, Exhibits 2 and 3 be admitted into evidence, and  
23 I offer Mr. Merry for cross-examination.

24 JUDGE DIPPELL: Is there any objection to  
25 Exhibit 2, 2HC or Exhibit 3 coming into the record?

1 MR. FRANSON: No objection, your Honor.

2 MR. SCOTT: No objection, your Honor.

3 MR. COFFMAN: No objection.

4 JUDGE DIPPELL: Then I will admit Exhibits 2,  
5 2HC and 3 into the record.

6 (EXHIBIT NOS. 2, 2HC AND 3 WERE RECEIVED INTO  
7 EVIDENCE.)

8 MR. BOBNAR: Your Honor, we also move that  
9 Exhibit 1, the Stipulation & Agreement, be admitted into  
10 evidence at this time.

11 JUDGE DIPPELL: All right. Is there any  
12 objection to the Nonunanimous Stipulation & Agreement which  
13 was premarked as Exhibit 1 coming into the record?

14 MR. FRANSON: No objection on behalf of Staff,  
15 your Honor.

16 MR. SCOTT: No objection, your Honor.

17 MR. COFFMAN: No objection.

18 JUDGE DIPPELL: Then I will admit Exhibit 1,  
19 which is the Nonunanimous Stipulation & Agreement, into the  
20 record.

21 (EXHIBIT NO. 1 WAS RECEIVED INTO EVIDENCE.)

22 JUDGE DIPPELL: All right, then. Is there  
23 cross-examination?

24 MR. SCOTT: None, your Honor.

25 MR. FRANSON: Briefly, your Honor, on behalf

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1 of Staff.

2 JUDGE DIPPELL: Mr. Franson.

3 CROSS-EXAMINATION BY MR. FRANSON:

4 Q. Mr. Merry, did you ever meet Sidney Doerhoff,  
5 the gentleman who testified briefly earlier?

6 A. I'm sorry. What was the question?

7 Q. The gentleman that just testified, the  
8 superintendent of schools in St. Elizabeth, did you meet  
9 him?

10 A. I only met him this morning before this  
11 hearing started. I have talked with him on the phone, but I  
12 did not meet him personally.

13 Q. And did you discuss his concerns about this  
14 case when you talked to him on the phone?

15 A. Yes. He had some questions about the case,  
16 why the deal was being made, what the impact was, and we did  
17 discuss those items.

18 MR. FRANSON: I don't have any further  
19 questions, Judge.

20 JUDGE DIPPELL: Thank you. Is there  
21 cross-examination by Public Counsel?

22 MR. COFFMAN: Yes, your Honor.

23 CROSS-EXAMINATION BY MR. COFFMAN:

24 Q. Good morning, Mr. Merry.

25 A. Good morning.

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1 Q. There was some mention earlier about some  
2 outages or service problems in the affected area in, was it  
3 1998, 1999?

4 A. 1999 particularly, yes.

5 Q. 1999. Was AmerenUE's service during this time  
6 safe and adequate, in your opinion?

7 A. Yes, it was. At this time it was safe and  
8 adequate.

9 Q. Do you acknowledge that there were some  
10 service problems that do need to be addressed in this  
11 territory?

12 A. I believe I heard the question to say are  
13 there service problems that do need to be addressed. No, I  
14 would not agree with that. In 1999 we had service problems,  
15 and let me define what that is. We had a series of extended  
16 outages in what we refer to as the Brumley/Ulman area,  
17 roughly eight outages in about the same number of weeks.

18 Obviously that is excessive. It is not  
19 acceptable performance from an outage standpoint to  
20 AmerenUE. However, we examined and evaluated each of those  
21 outages. In every single case they were due to damage from  
22 major storms, windstorms, lightning, resulting outages in  
23 some cases from tree limbs contacting the lines. None of  
24 those outages were a result of deteriorated conditions.

25 The customers complained that they felt the

1 system was deteriorated, poles were falling down, wires were  
2 falling down, et cetera. That was not the case. Not a  
3 single outage was a result of a pole falling down. They're  
4 all a result of storms, which is, as we term, acts of God,  
5 totally beyond our control.

6                   Once that series of storms had passed in the  
7 summer of '99, the problems went away and there have been no  
8 further complaints.

9           Q.       Do you agree with the characterization of  
10 Mr. Scott in his opening statement about the condition of  
11 this area?

12          A.       Generally, yes, I agree with his statements.  
13 You have to understand that coops and investor-owned  
14 utilities have different standards of construction and  
15 different standards of operation, but in that context, from  
16 that context, yes, I agree.

17          Q.       Okay. And when you say that there are some  
18 differing standards between coops and, say, your company,  
19 could you elaborate on that at all in general terms?

20          A.       What has been stated and is in the testimony,  
21 Gascosage intends to invest a significant amount of money to  
22 upgrade facilities. That could lead one to imply that,  
23 therefore, the system is deteriorated. Well, that's again a  
24 basis of standards of construction. From an AmerenUE  
25 standpoint, the system is reliable, it is up to standard

1 with what we consider a rural distribution system.

2 Q. Okay. And the improvements that Gascosage has  
3 discussed in its prepared testimony include adding a  
4 substation near Brumley, looping the service, does it not?

5 A. Yes, it does.

6 Q. Is that the kind of improvement that AmerenUE  
7 would consider if perhaps this application is not approved?

8 A. Well, it is something --

9 MR. BOBNAR: Asked and answered, your Honor.  
10 Objection; asked and answered. It's part of his direct  
11 testimony.

12 JUDGE DIPPELL: All right.

13 MR. COFFMAN: I'd just like to clarify this in  
14 my line of questioning.

15 JUDGE DIPPELL: Are you leading into another  
16 question, Mr. Coffman?

17 MR. COFFMAN: Perhaps, depending on the  
18 answer.

19 JUDGE DIPPELL: I'm going to go ahead and  
20 allow the witness to answer the question.

21 MR. COFFMAN: Okay. Thank you.

22 THE WITNESS: The question was, would AmerenUE  
23 consider what we call loop feed on the 69 subtransmission in  
24 the three-phase line of Route C. No. We simply would  
25 not -- we would consider it from an engineering standpoint.



1 We have considered it in times past, even the '99 with the  
2 outage problem. It's simply uneconomical. It's not within  
3 our design criteria to make that kind of an investment in  
4 this kind of a rural setting.

5 BY MR. COFFMAN:

6 Q. In your opinion, would adding the substation  
7 and looping the service improve the reliability?

8 A. Yes, the loop would improve the reliability.  
9 The three-phase line up Route C will improve the  
10 reliability.

11 Q. But if I'm understanding you correctly, in  
12 your opinion it's not necessarily necessary to provide safe  
13 and adequate service in the area?

14 A. From AmerenUE's standpoint, it is not  
15 necessary to provide safe and reliability. I cannot speak  
16 for Gascosage.

17 Q. Okay. Mr. Merry, do you have knowledge of the  
18 rates of both Gascosage Cooperative and AmerenUE and the  
19 differences between those rates?

20 MR. BOBNAR: Objection, your Honor. This  
21 matter is not relevant for a customer exchange. The  
22 standard given in the statute is that the Commission must  
23 find the change of supplier's in the public interest for  
24 reasons other than rate differential, and we're about to go  
25 down the rate differential path.

1                   MR. COFFMAN: Your Honor, first of all, I have  
2 to say I'm kind of surprised that Ameren appears to be  
3 reluctant to put rate differential information or let rate  
4 differential information go into the record here.

5                   One of the requests in the application is a  
6 switching of customers, and that is the standard Mr. Bobnar  
7 is referring to, and that is that a change of suppliers may  
8 only be approved on the basis of public interest for a  
9 reason other than a rate differential. The standard does  
10 not state what reasons the Commission may base a decision to  
11 deny a standard.

12                  And beyond that, there is also in this  
13 application a request for a Territorial Agreement change,  
14 which is separate from the customer switch, and that basis  
15 is a simple not detrimental to the public interest standard.  
16 The sale of facilities, the whole package of requests which  
17 are laid out in the list of issues, you know, are beyond  
18 just the statute 393.106.

19                  But even if we were just looking at that, I  
20 would think the Commission would want to have the rate  
21 impact and rate differential information in front of it so  
22 that it does not make a decision blind in this case.

23                  JUDGE DIPPELL: I'm going to overrule the  
24 objection. I believe the rate information has been  
25 testified to by several of the witnesses in the prefiled

1 testimony. I don't believe there's been any motion to  
2 strike that information. And I believe that Mr. Coffman is  
3 correct in that the Commission, one of the standards the  
4 Commission has to look at is not detrimental to the public  
5 interest.

6                   So Mr. Coffman, you may continue.

7 BY MR. COFFMAN:

8           Q.       My question was, are you knowledgeable about  
9 the rates of both your company and the electric cooperative  
10 in this case?

11          A.       In AmerenUE I'm not involved in designing or  
12 analyzing rates per se, but I have some knowledge of their  
13 applicability and how they apply to customers at the  
14 district level.

15          Q.       Let's see. Do you have a copy of Mr. Ketter's  
16 testimony with you? I believe it's the prepared rebuttal  
17 testimony marked as Exhibit 5.

18          A.       It may take me a minute here.

19          Q.       I would simply, if you have that, refer you to  
20 page 6 where Mr. Ketter has laid out the rate comparison.  
21 If you have another rate comparison with you, that would  
22 serve as well. I was wanting to ask a couple questions  
23 about the different rates between the two providers.

24          A.       I do not see Mr. Ketter's testimony here.

25          Q.       Okay.

1 MR. COFFMAN: Permission to approach?

2 JUDGE DIPPELL: You may.

3 BY MR. COFFMAN:

4 Q. I'll give you my copy to look at. Has  
5 Mr. Ketter accurately laid out the different rate structures  
6 of the two electric providers who are applicants in this  
7 case?

8 A. I believe this is accurate in the layout of  
9 the rates.

10 Q. And does that show that the customer charge  
11 for the cooperative is higher than the customer charge for  
12 AmerenUE?

13 A. Yes, it does.

14 Q. And what is that difference?

15 A. Customer charge for Gascosage is \$15 per  
16 month. For AmerenUE it is \$7.25.

17 Q. And the usage charge, per kilowatt hour charge  
18 is different the other way, is it not, in that -- well, I  
19 guess depending on the time of year, could you explain the  
20 difference in the per kilowatt hour charges between the two  
21 providers?

22 A. For Gascosage, they have what I would term as  
23 a flat rate basically throughout the year, a two-tier rate.  
24 AmerenUE we have a summer/winter differential. Our rates  
25 are lower in the eight summer months, higher in -- eight

1 winter months, higher in the four summer months.

2 Q. Do you know whether a majority of the  
3 approximately 1,200 customers who are proposed to be  
4 switched would experience a rate increase or a rate decrease  
5 as a result of this application?

6 A. Well, by majority I'm assuming you're saying,  
7 out of the 1,200, how many of those would experience a bill  
8 increase, how many would experience a bill decrease. A  
9 little over half would experience some kind of an increase.

10 Q. Okay. Are you familiar with a bill comparison  
11 that was provided by AmerenUE to the Staff and the Public  
12 Counsel in relationship to this case?

13 A. I am familiar with a bill comparison that was  
14 presented to Staff. I assume it's the same one you're  
15 referring to.

16 Q. Did you review that?

17 A. Yes, I did.

18 MR. COFFMAN: Permission to approach.

19 JUDGE DIPPELL: You may.

20 BY MR. COFFMAN:

21 Q. What I handed you is Exhibit 7HC. Is that the  
22 document that we're talking about that was provided with the  
23 names of customers blacked out, as far as you can tell?

24 A. It's a little hard for me to tell. This is  
25 a -- has columns of dollars and columns of percents.

1 Frankly, I don't know. The detailing information about the  
2 customer is blanked out. It's a little hard for me to  
3 determine that this is the same document.

4 Q. Okay.

5 A. This is not something I prepared or I have not  
6 seen before today.

7 Q. Okay. But you did see the document that was  
8 provided as a bill comparison between Staff and Public  
9 Counsel and --

10 A. I did see that.

11 MR. BOBNAR: Your Honor, we're willing to  
12 stipulate that we provided a highly confidential comparison  
13 to a request from Staff and Office of the Public Counsel. I  
14 think the problem the witness is having is this is the first  
15 time he saw this document with the blackout on it.

16 MR. COFFMAN: I would be willing to show the  
17 witness the original that I have so that he might compare  
18 the two.

19 JUDGE DIPPELL: I think that's the problem I  
20 think we're trying to establish, whether this witness is  
21 familiar with this document or not. So I appreciate your  
22 stipulation.

23 MR. COFFMAN: I'll give you a minute,  
24 Mr. Merry.

25 MR. FRANSON: Your Honor, just so I believe

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1 the record's clear for anyone reading this, is the  
2 stipulation that Exhibit 7HC was provided by the company to  
3 both Staff and Public Counsel and that's what Mr. Merry has  
4 in front of him now?

5 JUDGE DIPPELL: That was not my understanding.  
6 Is that your stipulation, Mr. Bobnar?

7 MR. BOBNAR: No, it wasn't. It's simply that  
8 we did provide a bill comparison. I think what we're in the  
9 process of doing is verifying that Exhibit 7HC matches what  
10 was provided.

11 JUDGE DIPPELL: Thank you.

12 BY MR. COFFMAN:

13 Q. Have you had a chance to compare those two  
14 documents, Mr. Merry?

15 A. Yes, I have.

16 Q. Does Exhibit 7HC appear to be the same  
17 document that was provided by AmerenUE as a bill comparison  
18 but with the customer names blacked out to protect privacy?

19 A. Yes, from a cursory review, it does appear  
20 that it is probably the same document with customer names  
21 blocked out.

22 Q. And are these customers listed in this  
23 document in order of their annual usage or by -- or can you  
24 tell me how they are organized?

25 A. I believe the list was put together with all

1 1,200 customers and then sorted by the percent increase in  
2 the monthly bill to a particular customer.

3 Q. That does appear to be the case. Okay. There  
4 are several customers here, are there not, that have either  
5 no annual usage or very small amount of annual usage? Is  
6 that what you can tell from this?

7 A. Yes, there are a number of customers with no  
8 or very small usage.

9 Q. In fact, several hundred, is that not correct?

10 A. I didn't count them.

11 Q. You're familiar with this area, I assume. Are  
12 you able to help me out at all in explaining what these  
13 accounts may reflect?

14 A. Sure.

15 JUDGE DIPPELL: Mr. Coffman -- excuse me just  
16 a moment. Mr. Coffman, are you going to offer Exhibit 7?

17 MR. COFFMAN: Yes. I could do so at this time  
18 if that's appropriate.

19 JUDGE DIPPELL: I think if you're going to  
20 question the witness about its information --

21 MR. COFFMAN: I would at this time offer  
22 Exhibit 7HC into the record.

23 JUDGE DIPPELL: Is there any objection to  
24 Exhibit 7HC coming into the record?

25 MR. BOBNAR: Again, your Honor, we object

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1 because this is again billing information. The other thing  
2 is that we object because this comparison was never filed  
3 for evidentiary purposes. It, in fact, is just a document  
4 that we had available at the time. We believe it is not  
5 complete. So if it's admitted, I would like at least the  
6 ability to go back and ask further redirect questions to try  
7 to clarify the nature of this very confusing document.

8                   The other thing is, we did not have an  
9 opportunity, because Office of the Public Counsel did not  
10 sponsor this with a witness, we haven't had an opportunity  
11 to, you know, have the people available necessary to rebut  
12 this testimony.

13                   Again, Mr. Merry is the district manager. He  
14 is familiar with the rate structure. But given the fact  
15 that I don't know what questions Mr. Coffman is going to be  
16 asking, I think we've been put at a disadvantage.

17                   JUDGE DIPPELL: Okay. Let me take your first  
18 objection first, and that is to the confidential nature.  
19 The exhibit has been marked a highly confidential exhibit  
20 and will be protected under the Protective Order, not made  
21 available to the general public for this private information  
22 to be disclosed. So I don't think there's any problem with  
23 that part of your objection.

24                   As to your other objections, I'll take the  
25 last one next, and that is -- or next to the last, which was

1 your ability to redirect. You'll certainly have an  
2 opportunity for redirect.

3                   And the fact that this is not sponsored by a  
4 Public Counsel witness, this is being used in  
5 cross-examination. Certainly Mr. Merry can only testify as  
6 to what he has knowledge of it, and if he doesn't have  
7 knowledge, then he will not be able to answer Mr. Coffman's  
8 questions.

9                   Was there another objection, Mr. Bobnar? Did  
10 I miss one?

11                  MR. BOBNAR: No, your Honor. I think you got  
12 them all.

13                  MR. SCOTT: However, Gascosage does object in  
14 the fact that it has Gascosage information. We'll just note  
15 there is no foundation and that this witness has no personal  
16 knowledge regarding the rate structure, rate design or any  
17 of the information contained on this document.

18                  As Mr. Bobnar testified, it was provided to  
19 Staff and Office of the Public Counsel as informational  
20 purposes. So there's just no foundation that the numbers  
21 actually on the document are correct because it comes from  
22 two different sources.

23                  So the objection is lack of foundation as to  
24 the information contained with reference to Gascosage's  
25 rates.

1 JUDGE DIPPELL: Mr. Coffman?

2 MR. COFFMAN: Your Honor, this was provided in  
3 response to an informal data request. It came with a cover  
4 letter signed by Mr. Bobnar. As I understood, it was the  
5 result of the joint efforts of both Gascosage and AmerenUE  
6 to provide my office information about the rate impacts.

7 I'm really kind of shocked that there's such  
8 opposition to the Commission seeing this information. This  
9 seems extremely relevant. There's hundreds of customers  
10 that could experience a rate increase as well as hundreds  
11 that could experience a rate decrease. There's a lot of  
12 complicated differences in the rate structures. Not only  
13 does this show rates, but it shows usage and patterns and  
14 locations of customers using different amounts of  
15 electricity. I think it's relevant for several purposes.

16 I don't really understand the objection that  
17 it was not something sponsored by Public Counsel. This is a  
18 document that came from the applicants, and I assume they  
19 would be familiar with it and be the ones that could explain  
20 it.

21 My goal here is simply to let the Commission  
22 have as much information as possible about what the  
23 customers are in this area, what their usage is and what the  
24 impact of the switch and Territorial Agreement amendment  
25 would be in this case.

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1 JUDGE DIPPELL: I think the objection was to  
2 the foundation of the document.

3 MR. COFFMAN: Well, I believe that Mr. Bobnar  
4 has acknowledged that this was a document provided.  
5 Mr. Merry has acknowledged this was a copy of a document  
6 that was provided to Staff and Public Counsel. That appears  
7 to be, I think, foundation enough to provide the evidentiary  
8 standard, I think, if necessary, I'd like to know, and I  
9 could provide the cover letter or records from my office if  
10 that's --

11 JUDGE DIPPELL: I don't think that's  
12 necessary, Mr. Coffman. Staff?

13 MR. FRANSON: Your Honor, I think before all  
14 of this started Staff objects for lack of foundation, but I  
15 believe Mr. Coffman was on his way to establishing that.  
16 There are several aspects of the document that I don't think  
17 have been explained, and I believe Mr. Coffman was trying to  
18 do that before this all started.

19 Staff does not necessarily object from the  
20 idea that where this document came from, but as far as a  
21 foundation of exactly what it is and that nature, really I  
22 don't -- Staff would object as of this moment that that  
23 foundation has not been adequately laid.

24 JUDGE DIPPELL: All right. Mr. Franson  
25 perhaps makes a good point that I interjected too quickly

1 for Mr. Coffman. So I will allow Mr. Coffman to continue  
2 his questioning with regards to the foundation of the  
3 document.

4 BY MR. COFFMAN:

5 Q. Mr. Merry, I did ask you if what you were  
6 looking at was a copy of the document that you believe was  
7 provided to the Office of the Public Counsel?

8 A. It appears to be, yes.

9 Q. Are you familiar with who provided the  
10 information developing this document?

11 A. I along with some of my staff together  
12 provided most of the information in developing the document.

13 MR. COFFMAN: Okay. Your Honor, I'd renew my  
14 offer that this exhibit be placed into the record.

15 JUDGE DIPPELL: And I'll ask then again if  
16 there are objections?

17 MR. SCOTT: Yes, your Honor. Still Gascosage  
18 objects to the lack of foundation with regard to the  
19 information contained on here that appears to be information  
20 of Gascosage rates. There still has been no foundation as  
21 to whether or not those rates are correct or not correct.

22 MR. COFFMAN: If Gascosage can offer a witness  
23 that will provide that, that would -- I don't know if that's  
24 necessary, but I think that the fact that this was offered,  
25 it was offered from an AmerenUE attorney and represented

1 that this was, as far as AmerenUE knew, correct usage and  
2 rate information.

3 I mean, as far as exactly what this shows,  
4 whether it shows all the customers or exactly how it's  
5 organized, I believe those kind of questions can be later  
6 explored on redirect.

7 MR. SCOTT: I think Mr. Coffman hit the nail  
8 on the head when he said this is what UE knows. The problem  
9 is, is not only is there a lack of foundation, the reason  
10 there's an objection on lack of foundation is because the  
11 document contains hearsay, that is, out-of-court statements  
12 made now being offered for the truth of the matter, i.e.  
13 rates.

14 Now, Gascoisage does have a witness here today.  
15 If Mr. Coffman wants to try to build his foundation from  
16 that witness, he may try. However, the fact that the  
17 document was provided to Office of the Public Counsel still  
18 does not eliminate the hearsay issue, i.e. the lack of  
19 foundation still has not been met.

20 JUDGE DIPPELL: Is there anything further from  
21 Staff? Any further objection on this?

22 MR. FRANSON: Your Honor, could the parties  
23 confer for five minutes? Could we go off the record for a  
24 few moments?

25 JUDGE DIPPELL: This is a good time actually

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1 to take a break. So I will go off the record for a  
2 15-minute break and we will come back at 10 after 10. Thank  
3 you.

4 (A BREAK WAS TAKEN.)

5 JUDGE DIPPELL: Did the parties have a chance  
6 to confer while we were off the record?

7 MR. COFFMAN: Yeah. I could attempt to state  
8 what I think the stipulation is, unless one of you-all want  
9 to.

10 MR. BOBNAR: Go right ahead.

11 MR. COFFMAN: I believe we can stipulate that  
12 Exhibit 7HC represents a bill comparison based on some  
13 estimated data, that it may not contain all of the customers  
14 affected in the proposed switch, and that the data is a  
15 rough estimation of what the rate impact might be based on a  
16 particular run done on a particular day. And there may be  
17 some errors based on how that run was done, and I would  
18 trust that the applicants would be able to point out some of  
19 those abnormalities in the data on redirect.

20 JUDGE DIPPELL: Is that your understanding of  
21 the stipulation, Mr. Bobnar?

22 MR. BOBNAR: Yes, it is, your Honor. In  
23 addition, AmerenUE again, emphasizing that there are errors  
24 in the existing document, now needs to add another exhibit  
25 that I'll be introducing on redirect to try to at least

1 clarify some of the errors.

2                   MR. COFFMAN: I think to clarify, that Public  
3 Counsel acknowledges that this is a rough estimation. It  
4 does show a distribution on a customer-by-customer basis,  
5 most of the customers, but is not meant to be an overly  
6 precise example of what would definitely happen to each  
7 particular customer, but represents what AmerenUE provided  
8 to Staff and Public Counsel in November in response to an  
9 informal data request.

10                  JUDGE DIPPELL: And do all the parties agree  
11 to that stipulation?

12                  MR. SCOTT: That's correct, your Honor.

13                  MR. FRANSON: On behalf of Staff, your Honor,  
14 the way it's been stated, yes, Staff agrees to that  
15 stipulation.

16                  MR. BOBNAR: And AmerenUE also agrees to the  
17 stipulation.

18                  JUDGE DIPPELL: And with that stipulation, are  
19 the parties then withdrawing their objections to this being  
20 admitted?

21                  MR. SCOTT: Correct, your Honor.

22                  MR. FRANSON: On behalf of Staff, yes, your  
23 Honor.

24                  MR. BOBNAR: Yes, with regard to the  
25 evidentiary foundation, we're withdrawing our objections.

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1 JUDGE DIPPELL: All right. As I was  
2 contemplating this during our break, it seemed appropriate  
3 to me also that since AmerenUE and Gascosage are  
4 co-applicants in this case, that instead of allowing  
5 cross-examination as we started off with it, it was really  
6 more appropriate for Gascosage to be allowed to do redirect.  
7 And so I am prepared to allow that, if there be any  
8 objection to that, Mr. Franson?

9 MR. FRANSON: Your Honor, redirect of  
10 Ameren's? Redirect --

11 JUDGE DIPPELL: I realize that's a little odd,  
12 that it's not their witness. However, they are  
13 co-applicants in this case. They're trying to prove the  
14 same thing.

15 MR. FRANSON: Well, that's fine. Whatever you  
16 want to call it, your Honor, I really don't have a problem  
17 with that.

18 MR. COFFMAN: However you classify it, I think  
19 it would be entirely appropriate to allow Mr. Scott to ask  
20 more questions, whether his chance is gone now or not to on  
21 this document.

22 MR. FRANSON: We certainly have no objection  
23 to whatever the further examination by Mr. Scott is called.

24 JUDGE DIPPELL: All right.

25 MR. COFFMAN: Again, our goal is just that the

1 most information possible can get in the record.

2 JUDGE DIPPELL: All right. Mr. Coffman, then  
3 I believe then Exhibit 7HC has been offered with those  
4 stipulations, and there are no objections to its being  
5 admitted. So I will receive that into evidence and you may  
6 proceed.

7 (EXHIBIT NO. 7HC WAS RECEIVED INTO EVIDENCE.)

8 BY MR. COFFMAN:

9 Q. Okay. Mr. Merry, I think I was in the process  
10 of asking about customers that may have very little usage  
11 and whether you knew if this was characteristic of a rural  
12 area or if you understood why there might be so many meters  
13 that have little or no usage on an annual basis?

14 A. Okay. I think I might have heard three  
15 questions in there.

16 Q. Answer whichever one you want.

17 A. Well, let me state why the document was  
18 created in the first place. I think that would help a  
19 little bit in the understanding.

20 We did not put this together as a rate  
21 comparison. We put it together because we had scheduled  
22 public meetings and anticipated that some of these questions  
23 may come in and say, okay, you're going to change my  
24 supplier. What's it going to do to my bill?

25 So we wanted to be able to address to those

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1 particular customers, well, under the assumptions that your  
2 usage may continue as it had in the past, other factors  
3 being consistent, we could expect on these particular meters  
4 the bill may change some amount.

5                   So it was not really created as a rate  
6 comparison, and because of that it does have some errors in  
7 it that would need to be addressed.

8           Q.       If I could stop you there. In other words,  
9 some customers on this document that show that they have  
10 little or no usage may merely be a result of how this  
11 document was run and, in fact, these customers may have more  
12 than that --

13          A.       Well --

14          Q.       -- usage?

15          A.       You've got to talk about definitions of what's  
16 a customer, what's a meter. What we looked at was meters,  
17 not customers. We put this together based on usage from a  
18 particular meter.

19                   After we put it together and sorted it as we  
20 were talking earlier by percent differential in the  
21 right-most column, we looked at that and said, you know, a  
22 number of these meters appear to have a large increase. We  
23 were curious as to what is that about, because when you look  
24 at the basic rates, it's not a two to one. Gasco's rates  
25 are not twice Ameren's rates. So we became curious about

1 what that represents.

2                   So for expediency measures and because of  
3 time, we simply looked at all meters or accounts that  
4 would -- that the billing would increase by 50 percent or  
5 more and said, Let's check this out and see if we can  
6 explain it. So you see at the bottom of the first page and  
7 on through the next several pages we took the accounts that  
8 had a plus 50 percent increase and tried to match them with  
9 another meter and were successful in most all the cases.

10                  What that represents, then, is that the one  
11 meter that's having high usage is probably an auxiliary  
12 building. It may be a garage. It may be a workshop. It  
13 may be a shed. It may be a barn. But it is not their  
14 residential living quarters.

15                  When you match those two together, then you  
16 can get a better picture of the impact on the customer. He  
17 has a residential meter that is going to experience a  
18 change. He has this outbuilding that's going to experience  
19 a change. You put the two together and that's more or less  
20 what the customer is going to see. That diminished the  
21 increase impact by a significant factor.

22                  The others, there are still some that are low  
23 usage. Your question is, what does that represent? Our  
24 investigation has revealed that most of these would be  
25 abandoned buildings that are unoccupied or a barn or a

1 summer cottage or a weekend getaway.

2 I think I can say that in all but two cases  
3 they are not living quarters that are currently occupied or  
4 were occupied at the time that we investigated this.

5 Q. Okay. That's helpful. Thank you.

6 MR. COFFMAN: I think that's all the questions  
7 I have of this witness.

8 JUDGE DIPPELL: Thank you. All right, then.  
9 Since the Commissioners are in their agenda, I'm going to  
10 reserve their opportunity to ask any questions they might  
11 have of Mr. Merry, and I may recall you at that time. But  
12 let's go ahead, then, with redirect from Ameren.

13 MR. BOBNAR: Thank you, your Honor.

14 REDIRECT EXAMINATION BY MR. BOBNAR:

15 Q. Again, Mr. Merry, you stated earlier that the  
16 bill comparison was prepared to really assist you and your  
17 staff at the public meetings, and then later you went back  
18 and looked at it and found some odd results. Is that the  
19 results of that comparison where you identified duplicate  
20 meters the information that we provided to the Office of the  
21 Public Counsel and Staff of the Commission?

22 A. Yes, that was part of our findings where we  
23 matched meters up to match customers.

24 Q. Just so everybody understands what you did at  
25 that time, I'd like you to turn to what is page 2 of

1 Exhibit 7HC and you will identify a couplet of account  
2 numbers. Are those meters related to the same customer?

3 A. Yes. For example, the top two account numbers  
4 that are listed there together and then a space below them,  
5 both of those accounts are connected with a single customer.

6 Q. And, of course, since that number is blacked  
7 out, the name is not available, but this would be -- for  
8 example, the individual meters would show a percent  
9 difference of plus 54 and minus 7, but when you average both  
10 of them together, you end up with a .7 percent decrease in  
11 that case?

12 A. That's correct. If you can see the names that  
13 are blanked out, you would see that the name is the same for  
14 both accounts, and one account, that account would -- it's a  
15 low usage account to begin with. Percentage-wise it will  
16 see a large percent increase. Dollar-wise, it's a very  
17 small amount of dollars. The other account's actually going  
18 to see a decrease.

19 When you put the two of them together, which  
20 is what the customer's really going to pay, he's actually  
21 going to see a .7 percent decrease.

22 Q. Is this multiple meter situation something  
23 that you see often in rural areas like the one we're dealing  
24 with here?

25 A. Yes, particularly in rural areas where you

1 have garages, sheds, barns, other outbuildings.

2 Q. Would you expect after the transfer these  
3 people to continue to take the service in this type,  
4 multiple meters?

5 A. I would expect that most of them will, because  
6 we talked to some of these customers with low usage, big  
7 increases, and they're not concerned about it. Some  
8 customers said, Well, you know, maybe I'll just go ahead and  
9 disconnect the meter. They haven't used it for a long time.  
10 So they may opt to simply disconnect the meter. They may  
11 opt to rewire and combine it together.

12 Q. But you didn't have people coming up to you  
13 and say, Don't do this deal because now I'm going to lose  
14 the second meter on my house?

15 A. No. That is correct, we had no customers come  
16 to us with that. In fact, I don't recall any customers have  
17 come to us and said this -- the increase I would receive is  
18 outrageous. I simply think the deal should die because of  
19 that.

20 Q. Again, I think you stated earlier that you  
21 never intended that this bill comparison be an exhibit to  
22 your testimony or any of the other applicants' testimony in  
23 this case?

24 A. That is correct. It was created for us to  
25 answer customer calls and inquiries about how the impact may

1 affect them.

2           Q.       And, you know, you've -- obviously you've  
3 identified the dual meter single customer. Did you do any  
4 additional further inquiry since this document was sent to  
5 the Office of the Public Counsel?

6           A.       Yes. After this was put together, and again  
7 we didn't have really enough time to do as extensive  
8 research as we wanted to, but we took what time we had. On  
9 the first page there are still 36 accounts that we could not  
10 match, and we became very curious about what those were  
11 because that's still some significant large percent  
12 increases, very small dollar increases but large percent  
13 increases. So we investigated those 36 individually by  
14 going to the field.

15                   MR. BOBNAR: Your Honor, at this time I'd like  
16 to pass out a document that I would like to offer as  
17 Exhibit H -- 8.

18                   MR. COFFMAN: 8HC?

19                   MR. BOBNAR: No. We've deleted any --

20                   JUDGE DIPPELL: Do you have additional copies  
21 for the Commissioners, Mr. Bobnar?

22                   MR. BOBNAR: Yes, I've got additional copies  
23 for the Commissioners.

24                   (EXHIBIT NO. 8 WAS MARKED FOR IDENTIFICATION.)

25 BY MR. BOBNAR:

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1           Q.       Mr. Merry, can you identify the document which  
2 has now been marked as Exhibit H -- 8?   Excuse me.

3           A.       Yes.   The document that you've just passed out  
4 is a list of the 36 -- the first 36 accounts from the prior  
5 document 7HC with some additional information provided  
6 concerning each of those 36 accounts.

7           Q.       For example, you've got in here under the  
8 description column the word delete.   What does that really  
9 mean?

10          A.       Well, as we said, the initial document was not  
11 intended to be a rate comparison.   It was really intending  
12 to help us answer customers' questions.

13                 If you want to compare the impact of rates,  
14 you really have to look at some time span.   Basically, we  
15 typically think of a year.   So in order to compare the total  
16 impact from moving from AmerenUE to Gascosage, you really  
17 need to look at least a year's time period, again because  
18 Ameren has a rate differential, summer and winter.  
19 Gascosage does not.

20                 So when we investigated these 36, we  
21 discovered that a large number of them, 15 to be exact, we  
22 did not have a year's worth of usage.   Many cases it was a  
23 house that was under construction.   They had not moved in.  
24 So there really was not 12 months of usage history.   In some  
25 cases it was they had moved out and somebody hadn't

1 disconnected service from Ameren yet.

2                   But the point is the usage pattern was not  
3 over a 12-month time period. Therefore, you cannot really  
4 make an accurate comparison from Ameren UE to Gasco. So  
5 those we removed because the comparison is simply inaccurate  
6 and invalid and we marked those delete on this example.

7           Q.       There's other items in here where you've  
8 actually identified them, for example, as a deer cabin.  
9 Have you done further investigation into those?

10          A.       Sure. We went to the field and the other  
11 remaining 21, we went to the field to see particularly what  
12 the facility looked like, help us -- help our understanding  
13 and why they had zero usage or very low usage. Our concern  
14 again is, well, this is a living quarters of some kind and  
15 it simply didn't make sense.

16                   We found in every case except two that there  
17 is some explanation for why it is zero. Oftentimes it's a  
18 barn, a deer cabin that is used intermittently. The first  
19 one was a turkey barn, and apparently they simply did not  
20 use that in their raising of turkeys this past year. It sat  
21 there idle. Obviously it was not a living quarters, at  
22 least not for humans.

23                   Many of the others are either abandoned homes  
24 or vacant homes, unoccupied. The reasons they're vacant or  
25 unoccupied I can only guess at, but the point is it's not a

1 living quarter that is being used, and for whatever reason  
2 the customer chose to simply leave the meter there and pay  
3 the minimum at his choosing, which would strongly suggest to  
4 me that he's really not worried about it in the first place.

5 Q. Are you satisfied after reviewing all of this  
6 that it would be fair to say that all of these low-usage  
7 accounts that are listed here on Exhibit 8 probably should  
8 never have been included in any bill comparison given to the  
9 Office of the Public Counsel?

10 A. Yes. That would be my conclusion, as I would  
11 point out that I said all these but two. There are two on  
12 here that are occupied and living. One is a winter home.  
13 The customer summers in Alaska and winters in Missouri for  
14 obvious weather reasons. He's going to have an \$80  
15 increase. If he can afford that kind of lifestyle, he's not  
16 going to be worried about an \$80 bill increase.

17 The other one is an occupied home which has  
18 very low usage. In fact, the usage is so low he's burning a  
19 light bulb part of the time but he's living there. We  
20 suspect that the meter registration has been incorrectly  
21 altered and we're doing some investigation.

22 With those two exceptions, yeah, the rest of  
23 these really should not be used as a comparison.

24 Q. Mr. Merry, have you been involved in any other  
25 Territorial Agreements approved by the Commission?

1           A.       Yes, I have.

2           Q.       In those agreements, which ones were they, if  
3 you can remember?

4           A.       There was the first Territorial Agreement with  
5 Gascosage. There was a Territorial Agreement with Boone  
6 Coop Electric out of Columbia, Missouri.

7           Q.       And as a result of being involved in those  
8 Territorial Agreements, have you done bill comparisons in  
9 the past?

10          A.       Yes, I have.

11          Q.       In your opinion, what is the most important  
12 parameter to look at in a bill comparison in order to judge  
13 the customers, the impact the customer's going to see in a  
14 proposed transaction?

15          A.       Well, when you're talking a large number of  
16 customers, 1,200 customers, you really can't look at it one  
17 customer at a time. We look at it on an average basis from  
18 all 1,200 customers and say what is the average impact on  
19 this group of customers as a whole.

20          Q.       So you admit that there will be the outliers  
21 in some cases, but in general the reaction of the public in  
22 general will always in your opinion be based on the average  
23 level?

24          A.       Generally what we see, the reaction and  
25 response from the customers is based on the average.

1           Q.       As a result of going back and looking and  
2 again continuing to work on this document that was provided  
3 to Staff and OPC, have you calculated an average residential  
4 increase percentage?

5           A.       Yes, we have calculated an average residential  
6 for the 1,200 customers that are impacted.

7           Q.       What is that number, if you can recall it?

8           A.       As I recall, when you remove the ones that do  
9 not have a 12 months of history, which I've explained really  
10 should not be in the comparison because it's inaccurate,  
11 when you remove those, the remainder left, the average  
12 residential increase is about 73 cents a month, or in  
13 percent terms it's less than 1 percent, about .9 percent is  
14 the average, which is less than a \$1 increase per month.

15          Q.       To your knowledge, has the Commission approved  
16 exchanges with higher bill percent average residential rate  
17 increases?

18          A.       Yes, they have.

19          Q.       Again, has any customer personally come up to  
20 you and complained about his or her bill differential?

21          A.       We had several customers call and question  
22 about what's the impact because, as you understand,  
23 understanding electric rates is a little difficult for many  
24 customers. Once we explained to them what the difference  
25 is, no, that basically resolved their concerns.

1           Q.       I'd like to change subjects on you a little  
2 bit and go back to the facilities. We've had a lot of  
3 questions today regarding the facilities. Based on your  
4 knowledge of the joint application, is most of the work that  
5 Gascosage proposes be done to the system that we're  
6 transferring to them really new work necessary for them to  
7 integrate it into their existing electrical system or, you  
8 know, repairs to the existing system as you're turning it  
9 over to them?

10          A.       Well, the term repairs may be a little  
11 ambiguous and hard to understand depending on your  
12 definition. My understanding of what Gascosage is doing  
13 with the upgrades or replacement of facilities is to  
14 integrate that into their system based on their construction  
15 standards, construction and operating standards as I talked  
16 about earlier, which were different from Ameren's.

17          Q.       Like they have to make the rural utility  
18 services standards and we do not?

19          A.       That is correct.

20          Q.       And in addition, they have -- their system is  
21 geographically different there, so they have to build  
22 certain lines to allow them to connect in?

23          A.       That is correct. They do not have  
24 infrastructure into this area. A number of dollars  
25 improvements is to secure and build that infrastructure.

1 Q. One last question. You had a chance to talk  
2 to Mr. Doerhoff on the telephone many times. Did he ever  
3 request to meet with you, from what you can remember?

4 A. No. I do remember he did not request to  
5 specifically meet with me. He asked why we had not met with  
6 him, and I explained to him there are over between 20 and 30  
7 taxing entities that were impacted and it simply was a  
8 scheduling difficulty.

9 MR. BOBNAR: Thank you, Mr. Merry.

10 JUDGE DIPPELL: Mr. Scott, did you have some  
11 further questions? Oh, yes. Mr. Bobnar, were you going to  
12 offer Exhibit 8?

13 MR. BOBNAR: Yes, your Honor, I would offer  
14 Exhibit 8 into evidence.

15 JUDGE DIPPELL: Are there any objections to  
16 Exhibit 8 coming in?

17 MR. SCOTT: No, your Honor.

18 MR. FRANSON: No objection by Staff, your  
19 Honor.

20 JUDGE DIPPELL: Mr. Coffman?

21 MR. COFFMAN: No objection.

22 JUDGE DIPPELL: Then I will admit Exhibit 8  
23 into evidence.

24 (EXHIBIT NO. 8 WAS RECEIVED INTO EVIDENCE.)

25 JUDGE DIPPELL: Mr. Scott.

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1                   MR. SCOTT:  If I may approach the witness,  
2 your Honor.

3                   JUDGE DIPPELL:  Yes.

4 REDIRECT EXAMINATION BY MR. SCOTT:

5           Q.       Mr. Merry, I just handed you what's been  
6 marked as Exhibit 2B Revision 1, a map of Miller County that  
7 was a part of the application; is that correct?

8           A.       Yes, it was.

9           Q.       Okay.  And you testified you are somewhat  
10 familiar with Gascosage's plans to integrate the system  
11 they're trying to acquire from AmerenUE to their own; is  
12 that correct?

13          A.       I am somewhat familiar, yes.

14          Q.       When we talked about loop service and when I  
15 was talking about loop service in my opening statement, do  
16 you roughly know where Gascosage intends to loop the  
17 service?  And if you could hold the map up to show the judge  
18 of your understanding.

19          A.       My understanding is roughly the loop service  
20 they're going to build a 69 kV line from the southwest  
21 portion of the impacted area through the area out towards  
22 the northeast going through the area.

23          Q.       Okay.  And Mr. Coffman asked you if you -- if  
24 this transaction would not be approved, would you be able to  
25 loop your service, and you indicated no, and I understand



1 there's an engineering reason why. Can you explain it?

2 A. Well, there's really two reasons. One could  
3 be an engineering reason, because it is very impractical.  
4 We simply don't have other facilities available to loop.

5 Q. Could you show me on the map why it's  
6 impractical? Because it's my understanding it would be two  
7 different routes. For you to loop would not be the same  
8 route for Gascosage to loop. Is that a fair statement?

9 A. That is a fair statement.

10 Q. Okay.

11 A. Our primary sources of power are off to the  
12 west. We have one subtransmission line that comes into this  
13 area, and it terminates down at what we call the pipeline  
14 customer down at Pulaski County.

15 There are no -- we have no other major  
16 subtransmission facilities beyond to tie to. Everything is  
17 to the west. So if we were going to loop it, we'd have to  
18 loop it right back on itself going back to the west.

19 Q. And that's not really a loop feed, then, is  
20 it?

21 A. Well depending on how you structure it, I  
22 guess you could do it, but that's simply financially not --  
23 economically, it is not something we would consider doing.

24 Q. And Gascosage from your understanding was  
25 planning to build a substation in Brumley or upgrade a

1 substation?

2           A.       Upgrade or build a new one to replace the one  
3 we have there now.

4           Q.       And so that was my next question. AmerenUE  
5 currently has a substation from there?

6           A.       Yes, we do.

7           Q.       Okay. Based on your understanding what  
8 Gascosage plans, do they plan to loop the upper northern  
9 part of this system or do they just plan to integrate or  
10 upgrade that system?

11          A.       I'm not sure I quite follow the question, but  
12 what they want to do is loop in, connect to the new or  
13 upgraded substation at Brumley, extend that line on to  
14 interconnect into their existing 69, which would also  
15 provide loop feed for other substations that they currently  
16 have.

17          Q.       And would one of those be in Iberia?

18          A.       That's my understanding, yes.

19          Q.       And the benefit to Gascosage as you understand  
20 this is Gascosage would then have loop service from two  
21 different points into this area?

22          A.       Yes, that is correct. It would benefit the  
23 customers in question for exchange plus benefit existing  
24 customers they have with better reliability.

25          Q.       Okay. Even though that every service and

1 every radial line may not be looped, the base of the system,  
2 we're now -- Gascosage might be providing what I would call  
3 a baseline for a loop service between the major communities?

4           A.       Baseline, or we term it is subtransmission  
5 power supplies, yes.

6                   MR. SCOTT: Thank you, sir. That's all I  
7 have.

8                   JUDGE DIPPELL: Thank you.

9 QUESTIONS BY JUDGE DIPPELL:

10           Q.       I have just one more question for you,  
11 Mr. Merry, and that is on your -- on what's been marked as  
12 Exhibit 7HC, you talked about there being the pairs of  
13 customers or the pairs of meters that make up one customer.  
14 Does each customer pay the customer charge and not -- it's  
15 not being doubled per meter?

16           A.       It is per meter. Let me give you an example.  
17 Just turn to page 2, the first account at the top, the first  
18 two accounts at the top, if you look at the next to last  
19 column, the monthly differential, the first meter shows  
20 \$5.91 increase per month. The second meter shows \$6.68  
21 decrease.

22                   The customer is paying a monthly customer  
23 charge for each meter, and that charge is, of course, part  
24 of what's involved here. In one case it's an increase to  
25 the meter. In the other case it's a decrease, but he's

1 paying the customer charge twice. The net result, though,  
2 the third line, is an overall decrease of 77 cents.

3 JUDGE DIPPELL: Okay. Thank you.

4 Commissioner Gaw, did you have any questions for Mr. Merry?

5 COMMISSIONER GAW: It's kind of tough coming  
6 in right now figuring out what's been covered. Let me ask a  
7 couple of things.

8 QUESTIONS BY COMMISSIONER GAW:

9 Q. On the meter issue, is there a difference  
10 between the meter charge in the way the initial assessment  
11 is handled for the meter and how much is credited? Let me  
12 back up. Start this again.

13 Does Ameren have a meter charge, first of all,  
14 per meter? I know you just answered that, but I'd like  
15 to --

16 A. The term meter charge, we would use the term  
17 customer charge, but I believe it's probably the same thing  
18 that you're talking about.

19 Q. Which means what? What's a customer charge  
20 mean?

21 A. In our case it's \$7.25. It covers some of the  
22 basic elements of providing service to a customer whether or  
23 not he uses service. You have to hang a transformer. You  
24 have to run service. You have to set a meter. You have to  
25 read the meter. You have to perform certain activity

1 whether he uses any usage or not.

2 Q. Now, if you have any electric use on that  
3 meter, is that in addition to the \$7 charge?

4 A. Yes, that is correct.

5 Q. All right. So is there any difference between  
6 that and Gasconade?

7 A. Gascosage.

8 Q. Yes, Gascosage. Thank you.

9 A. Yes, there is a dollar difference. Our  
10 customer charge is \$7.25 per month. Theirs is \$15. It's a  
11 matter of philosophy. Do you recover your revenues up front  
12 in the fixed charge or do you recover it through usage, and  
13 we have a little different structure, I guess difference in  
14 philosophy in our approach.

15 Q. Is their philosophy the same in regard to  
16 electric use? If you have electric use at Gascosage, is it  
17 in addition to -- does that add on to the \$15 charge?

18 A. Yes, it does.

19 Q. All right. Because some places, do they not,  
20 there are some places where that would be given as a credit  
21 up to that amount and it's simply a minimum charge?

22 A. I'm a little fuzzy on some of the details of  
23 their rates, and I've looked at several, so I'm not quite  
24 clear. It may be that on Gascosage you get some usage free  
25 for that \$15. I'm not sure.

1 Q. That's what I'm asking about.

2 A. I can't answer that to be honest.

3 MR. SCOTT: Your Honor, for the Commissioner's  
4 clarification, Mr. Greenlee is here, and he will be  
5 testifying that Gascosage does, in fact, provide X number of  
6 kilowatts for that customer charge.

7 COMMISSIONER GAW: That's what I thought might  
8 be the case. So when he gets a chance, maybe he can explore  
9 that a little.

10 BY COMMISSIONER GAW:

11 Q. Is there any -- and I'm sure you-all have  
12 probably touched on this, but Superintendent Doerhoff that  
13 was here earlier expressed concern about particularly the  
14 impact on the first year of this transfer on school  
15 districts in the region.

16 Is there anything that is proposed in this  
17 transfer that would help alleviate the impact to the  
18 communities' school districts that are in the region that  
19 we're talking about?

20 A. Well, there is nothing proposed that would  
21 directly offset the tax decrease that Mr. Doerhoff spoke to.  
22 However, what numbers he is using I would -- I would stress  
23 is a worst case. That being the fact that we looked at the  
24 dollars AmerenUE is going to reduce by taxes for a given  
25 time period.

1                   However, there's a multitude of factors that  
2 come into play. We're transferring 1,200 customers. Well,  
3 in Miller County we add about 1,200 customers per year  
4 anyway outside the area being affected. So we're constantly  
5 growing and adding lines. That's going to offset that  
6 factor.

7                   Just natural growth. Lowe's opened a new  
8 commercial building in Miller County. They're going to pay  
9 taxes. They're going to be increased. So there are a  
10 multitude of factors. Property tax assessments change  
11 frequently. So there's a lot of factors that go into play.

12                  Also, we did not factor in the added cost,  
13 added taxes that Gascosage is going to pay from the  
14 additional facilities they're adding. We didn't factor  
15 those in. We really looked at a worst case and said, okay,  
16 this is the worst that could happen, but in all very  
17 likelihood that's not what they're really going to  
18 experience.

19                Q.       Well, I understand what you're saying, I  
20 think. The question of the additional infrastructure that  
21 Gascosage may add, however, you don't anticipate that having  
22 an impact on this year that the superintendent was  
23 discussing, do you?

24                  You don't think that's going to happen in time  
25 for that to have some sort of impact on the one-year

1 turnaround that he referred to before the foundation formula  
2 picks up the difference?

3           A.       I really can't say because it depends on the  
4 timing in which Gascosage makes those investments.

5           Q.       When do you anticipate -- if the Commission  
6 were to accept this proposal, when do you anticipate the  
7 actual transfer taking place?

8           A.       The actual transfer taking place would be as  
9 soon as we can affect it, probably within six to nine  
10 months.

11          Q.       So this year sometime?

12          A.       Yes. We're definitely hoping to have it  
13 completed by the end of this year.

14          Q.       And if there were the infrastructure  
15 improvements that we're anticipating Gascosage making, what  
16 is the earliest time frame that reasonably someone could  
17 construct those facilities in your experience?

18          A.       My understanding of the -- the biggest scope  
19 of what they intend to do could not be all completed this  
20 year. It may take several years. Some of what they intend  
21 to do could be completed this year.

22          Q.       And the increases that you spoke of in other  
23 areas by construction from unrelated parties to this case,  
24 they would -- that would be money that the school district  
25 would expect to receive regardless of this transfer? It's



1 not -- it's not coming about as a result of this transfer  
2 and helping to negate the impact on the school districts, is  
3 it?

4 A. Basically, I would say that's accurate, yes.

5 Q. And if there were some move from Ameren or  
6 Gascoage or some joint move to assist the school districts  
7 during that period, if that were offered before the  
8 Commission were to reach a final decision on this case, the  
9 parties would be sure to communicate that to the Commission,  
10 I'm sure, wouldn't they?

11 A. If that happened, we would communicate it.

12 COMMISSIONER GAW: Okay. Thank you. That's  
13 all I have right now.

14 JUDGE DIPPELL: Is there further  
15 cross-examination based on questions from the Bench? And  
16 I'm just going to go ahead and start with Staff.

17 MR. FRANSON: Your Honor, I really don't  
18 believe we've been offered the cross-examination opportunity  
19 earlier, but that's no problem because we didn't have any  
20 cross-examination, and we don't have any now, your Honor.

21 JUDGE DIPPELL: All right. I got a little out  
22 of order during that break, I believe. Office of the Public  
23 Counsel?

24 MR. COFFMAN: No further questions.

25 JUDGE DIPPELL: And I don't know if I offered

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1 you the opportunity, Mr. Coffman, but you were up here for a  
2 long time, so I must have.

3 Mr. Bobnar, do you have anything further?

4 MR. BOBNAR: No further redirect.

5 JUDGE DIPPELL: And Mr. Scott, do you have  
6 anything further?

7 MR. SCOTT: No, your Honor.

8 JUDGE DIPPELL: All right. Mr. Merry, you may  
9 go ahead and step down. I will ask you to remain present  
10 today in case there were questions from the other  
11 Commissioners.

12 THE WITNESS: Sure.

13 (Witness excused.)

14 JUDGE DIPPELL: All right. Then are there any  
15 further witnesses from AmerenUE?

16 MR. BOBNAR: No, your Honor.

17 JUDGE DIPPELL: Then we will proceed with  
18 Gascosage's witnesses.

19 MR. SCOTT: At this time, your Honor, we'd  
20 like to call John Greenlee.

21 (Witness sworn.)

22 JUDGE DIPPELL: Thank you. You may be seated.  
23 You may proceed, Mr. Scott.

24 MR. SCOTT: Thank you, your Honor.

25 JOHN GREENLEE testified as follows:

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1 DIRECT EXAMINATION BY MR. SCOTT:

2 Q. Could you please state your full name for the  
3 record.

4 A. John William Greenlee.

5 Q. Can you spell your last name, please.

6 A. G-r-e-e-n-l-e-e.

7 Q. And who do you work for?

8 A. Gascosage Electric Cooperative.

9 Q. And where is that located?

10 A. Its in Dixon, Iowa -- or Dixon, Missouri.

11 Q. And what is the mailing address?

12 A. It's P.O. Box Drawer G.

13 Q. Dixon, Missouri?

14 A. Dixon.

15 Q. And zip code?

16 A. 65459.

17 Q. Thank you. And how long have you worked for  
18 Gascosage Electric Cooperative?

19 A. Approximately nine years, going on ten.

20 Q. Are you familiar with the application being  
21 presented here today?

22 A. Yes, I am.

23 Q. And how are you familiar with that  
24 application?

25 A. I helped develop it and was in negotiations on

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1 it with AmerenUE on it.

2 Q. Did you prepare direct testimony in this  
3 matter?

4 A. Yes, I have.

5 Q. And I've handed you what's been marked as  
6 Exhibit No. 4. Is that your testimony?

7 A. Yes, it is.

8 Q. If I were to ask you the same questions today,  
9 would your answers be the same?

10 A. Yes, they would.

11 Q. Do you have any additions or corrections to  
12 that testimony?

13 A. No, I do not.

14 Q. Okay. With regards to the stipulation, are  
15 you now asking the Commission to approve that stipulation  
16 today?

17 A. Yes, I am.

18 MR. SCOTT: Nothing further at this time, your  
19 Honor. I move to offer Exhibit No. 4.

20 JUDGE DIPPELL: Are there any objections to  
21 Exhibit No. 4?

22 MR. BOBNAR: No, your Honor.

23 MR. FRANSON: None on behalf of Staff.

24 JUDGE DIPPELL: Public Counsel?

25 MR. COFFMAN: No.

1 JUDGE DIPPELL: Then I will receive Exhibit  
2 No. 4 into evidence.

3 (EXHIBIT NO. 4 WAS RECEIVED INTO EVIDENCE.)

4 JUDGE DIPPELL: All right. Now I'm back to  
5 that dilemma, do they get cross-examination or do they get  
6 redirect. But in going with my earlier thinking, I think  
7 that it's more appropriate for AmerenUE to have redirect  
8 since they are Joint Applicants. So I'm going to skip over  
9 them in the cross-examination and start with Staff.

10 MR. FRANSON: Staff has no questions, your  
11 Honor.

12 JUDGE DIPPELL: Office of the Public Counsel?

13 MR. COFFMAN: Thank you.

14 CROSS-EXAMINATION BY MR. COFFMAN:

15 Q. Good morning.

16 A. I knew you would have questions.

17 Q. Just a few questions. Let's see. You were  
18 here earlier when we went over some of the different rate  
19 differences between Gascosage Cooperative and AmerenUE's  
20 rate structures?

21 A. Right here?

22 Q. Yes.

23 A. Yes.

24 Q. Do you have a copy of Mr. Ketter's prepared  
25 testimony? Do you recall seeing the tables he has on

1 page 6?

2 A. I recall seeing the table. I don't know where  
3 it's at.

4 Q. If the Bench will grant me permission, I'll  
5 give you a copy of mine.

6 A. Thank you.

7 Q. Is that a fair representation or comparison of  
8 the two different rate structures?

9 A. I believe it is.

10 Q. And that does show the customer charge or  
11 minimum charge differences between the two?

12 A. That's correct.

13 Q. Okay. And the Table 2 also shows, I guess,  
14 the, on an average basis for selected usage, what the  
15 differential would be in the summer and winter periods?

16 A. That's correct.

17 Q. And so you would agree or it would be fair to  
18 say that a customer who -- or a customer who uses more  
19 electricity in the summertime would be better off under  
20 whose rate structure?

21 A. They would probably be better off under our  
22 rate structure than AmerenUE.

23 Q. On a typical average basis?

24 A. That's correct.

25 Q. And likewise, a customer who uses more

1 electricity in the wintertime would be better off?

2 A. On Ameren's.

3 Q. If I could just get that back from you.

4 A. Sure.

5 Q. Would you have anything to add to Mr. Merry's  
6 testimony about the peculiarities of some metering practices  
7 in the rural areas and the sheds and deer barns and so  
8 forth?

9 A. No. That's typical. Having the second meter  
10 out there, a lot of times it's, you know, you just have  
11 outbuildings.

12 Q. Is it less common with your cooperative where  
13 your minimum charge, customer charge is higher?

14 A. We changed our rates in October of last year.  
15 Since that time we saw a lot of people disconnect that  
16 second meter for that extra \$7.50.

17 Q. I see. Do you charge anything to customers to  
18 disconnect a meter?

19 A. You're asking me a question I do not know.

20 Q. Okay. And I know that you've had at least one  
21 public meeting where you've talked to these customers that  
22 you would like to serve. Have you made any representations  
23 about what you would do for these customers as far as giving  
24 them an opportunity to change their meter arrangements?

25 A. We will work with these people the best we

1 can. They're AmerenUE's customers until the exchange takes  
2 place, and we have not been on any of the premises to  
3 determine what can or cannot be done.

4 Q. Okay. Would you expect that if this  
5 application is approved, that you would take any further  
6 steps to notify customers that they may want to take a look  
7 at their meter arrangements, perhaps eliminate a meter or  
8 combine a couple of meters?

9 A. We will probably be out on every customer's  
10 premise once the exchange takes place. We know we have  
11 clearance problems and some other things that needs to be  
12 addressed, and so we'll be taking a look at just about  
13 everything that we get.

14 Q. Okay.

15 A. And if the people are having problems with  
16 meters, we'll try to address that.

17 Q. Okay. What's the cooperative's practice as  
18 far as meter reading goes?

19 A. We are a self-read system. However, for this  
20 Brumley area the board of directors have approved a meter  
21 reading system to go in there, and this is going to be a  
22 trial basis for the rest of the system to see if it would  
23 work.

24 Q. So at least -- if this application is  
25 approved, at least for initially, the customers who are used



1 to having a meter reader come out and read their meter will  
2 have one of your employees or someone you pay to come out  
3 and read the meter?

4           A.       To start off with, we will probably have to  
5 read them by human being, but ultimately it will be read by  
6 electronics.

7           Q.       Okay. So you're planning to install remote  
8 metering?

9           A.       Yes.

10          Q.       And are you able to commit to that the  
11 customers that would be switched would not have to read  
12 their own meters for a particular set amount of time?

13          A.       We are not planning to have them read their  
14 meters. We will start reading them somehow ourselves.

15          Q.       So if you're granted this application, allowed  
16 to serve these customers, these customers will not have to  
17 worry in the future about having to change what they're used  
18 to, they won't have to go out and read their meters?

19          A.       That's correct.

20          Q.       You note in your testimony, I guess pages 4  
21 and 5, that this was a result of lengthy negotiations among  
22 the parties, between the parties. I just want to clarify  
23 that. By parties there you're referring to just the  
24 applicants, AmerenUE and Gasconsage Cooperative?

25          A.       That's correct.

1           Q.       There were no customers that were sitting down  
2 at the table when this agreement was drafted up?

3           A.       No.

4           Q.       And if this agreement is approved, we talked  
5 about, I guess, hypothetically what might happen and  
6 different rate impacts, and is the cooperative willing to  
7 make any commitments at this point about future rate  
8 changes? Can the customer -- I'll leave it at that.

9                   Are there any assurances you're willing to  
10 make on the record about whether the current rates will stay  
11 as they are for any amount of time?

12          A.       The board of directors of the cooperative are  
13 responsible for the fiduciary responsibility of the place  
14 and keeping it financially sound, and so I cannot speak for  
15 the board.

16                   However, when we do run financial studies, it  
17 does not show that in the immediate future we'll need a rate  
18 increase before or after we would acquire these facilities.

19          Q.       Are you able to project amount of time?

20          A.       We run a ten-year projection, and it looks  
21 like in about 2004 we would need a rate increase with or  
22 without this additional area. And, of course, that's based  
23 upon a whole bunch of assumptions, but when you hold the  
24 assumptions constant and then just add the facilities with  
25 Brumley, it does not change that picture.

1           Q.       And that reminds me, I guess, of another  
2 difference between regulated companies and cooperatives, and  
3 that is capital credits. If the customers proposed to be  
4 switched become cooperative customers, will they expect in  
5 the future to perhaps receive capital credits?

6           A.       They would be instated as a member of the  
7 cooperative and be entitled to all the benefits of that  
8 membership, which means, yes, they would be treated just  
9 like everybody else in that.

10           MR. COFFMAN: I think that's all the questions  
11 I have. Thank you.

12           JUDGE DIPPELL: Let me just clarify one thing,  
13 Mr. Greenlee. Can you just explain, because it's not, I  
14 don't think, otherwise on this record, what a capital credit  
15 is?

16           THE WITNESS: Capital credit, in an  
17 investor-owned utility, they make a profit. That profit  
18 goes back to their stockholders in some fashion as dividends  
19 or their stock prices go up.

20           An electric cooperative, that profit is called  
21 a margin. That is shown by -- that is shared by our  
22 ownership. Our ownership is our members. So they get that  
23 profit allocated to them on the accounts of the books.

24           When the board of directors deem that the  
25 cooperative is in financial shape enough to return some of

1 that money, then they're rotated back to the members, and  
2 that is termed capital credits.

3 JUDGE DIPPELL: Thank you. Commissioner Gaw,  
4 did you have questions for Mr. Greenlee?

5 QUESTIONS BY COMMISSIONER GAW:

6 Q. When's the last time that you've given capital  
7 credits?

8 A. Last year.

9 Q. Is that something that generally has happened  
10 over the last ten years every year?

11 A. Last nine.

12 Q. Last nine you've given them. Are they given  
13 to the customers based upon their usage, the number of  
14 meters? What's the basis?

15 A. It's based upon their usage, and it's -- we're  
16 on a 20-year rotation. So it was the people that provided  
17 the equity 20 years ago that is getting a return.

18 Q. So it's a 20-year --

19 A. 20-year cycle.

20 Q. -- cycle? So we're talking about a customer  
21 coming on board next year would have -- if current -- if  
22 trends continue, it would be 20 years in the future before  
23 they'd receive capital credits?

24 A. That's correct. But the board of directors  
25 has a latitude of changing that to many different type of

1 methods, but that's the method we have chosen up to this  
2 point to rotate them on.

3 Q. Is there a plan on the infrastructure  
4 improvements as far as those that are proposed after this  
5 transfer takes place, if it's approved, is there a plan on  
6 timing, when those improvements will begin to take place?

7 A. First of all, if you folks should approve  
8 this, we have to arrange for the money to be available. The  
9 time frame on that I've been told is March or April we  
10 should get that arranged.

11 Q. March or April of this year?

12 A. Right. March or April this year, the  
13 financing should be secure. We are then looking at the next  
14 problem is the equipment needs to get ordered and brought  
15 in. That's the equipment such as just the basic meter.  
16 We've been told that there's a 90-day delay. So once your  
17 order has been approved, we would have 90 days before we  
18 could get the meters in.

19 Then we are looking at hiring contractors and  
20 so forth, and I would anticipate that that's usually about a  
21 four-month procedure. Letting out bids and getting them in,  
22 getting the contract awarded usually takes about four  
23 months.

24 Our engineers gave us an estimate that the  
25 three-phase lines would take approximately one year to 18

1 months to complete, somewhere in that time frame. Then the  
2 transmission line is being done by Sho-Me, and I have -- you  
3 know, I just don't know their time frames.

4 Q. Okay. You don't have -- they haven't give you  
5 any estimates at all?

6 A. What they basically said was that the work  
7 could be done in approximately six months, but getting the  
8 right of way could be two years.

9 Q. Yeah.

10 A. So, I mean, they're on the fast track. It's  
11 just a matter of what they can do.

12 Q. Earlier I was asking Ameren's witness about  
13 the comparison of the service, customer service charge  
14 between the two companies --

15 A. Yes.

16 Q. -- between Ameren and Gascosage, and it was my  
17 understanding from counsel that Gascosage does give some  
18 credit for electric usage in the customer charge.

19 A. Right. They're allowed 20 kilowatt hours in  
20 that first \$15, and the reason for that is we recognize that  
21 there's some small accounts that has little dinky usage, and  
22 we didn't feel it was proper to charge them extra for that.  
23 So we give them a credit of 20 kilowatt hours for that.

24 Q. And is that -- that 20 kilowatt hours, if you  
25 were looking at how much that would cost normally if you

1 were outside that service charge, how many dollars would that  
2 normally run, or do you know?

3           A.       About 7 cents a kilowatt hour. That would be  
4 about \$1.40.

5           Q.       So it's not a lot of credit?

6           A.       Not a lot. There's some, but not a lot.

7           COMMISSIONER GAW: Okay. I think that's all I  
8 have. Thank you, Mr. Greenlee.

9           JUDGE DIPPELL: All right. Are there  
10 questions, then, from Ameren of this witness?

11           MR. BOBNAR: Yes, your Honor. I have just one  
12 question.

13 REDIRECT EXAMINATION BY MR. BOBNAR:

14           Q.       Mr. Greenlee, you've got attached as a  
15 schedule to your testimony a petition. Can you give us a  
16 little background how you obtained a copy of that?

17           A.       Yes, I can. I was contacted, and right after  
18 we sent out press releases that we were going to do this, I  
19 was contacted by several people that are over in that area  
20 and wanted to know how they could go about supporting the  
21 effort, and it brought up, Well, can we sign a petition?

22                    So I contacted our attorney to find out the  
23 format in which it needs to be put in, and we were then only  
24 giving out that format. They did their thing and they sent  
25 it to us, and I collected it and passed it on.

1 Q. That shows approximately how many customers?

2 A. I think there was -- I can't remember exactly,  
3 I think it was 196 or 190-something, I believe, in that,  
4 somewhere in that neighborhood.

5 Q. Have you been approached by any customer  
6 asking to not do this exchange?

7 A. The only one that I was familiar with was at  
8 the public meeting we had, and it turned out to be a person  
9 that owned stock in AmerenUE, and I think it was his father  
10 worked down at the dam at some time and there was a  
11 sentimental attachment there and under no circumstances did  
12 they want to change, but that's the only one I was aware of.

13 MR. BOBNAR: Thank you very much,  
14 Mr. Greenlee.

15 JUDGE DIPPELL: Anything further, Mr. Scott?

16 MR. SCOTT: Yes, your Honor. Just a couple  
17 quick questions.

18 REDIRECT EXAMINATION BY MR. SCOTT:

19 Q. Mr. Greenlee, with regard to the capital  
20 credit structure that you hold for that 20-year period, that  
21 does represent an ownership in that cooperative?

22 A. Yes, it does. It's their representation of  
23 that ownership of that cooperative.

24 Q. So in the event that the cooperative was  
25 bought out or was dissolved, those individuals who had



1 capital credits with the cooperative would be paid those at  
2 that time?

3 A. That's correct.

4 Q. And does your rate structure take into --  
5 looking at Mr. Ketter's testimony, does that rate structure  
6 take into effect the amount of capital credits that are  
7 allocated to a member for any given year?

8 A. I didn't understand your question.

9 Q. Okay. Looking at Mr. Ketter's testimony, has  
10 that chart with the rate structure, your rate structure  
11 doesn't take into effect, you didn't modify those numbers to  
12 give --

13 A. No.

14 Q. -- some type of credit?

15 A. Those are straight rates.

16 Q. Okay.

17 A. It does not take into consideration any  
18 deductions for capital credits or anything.

19 Q. Okay. Do you have any recollection of what  
20 the average allocation for this past year was to an average  
21 account of 1,000 kilowatt hours?

22 A. No, I don't right offhand.

23 MR. SCOTT: Okay. Thank you.

24 JUDGE DIPPELL: All right. I believe once  
25 again I didn't give Staff an opportunity to recross based on

1 questions from the Bench.

2 MR. FRANSON: No questions, your Honor.

3 JUDGE DIPPELL: And Office of the Public  
4 Counsel?

5 MR. COFFMAN: No further questions.

6 JUDGE DIPPELL: All right, then.

7 Mr. Greenlee, then I would ask if you would also remain  
8 present for the remainder, and if there's other Commission  
9 questions, I may recall you.

10 THE WITNESS: All right.

11 JUDGE DIPPELL: But you may step down for now.

12 (Witness excused.)

13 JUDGE DIPPELL: Were there any other Gascosage  
14 witnesses?

15 MR. SCOTT: None, your Honor.

16 JUDGE DIPPELL: Would Staff like to call its  
17 first witness?

18 MR. FRANSON: Yes, your Honor. Staff will  
19 call James L. Ketter.

20 (Witness sworn.)

21 JUDGE DIPPELL: Thank you. You may be seated.  
22 You may continue, Mr. Franson.

23 MR. FRANSON: Thank you, your Honor.

24 JAMES L. KETTER testified as follows:

25 DIRECT EXAMINATION BY MR. FRANSON:

1 Q. Sir, please state your name.  
2 A. James L. Ketter.  
3 Q. Sir, how are you employed?  
4 A. I'm employed as an engineer on the staff of  
5 the Missouri Public Service Commission.  
6 Q. What kind of engineer are you?  
7 A. Electrical engineer.  
8 Q. And do you hold any licenses or anything as an  
9 engineer?  
10 A. I'm a professional engineer in the state of  
11 Missouri.  
12 Q. Sir, how long have you been employed with the  
13 Commission?  
14 A. 25 years.  
15 Q. And did you prepare prefiled testimony in this  
16 case?  
17 A. Yes, I did.  
18 Q. And I believe that's been previously marked as  
19 Exhibit 5; is that correct?  
20 A. That's correct.  
21 Q. I believe I'm correct. That was, in fact,  
22 rebuttal testimony that you filed as Exhibit 5?  
23 A. It's rebuttal, yes.  
24 Q. Sir, do you have any corrections or additions  
25 or deletions to your testimony here today?

1           A.       Yes. The only correction I would have in my  
2 prepared rebuttal testimony, Tables 1 and 2, particularly in  
3 Table 2 where --

4           Q.       If I may, is that on page 6 of your testimony?

5           A.       Yes, that's correct.

6           Q.       Please continue.

7           A.       Previous witnesses have talked about the  
8 inclusion of 20 kilowatt hours in the minimum. Table 2, the  
9 Gascosage monthly rates should be reduced by 1.30 per month,  
10 and then that times 12, but those would be reflected as a  
11 slight reduction in their annual amount in that table.

12          Q.       That would be \$1.30 per month?

13          A.       Yes.

14          Q.       Do you have any other additions or corrections  
15 or deletions from your testimony?

16          A.       None.

17                 MR. FRANSON: Your Honor, at this time Staff  
18 would offer Exhibit 5 into evidence.

19                 JUDGE DIPPELL: Are there any objections to  
20 Exhibit 5 coming into the record?

21                 MR. BOBNAR: No, your Honor.

22                 MR. SCOTT: None, your Honor.

23                 MR. COFFMAN: No objection.

24                 MR. BOBNAR: And at this time, your Honor,  
25 Staff would have no further questions and would tender the

1 witness for cross-examination.

2 JUDGE DIPPELL: All right. I will receive  
3 Exhibit No. 5 into the record.

4 (EXHIBIT NO. 5 WAS RECEIVED INTO EVIDENCE.)

5 JUDGE DIPPELL: Is there cross-examination by  
6 Ameren?

7 MR. BOBNAR: Yes, your Honor.

8 CROSS-EXAMINATION BY MR. BOBNAR:

9 Q. One question, Mr. Ketter. Would you recommend  
10 that the Commission approve the Stipulation & Agreement?

11 A. Yes. That was my recommendation in my filed  
12 testimony, yes.

13 MR. SCOTT: No questions, your Honor.

14 JUDGE DIPPELL: Office of the Public Counsel?

15 MR. COFFMAN: Yes, just a couple.

16 CROSS-EXAMINATION BY MR. COFFMAN:

17 Q. Good morning, Mr. Ketter.

18 A. Good morning.

19 Q. Just so I understand the correction that  
20 you're making to Table 2 on page 6 of your rebuttal, did you  
21 say that if you factored in the included usage in the  
22 Gascoage customer charge, that your totals, that is I guess  
23 in Table 2, the next to last column, each of those numbers  
24 should be \$1.30 less than what is shown here?

25 A. That's correct. And also the annual bill to

1 the right would be 12 times that \$1.30.

2 Q. So those numbers in the last column labeled  
3 annual bill should be \$15.60 less?

4 A. For the months other than zero. Zero usage  
5 includes -- \$15, includes 20 kilowatt hours. But when I  
6 went to the second 500 kilowatt hours, I should have taken  
7 480 kilowatt hours to get to that point.

8 Q. So the first line, the \$180 would remain \$180?

9 A. That's correct.

10 Q. Have you done any analysis yourself of, I  
11 guess, the rate impact of the proposed switch on a  
12 customer-by-customer basis or distributed basis on usage  
13 more than just an average?

14 A. Yes. I've reviewed the information provided  
15 by the company that was provided here in, I believe it's  
16 Exhibit No. 7.

17 Q. Okay. And that exhibit does show that  
18 potentially there will be very different rate impacts to  
19 different customers depending on their particular situation  
20 and usage?

21 A. Yes. And I think the most obvious is zero  
22 use, because the customer charge in effect doubles for those  
23 customers.

24 Q. In your opinion, is the additional substation  
25 near Brumley and the creation of loop service in this

1 affected area an improvement that needs to be made?

2           A.       It will --

3                   MR. SCOTT: I'm going to object to the  
4 question with regards to whose improvement, because I  
5 believe the testimony of Mr. Merry's was because of  
6 engineering designs and location of facilities the additions  
7 of Gascosage are significantly different than what AmerenUE  
8 has.

9                   MR. COFFMAN: If the witness wants to clarify  
10 or condition his answer, that's fine with me.

11                  MR. SCOTT: I'm asking you to clarify your  
12 question on who -- what public -- is it prudent for  
13 Gascosage to do it, I guess is the question I have of you,  
14 if that's what you're trying to ask for.

15                  JUDGE DIPPELL: Would you clarify your  
16 question, Mr. Coffman.

17                  MR. COFFMAN: Let me ask another question.

18 BY MR. COFFMAN:

19           Q.       Would the addition of a substation near  
20 Brumley by AmerenUE improve the reliability of the service  
21 to the customers in the affected area?

22           A.       I don't believe an addition of a substation as  
23 your question implies would improve reliability. There is  
24 an existing substation in Brumley that is supplied with  
25 34,000 volt subtransmission. The cooperative's system would

1 bring in a 69,000 volt system to energize that.

2           That difference doesn't necessarily mean it's  
3 going to be better. It shows more capacity. But with the  
4 cooperative's plan to continue on and tie that with other  
5 substations on their 69 kV transmission system will provide  
6 more reliability than the customer receives today.

7           Q.     Okay. You're not saying that the current  
8 service by AmerenUE is inadequate, are you?

9           A.     No. Mr. Merry's testimony reflected the  
10 complaints that were filed in response to the outages in the  
11 summer of 1999, and there were a number of improvements made  
12 in response to that that have through the last -- the summer  
13 of 2000 and through this summer improved the outage  
14 performance in that area.

15          Q.     Okay. Assuming that the application is  
16 approved and the customers are switched, and assuming also  
17 that the cooperative makes the improvements near Brumley  
18 that it has suggested it will make, will the customers in  
19 this area experience greater reliability than they do now?

20          A.     They'll have an opportunity to experience much  
21 greater reliability because of, I want to refer to it as the  
22 geography of the system, because of a three-phase customer  
23 in the northern part of the system that the cooperative will  
24 have to serve, they because of the geography will have to  
25 run through the middle of the new territory with the



1 three-phase line, added capacity, better reliability for the  
2 customers in that area.

3                   Presently Union Electric serves that  
4 three-phase customer from a northern route that's outside of  
5 the area.

6           Q.       Okay. I'd like to ask you about response time  
7 to outages. Are you familiar with both of these energy  
8 providers and where their emergency response personnel are,  
9 the ability to reach this particular area?

10          A.       Well, through talking with each utility and  
11 participating in the public meeting at Iberia, I'm somewhat  
12 familiar with them, yes.

13          Q.       Do you have an opinion about whether response  
14 time would be better if this application were approved or do  
15 you have an opinion?

16          A.       There are different systems. Ameren you dial  
17 the 1-800 number and you go through the system. UE has to  
18 respond from their works headquarters or wherever their  
19 crews might be at the time.

20                   And the Gascosage expectations for this area  
21 are to have servicemen assigned to the specific area. And  
22 if I may bring a point from the local hearing, someone asked  
23 Mr. Greenlee how they would respond, and he pointed to a  
24 serviceman and said, The gentleman will have a cell phone in  
25 his pocket and you'll talk to him. So that personal contact

1 was well received.

2 Q. And this is a comment that our office has  
3 often received with these particular agreements. Do you  
4 have any basis to really gauge whether the average response  
5 time would improve or not, other than that it would be  
6 different, as opposed to a central dispatching system, a  
7 more local one?

8 A. There's nothing to indicate to me that it  
9 would be worse. Timing and location of the crews and the  
10 extent of the damage would factor on each outage that might  
11 occur.

12 MR. COFFMAN: Okay. That's all I have. Thank  
13 you.

14 JUDGE DIPPELL: Thank you. Commissioner Gaw,  
15 did you have questions for this witness?

16 COMMISSIONER GAW: Just a few.

17 QUESTIONS BY COMMISSIONER GAW:

18 Q. The reliability issue, I'm trying to  
19 understand what you're saying about the potential for  
20 reliability increasing. Help me to understand from an  
21 engineering standpoint what it is that increases the  
22 reliability for the customers after these improvements are  
23 made by Gascosage.

24 A. I think I'll start on the transmission end.

25 Q. Okay.

1           A.       Union Electric has a radial line, a single  
2 line that goes through the area. That's the source of  
3 power. If that source is interrupted, then the whole  
4 Brumley substations's interrupted, and there doesn't appear  
5 to be an alternate source that's practical to change that  
6 situation.

7                   With the cooperative building a substation in  
8 the Brumley area, that's about the same. But as they  
9 connect their system to Iberia, then if they lose the normal  
10 feed from one direction, they can reenergize that substation  
11 from another source, another direction. So that will reduce  
12 the time of an outage and improve the reliability to the  
13 electric customers.

14          Q.       And what kinds of events could cause the loss  
15 of power under the current system, for example?

16          A.       Transformer. It might be a transformer from  
17 the 34 source. It could be the transformer at Brumley. So  
18 there are a number of things. Sometimes insulators on  
19 transmission lines, if you're not careful trees or storms  
20 might blow something down that would cause an outage.

21          Q.       And the change will increase the possibility,  
22 then, of having an alternate source? You will now have an  
23 alternate source of energy in the event that one of these  
24 things that you mentioned occurs to the same region as  
25 exists today? There would be another source coming in?

1           A.       Yes.

2           Q.       And that's the reason for the -- for your  
3 belief that it increases reliability?

4           A.       Yes. And the high-voltage lines, a little  
5 more clearance from the ground. It'll be new construction.  
6 Those things would have a plus to it. But I think it's the  
7 long-range optimism here that I have is it's going to take a  
8 couple three years or more to get it looped together, but it  
9 falls into Sho-Me's facilities to be a logical opportunity  
10 to provide loop service.

11          Q.       All right. And explain what that does for the  
12 customers if that loop is created.

13          A.       It provides again that second source of power  
14 from the transmission source, and that's something that  
15 Brumley doesn't have now. But also the rest of the  
16 Gascosage customers, that public will be benefited by this  
17 exchange of customers in the Territorial Agreement that's  
18 subject to this application.

19          Q.       Do you believe that construction would occur  
20 if this territory were not exchanged?

21          A.       It doesn't appear to me that the customer  
22 saturation to customer base would direct Gascosage or the  
23 transmission company Sho-Me to build in that area. Other  
24 alternatives may develop over time. But these 1,200  
25 customers provide Gascosage with a new source of revenue and

1 new load which they have to meet, and it's just a good  
2 opportunity for Gascosage and their customers.

3 Q. Is it likely that this construction that's  
4 anticipated, if you know, will result in additional needs  
5 for rate increases in the future for Gascosage?

6 A. The way I understand that cooperative system,  
7 Sho-Me provides wholesale to the distribution cooperatives  
8 like Gascosage, I'm not sure of the number, six or seven  
9 different cooperatives. So that will -- that rate base will  
10 be just part of Sho-Me's cost of operation. So I wouldn't  
11 expect just that would provide a significant impact on the  
12 cost of providing service.

13 Q. All right. The area where this construction  
14 would be anticipated to take place for the additional  
15 transmission that you described, is it obvious at this point  
16 in time where that will be?

17 A. Not obvious. There is a substation presently  
18 that Sho-Me owns that's south of the area, as I recall,  
19 within about 10 miles. So that's reasonable. I mean, for a  
20 new substation, that seems to be not very far to extend a  
21 transmission service. The next loop to Iberia, I don't know  
22 the distance, but I expect it would be farther than that.

23 Q. And are you familiar with the area, the  
24 general area that you're describing as far as what's there,  
25 farm ground?

1           A.       Yes.

2           Q.       What is it?

3           A.       In response to the complaints in the summer of  
4 '99, I investigated much of that area. I would say east and  
5 south of Brumley where the substation looks Ozarks, hills  
6 and trees and a lot of rocks. North of Brumley where the  
7 turkey farmers operate, there's more pasture land but very  
8 little row crop. Mostly pastures and a lot of wooded area.

9           Q.       Do you know whether there have -- that those  
10 individuals would have been given any notice that this  
11 transfer may result in additional transmission construction  
12 across those areas?

13          A.       I wouldn't anticipate that they realized that  
14 point even though it's been said out loud, and until a route  
15 is identified, that probably won't be of much interest.

16          Q.       To your knowledge, is that property or that  
17 area that you described, is it privately owned?

18          A.       Yes, to my knowledge.

19          Q.       It's not public property through any of that  
20 area?

21          A.       The state park is to the west, but that  
22 appears to be the only area that I recall that would be  
23 publicly owned.

24          Q.       All right. So if individuals would object to  
25 it on that basis, it's not likely we would have heard from

1 them at this point in time?

2 A. No.

3 COMMISSIONER GAW: Okay. That's all I have.

4 Thank you very much.

5 JUDGE DIPPELL: Mr. Ketter, I have just a few  
6 questions for you.

7 QUESTIONS BY JUDGE DIPPELL:

8 Q. On page 4 of your testimony, at the last  
9 sentence of the second paragraph there you talk about --  
10 again, you're talking about the outages that were subjects  
11 of complaints in 1999, and you say an additional 43, talking  
12 about poles there, were identified as defective and AmerenUE  
13 committed to replace these poles by December 31st, 2001.

14 What exactly was that commitment? Was that  
15 just a verbal commitment or --

16 A. In response to the complainants in that area,  
17 the company met with them locally. The Staff wasn't  
18 involved in that. But they committed to having the poles  
19 along this Route C, the main feeder line, inspected by an  
20 outside source, because that was one of the contentions is  
21 that the facilities need to be upgraded.

22 And Ameren had an outside consultant inspect  
23 the poles. Seven were found to be needing immediate  
24 attention, and those were replaced. And these others, the  
25 other 43 were subject to an ongoing commitment that was made

1 to the property owner to upgrade those, and those were just  
2 part of Ameren's scheduling to get it accomplished.

3 Q. And at this point, have those poles, to your  
4 knowledge, been replaced?

5 A. No, they have not. But those poles are along  
6 the route where the proposed new three-phase line is. So if  
7 they replaced a pole, it may not be useful under the  
8 Gascosage system. It would be a facility that would be  
9 upgraded through a three-phase extension and not just  
10 replacing a single pole along Route C.

11 And in looking at the outages that occurred  
12 during the summer of '99, I recall that none of them were  
13 pole-related. There were some poles that, age and rot, that  
14 need to be replaced, but they may not drop the conductor to  
15 the ground. That's -- there was a number that I saw where  
16 the butt of the pole had been rotted to be ineffective, and  
17 apparently those were identified and replaced first.

18 Q. When you say they made a commitment, there was  
19 never, to your knowledge, a Commission order that directed  
20 Ameren to replace those poles?

21 A. Not to my --

22 Q. You don't know?

23 A. Because in the complaint case, the problem was  
24 doing upgrades to the substation and work on the feeder that  
25 was completed. This commitment was included in the reports



1 that were made to the Staff and the Commission in that  
2 docket, but to my recollection, that was not a part of the  
3 Commission order in those complaint cases.

4 Q. Okay. And then one other question. In your  
5 opinion, does Gascoage have sufficient resources to serve  
6 these customers, these new 1,200 customers?

7 A. In speaking with the coop and understanding  
8 the way the systems are financed, that it appears that  
9 Gascoage is capable and also that, you know, these 1,200  
10 customers can stand alone. It's my observation that, from  
11 their information, that the cooperative can go on just fine  
12 as it is, and also, with these 1,200 customers, the  
13 additional revenue will be helpful in maintaining a strong  
14 coop with those additional 1,200.

15 JUDGE DIPPELL: All right. Is there any  
16 recross based on questions from the Bench from Staff -- I'm  
17 sorry -- from Ameren?

18 RECROSS-EXAMINATION BY MR. BOBNAR:

19 Q. Mr. Ketter, how typical is Gascoage as an  
20 electric cooperative? Is a typical electric cooperative  
21 or --

22 A. Typical in that it looks and operates like a  
23 typical coop. To me, they're slightly smaller than, I want  
24 to say average, but have lower rates than average. I was  
25 surprised to see the level of their rates comparing with

1 others that I've seen across the state.

2 Q. So this represents a -- as a result of being  
3 able to gain approximately 1,200 customers, this represents  
4 to them a great opportunity to expand the size of their  
5 coop, does it not?

6 A. Yes, it does.

7 Q. And this, as they've testified, gives them  
8 opportunities to make improvements that they wouldn't be  
9 able to make in the past?

10 A. I believe that's correct, yes.

11 Q. And probably not in the future also with the  
12 existing small size?

13 A. I believe that's correct, yes.

14 MR. BOBNAR: No further questions.

15 JUDGE DIPPELL: Is there anything further from  
16 Gascosage?

17 MR. SCOTT: None, your Honor.

18 JUDGE DIPPELL: Office of the Public Counsel?

19 MR. COFFMAN: Nothing further.

20 JUDGE DIPPELL: Is there redirect from Staff?

21 MR. FRANSON: No, your Honor.

22 JUDGE DIPPELL: Okay. Mr. Ketter, again, I'd  
23 ask if you would remain until the end of the proceeding in  
24 case there are other Commission questions, but for now you  
25 may step down.

1 THE WITNESS: Thank you.

2 (Witness excused.)

3 JUDGE DIPPELL: I'd like to go ahead and take  
4 a 15-minute break. Mr. Scott, you have a --

5 MR. SCOTT: Yes, your Honor. The Staff has  
6 one more witness, but the parties have stipulated that he  
7 can just introduce the testimony.

8 MR. FRANSON: I was about to address that,  
9 your Honor. That would be Exhibit No. 6. Your Honor, that  
10 is the testimony of Stephen M. Rackers, and it was specific  
11 to a condition that -- well, we offer his testimony.

12 JUDGE DIPPELL: Well, before we get to that, I  
13 think I'd still like to go ahead, take a 15-minute break.  
14 I'll confer with the Commissioners and see if there are any  
15 further questions for any of the witnesses. Then we will  
16 come back and finish up and then not have to take a lunch  
17 break.

18 MR. FRANSON: If I may, your Honor, it is  
19 Staff's intention not to have Mr. Rackers present, just so  
20 you are aware of that. He will not be here based on the  
21 stipulation that we will be offering.

22 JUDGE DIPPELL: Are you saying that  
23 Mr. Rackers isn't present?

24 MR. FRANSON: I'm saying that Mr. Rackers is  
25 not present, correct, your Honor. We anticipated no

1 questions, your Honor, and if there are, we can have him  
2 present at a different time, but we would also be in the  
3 position of possibly withdrawing his testimony.

4 JUDGE DIPPELL: All right. Well, I was just  
5 looking because I had a couple of questions for Mr. Rackers,  
6 but they have been answered or relieved because of the other  
7 exhibit not being offered.

8 So let me confer again with the Commissioners.  
9 Let's take a break, and come back in 15 minutes or at --  
10 let's shorten it. Let's come back at 10 'til. Thank you.  
11 Let's go off the record.

12 (A BREAK WAS TAKEN.)

13 JUDGE DIPPELL: Mr. Franson, you had a  
14 statement you wanted to make?

15 MR. FRANSON: Yes, your Honor, I do. I  
16 apologize for not advising you earlier that Mr. Rackers  
17 would be unavailable. Staff can certainly make him  
18 available at a later time or in the form of written  
19 questions if there are, in fact, any questions. And I  
20 apologize for not having him available and not clearing that  
21 with you.

22 JUDGE DIPPELL: You are in luck, Mr. Franson,  
23 as there are no questions for Mr. Rackers or any of the  
24 other witnesses from the Commissioners or myself. So the  
25 other witnesses may be dismissed or excused at this time.

1 In fact, if you want to go ahead then and proceed with  
2 presenting Mr. Rackers' testimony.

3 I would appreciate if you-all reach a  
4 stipulation such as that in the future, that you let the  
5 Commission know, and that way if they were to have any  
6 questions, they could let you know that ahead of time.

7 But if you'd go ahead, then, Mr. Franson, you  
8 had another exhibit.

9 MR. FRANSON: Your Honor, at this time the  
10 Staff would offer Exhibit No. 6, the rebuttal testimony of  
11 Stephen Rackers. Your Honor, I believe that that will be  
12 offered without objection from any of the other parties, and  
13 I would offer it at this time.

14 JUDGE DIPPELL: All right. Is there any  
15 objection from any of the parties to the admittance of  
16 Exhibit No. 6?

17 MR. BOBNAR: AmerenUE has no objections.

18 MR. SCOTT: GascoSage has no objections.

19 MR. COFFMAN: No objections.

20 JUDGE DIPPELL: Thank you. I will receive  
21 Exhibit No. 6 into the record then.

22 (EXHIBIT NO. 6 WAS RECEIVED INTO EVIDENCE.)

23 JUDGE DIPPELL: As I said earlier, there were  
24 no further questions from the Commission. So at this time  
25 I'd like to go ahead and let you make closing statements.

1 Has counsel found -- are any of the parties wanting to make  
2 written Briefs? Let me ask you that first.

3 MR. BOBNAR: The Joint Applicants do not  
4 desire to make written Briefs.

5 MR. FRANSON: Staff does not wish to make a  
6 written Brief, your Honor.

7 MR. COFFMAN: Closing statements will suffice,  
8 I think.

9 JUDGE DIPPELL: Then we will do closing  
10 statements in lieu of Briefs, and we will begin with -- I  
11 don't know if we had an order for closing statements. I'll  
12 just go ahead and let AmerenUE go first.

13 MR. BOBNAR: Thank you, your Honor, and may it  
14 please the Commission?

15 Again, we're here today to consider the  
16 transfer of 1,200 customers Gascosage -- from AmerenUE to  
17 Gascosage Electric Cooperative. In addition to this, the  
18 relief also requested that we, AmerenUE, be given approval  
19 to transfer the associated facilities with those customers  
20 to allow them to continue to -- to allow Gascosage to use  
21 them to serve those customers in the future and, in  
22 addition, approve the first amendment to the existing  
23 Territorial Agreement between the parties to again allow  
24 Gascosage in the future to continue to serve in the area  
25 where the transferred customers are located.

1                   Both Joint Applicants today have presented  
2 evidence in support of a Stipulation & Agreement. This  
3 Stipulation & Agreement was between the Joint Applicants and  
4 the Staff of the Commission. All those parties found that  
5 the transfer of customers was/is in the public interest for  
6 reasons other than rate differential and it should be  
7 approved, and the Commission -- I mean, excuse me, the  
8 Applicants also felt that the Commission should approve the  
9 first amendment as being not detrimental to the public  
10 interest.

11                   And the word public interest comes up a lot  
12 here, and unfortunately the Legislature has not done the  
13 Commission a favor in drafting the two statutes that are  
14 involved because the standards are different.

15                   For transferring customers, the standard  
16 requires a finding in the public interest for reasons other  
17 than rate differential, but here we're doing a combined  
18 transaction. So the territorial agreement statute also  
19 comes into play in some regard.

20                   Again, the Applicants feel that we have met  
21 that burden, and the reason we've met that burden is because  
22 the public interest determination is just much broader than  
23 what we've discussed mainly today. The public interest  
24 determination involves everyone potentially affected by this  
25 transaction, not only the 1,200 customers, but the other

1 members of Gascosage where there was testimony offered that  
2 stated that they wouldn't have been able to do these  
3 facility improvements and upgrades without revenue from the  
4 1,200 customers.

5                   It's also AmerenUE and AmerenUE's ratepayers.  
6 We've offered testimony that says that we cannot provide the  
7 same level of loop service because it's simply too  
8 expensive, and by transferring these customers it frees up  
9 our capital to spend it where we need to spend it to improve  
10 the reliability of other customers.

11                   We've talked here a lot about specific rate  
12 impacts and we've shown, and I think it's clear from  
13 Mr. Ketter's testimony, that we have two different rate  
14 designs here. One has a slightly higher fixed charge, what  
15 we would call a fixed charge to cover the costs of metering,  
16 billing, having persons check lines, et cetera.

17                   That doesn't mean that they're not fair rates.  
18 That means that Gascosage differs in their assessment  
19 of what should be a fixed charge and what should be an  
20 energy charge, but the rates are fair.

21                   I think one of the great indicators of how  
22 fair the rates are is the fact that when we met with  
23 customers, that they didn't really object to this transfer.  
24 They saw a benefit in it, and they looked at it and some of  
25 them, approximately 190, I believe, signed a petition to say



1 go ahead and implement it.

2                   So I think all these factors have to be taken  
3 into account. Another thing we talked about today at the  
4 hearing is the unfortunate situation regarding the school  
5 districts. I want to be on record that AmerenUE did not  
6 invent this system. The taxes are for property differently  
7 than that of cooperatives. Again, that's a part of the  
8 legislature.

9                   The statute for transferring facilities,  
10 getting it approved, requires us to do a calculation, which  
11 we did, to allow the Commission to notify the impacted  
12 parties, which they've done.

13                   In this case it's unfortunate there is some  
14 reduction, but we heard today and I think Mr. Ketter  
15 eloquently testified in his rebuttal testimony is that there  
16 are mechanisms that the state has put in place. Now, those  
17 mechanisms may not be in the eyes of everyone adequate, but  
18 it's what the Legislature intended.

19                   And take a hypothetical situation. Assume  
20 AmerenUE just retired these facilities instead of sold them  
21 to Gascosage. The facilities would leave the books. They  
22 simply would be a revenue reduction. That's not what we  
23 did. We decided to sell that. These facilities now are  
24 going to show up on Gascosage's books. They're going to be  
25 able to utilize them in the most efficient fashion in

1 connecting and serving their customers.

2                   So again, you know, while I have sympathy, I  
3 also realize that the law is the law and we are complying  
4 with it.

5                   Again, we feel that if you look in the public  
6 interest in total, all the people affected, that this  
7 transaction should be approved by the Commission as being in  
8 the public interest. Thank you, your Honor.

9                   JUDGE DIPPELL: Thank you. Gascosage?

10                  MR. SCOTT: Thank you, your Honor. If it may  
11 please the Commission?

12                  Gascosage would echo the comments made by  
13 AmerenUE attorney Mr. Bill Bobnar and also would recommend  
14 and ask the Commission to approve the stipulation as  
15 presented as well as the First Amended Territorial  
16 Agreement, the proposed customer exchange and sale of  
17 facilities.

18                  The evidence presented clearly shows that this  
19 transaction and the series of transactions is in the public  
20 interest. While the standard for a territorial agreement is  
21 not in the public -- not detrimental to the public interest,  
22 it is silent as to rates. The customer exchange statutes  
23 that is mirrored for cooperatives, public utilities and  
24 municipal utilities all has the same language, for reasons  
25 other than a rate differential.

1                   While there was a lot of discussion as to rate  
2 differential, bill comparisons and rate design, even hearing  
3 all that evidence, there was sufficient evidence to show  
4 that that design is minimal in this transaction.

5                   Secondly, there was testimony presented that  
6 approximately 190 customers supported the deal despite being  
7 notified that they may have, in fact, a bill increase.

8                   Furthermore, the bill increase doesn't take  
9 into effect the capital credits or the membership/ownership  
10 and the other benefits provided to the cooperative. The  
11 rate design between the two companies are different. The  
12 legislators in approving the territorial agreement and the  
13 customer exchange knew that and took that into  
14 consideration.

15                  While it is information that the Commission  
16 should hear and to appreciate the transaction so that they  
17 can understand how the actual individuals are being  
18 affected, it does not outweigh as a singular issue the  
19 public interest that all of the members of Gascosage and the  
20 other customers of AmerenUE will see by the benefits of this  
21 deal.

22                  As you heard the testimony, there will be  
23 increased transmission service to Gascosage, increased  
24 service that would not come about except for this new  
25 territory and the exchange of these customers.

1                   Regarding customer preference as an issue for  
2 the Commission to determine, there -- on the opening  
3 statement Mr. Coffman indicated only six individuals had  
4 contacted his office. Again, there was testimony of 190  
5 individuals by petition that wanted this deal. I believe  
6 the customer preference issue has been addressed and comes  
7 down this is in the public interest.

8                   Public interest regarding reliable and  
9 adequate service. AmerenUE is provide adding adequate  
10 service in this area. Gascoage can provide adequate  
11 service in that area and is to their current customers.

12                  After this transaction is completed, you heard  
13 testimony that there will be continued reliable and adequate  
14 service. In fact, it will actually be enhanced service,  
15 higher voltage on the transmission system, new substations,  
16 new equipment. That will be reliable and adequate service,  
17 again in the public interest.

18                  And while the Commission may be relinquishing  
19 control over 1,200 customers, they are relinquishing control  
20 to a member-owned organization. Those 1,200 individuals  
21 will be able to attend the board -- the annual meetings of  
22 Gascoage Electric Cooperative. They will have the  
23 opportunity to run for the board of directors. They will  
24 have the opportunity to nominate individuals to run for the  
25 board of directors. They will vote on those individuals.

1           You cannot get greater control than member  
2 ownership. And again, the legislators knew that, took that  
3 into consideration when they wrote those statutes, and did  
4 not ask the Commission to take that into consideration, an  
5 issue which is moot, but even if it were addressed, it's in  
6 the public interest to allow members their opportunity to  
7 regulate themselves, which the legislators have chosen to  
8 do.

9           In the taxes, it is unfortunate that the tax  
10 entities will lose theoretically some portion of revenue,  
11 but more unfortunately is -- and we didn't write the  
12 statutes. This is an issue which is plaguing the  
13 legislators today with regards to retail wheeling, customer  
14 choice, the future of the electric service industry.

15           And because that taxing issue hasn't been  
16 addressed currently by the legislators and secondly because  
17 the witness who testified to a \$10,000 reduction an a  
18 \$2 million, a half a percent difference, that half a percent  
19 does not outweigh the engineering benefits to the members of  
20 Gascosage Electric Cooperative.

21           Thank you.

22           JUDGE DIPPELL: Thank you. Staff?

23           MR. FRANSON: Thank you, your Honor, and may  
24 it please the Commission?

25           Judge, we -- Staff does support the

1 Nonunanimous Stipulation & Agreement and differs with  
2 Mr. Bobnar's statement only in one regard, and that is he  
3 said there were two statutes. There are, in fact, three  
4 statutes that come into play here. Those are set out in  
5 paragraphs 9, 10 and 11 of the Nonunanimous Stipulation &  
6 Agreement.

7           While the standards do vary somewhat, they  
8 come down to in the public interest for reasons other than  
9 rate differential, in the public interest not detrimental.  
10 They can certainly be segmented and segregated and the  
11 Commission can certainly address each one.

12           And the Staff would submit that that is  
13 consistent with the Nonunanimous Stipulation & Agreement,  
14 and that this -- the Nonunanimous Stipulation & Agreement  
15 should be approved and we would ask the Commission to do  
16 that. Thank you.

17           JUDGE DIPPELL: Thank you. Public Counsel?

18           MR. COFFMAN: Again, Public Counsel is neither  
19 opposing or supporting the application in this case. We are  
20 not a signatory to the Nonunanimous Stipulation & Agreement,  
21 and we would ask that the Commission not grant the  
22 Nonunanimous Stipulation -- rather not approve it and rather  
23 would base a decision upon the record which I think is a  
24 good record which has been made here today.

25           There's no reason that the Commission should

1 not be able to reach a decision either in favor or against  
2 the application based on competent and substantial evidence.

3           I guess I should address briefly the  
4 relationship of rate differential to the standards before  
5 the Commission. I think rate differential is certainly  
6 relevant to all the statutes, the Territorial Agreement, the  
7 sale of assets, which we don't necessarily oppose at all.  
8 In fact, as far as sale of assets, that's fine.

9           The difficulty comes in the -- with regard to  
10 how Section 393.106.2 comes into play where -- this is often  
11 called the anti-flipflop statute. It was passed by the  
12 Legislature to address the problem of customers flipflopping  
13 back and forth between two providers who were in sort of  
14 border land areas.

15           And I don't know if you can fairly address the  
16 intent of the Legislature, but the statute itself says that  
17 the Commission may approve a change of suppliers on the  
18 basis that it is in the public interest for a reason other  
19 than rate differential. I don't believe that that prevents  
20 the Commission from denying the request for change of  
21 supplier based on rate impacts or rate differential.

22           But that aside, rates are an important factor.  
23 I think the Commission should base its decision in this case  
24 on the facts and on the issues listed in the list of issues  
25 by the parties, and that as far as these public interest

1 determinations go, the Commission should consider rate  
2 differential, reliability, customer service, response time,  
3 customer preferences that have been expressed and as well as  
4 what would happen to Commission jurisdiction now and into  
5 the immediate future.

6 I wish the Commission luck in doing so. Thank  
7 you very much.

8 JUDGE DIPPELL: Thank you. Mr. Franson, I  
9 just wanted to ask, in the Stipulation & Agreement it said  
10 that the Staff was planning to file Suggestions in Support.  
11 Is Staff still planning to do that?

12 MR. FRANSON: Yes, your Honor. We plan to  
13 have those filed no later than next Monday, which I believe  
14 is the 14th, if that meets with your approval.

15 JUDGE DIPPELL: That's fine. And there was  
16 also a statement in there that parties would at least have  
17 the opportunity to respond.

18 Mr. Scott, do you have something?  
19 Mr. Coffman, did you have something?

20 MR. COFFMAN: Your Honor, I mean, I guess the  
21 issue is am I going to request a hearing pursuant to the  
22 rule. I could do so. It seems kind of pointless since I  
23 have had a hearing. I think we've had a good hearing,  
24 although I'm asking that the Commission not consider this to  
25 be a unanimous stipulation. If the Commission considers it



1 necessary for me to make that procedural filing requesting a  
2 hearing so that it is not considered a unanimous  
3 stipulation, I will do so.

4               Otherwise, I will simply request that the  
5 Commission review the evidence, make a decision based on the  
6 competent and substantial evidence we've had, and treat the  
7 Nonunanimous Stipulation as the evidence that the three  
8 parties have changed positions or stated positions in a  
9 joint manner.

10               JUDGE DIPPELL: I think what I hear you  
11 saying, then, Mr. Coffman, is that Public Counsel does  
12 object to the Stipulation, does not want it to be considered  
13 a Unanimous Stipulation & Agreement under the Commission's  
14 rules. However, you feel that you've already had your  
15 opportunity for a hearing and, therefore, an actual hearing  
16 just on the Stipulation is not necessary; is that correct?

17               MR. COFFMAN: That's correct.

18               JUDGE DIPPELL: All right. That's how the  
19 Commission will treat that Stipulation. We will -- it has  
20 been entered as evidence in this case, and the Commission  
21 will treat that as evidence of the parties' positions and  
22 whether it's in the public interest or not, but we will not  
23 hold a further hearing on the Stipulation & Agreement.

24               If Staff files in accordance with the  
25 Stipulation & Agreement, there may be further filings then

1 with suggestions. The parties will be allowed to respond to  
2 that. I don't anticipate given the turnaround time of the  
3 transcripts that the Commission would have a final decision  
4 before time for responses would pass. So there will be the  
5 standard ten-day response time to Staff's suggestions after  
6 those are filed.

7 Is there any question? All right. Is there  
8 anything further before I conclude the hearing?

9 MR. SCOTT: None, your Honor.

10 MR. FRANSON: Nothing further on behalf of  
11 Staff, your Honor.

12 MR. BOBNAR: Nothing further on behalf of  
13 AmerenUE.

14 JUDGE DIPPELL: Mr. Coffman, do you have  
15 anything?

16 MR. COFFMAN: That is all. Thanks.

17 JUDGE DIPPELL: All right. That concludes the  
18 evidentiary hearing and we can go off the record.

19 WHEREUPON, the hearing of this case was  
20 concluded.

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