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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS
Hearing
March 25, 2004
Jefferson City, Missouri
Volume 6

In the Matter of the Application)
of Union Electric Company, Doing)
Business as AmerenUE, for an Order)
Authorizing the Sale, Transfer and)
Assignment of Certain Assets, Real)
Estate, Leased Property, Easements) Case No. EO-2004-0108
and Contractual Agreements to)
Central Illinois Public Service)
Company, Doing Business as)
AmerenCIPS, and, in Connection)
Therewith, Certain Other Related)
Transactions.

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE.

CONNIE MURRAY,
ROBERT M. CLAYTON,
COMMISSIONERS.

REPORTED BY:
KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

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P R O C E E D I N G S

(EXHIBIT NOS. 1 THROUGH 22 WERE MARKED FOR
IDENTIFICATION BY THE REPORTER.)

JUDGE THOMPSON: My name is Kevin Thompson.
We are here in the matter of the application of Union
Electric Company, doing business as AmerenUE, for an Order
authorizing the sale, transfer and assignment of certain
assets, real estate, leased property, easements and
contractual agreements to Central Illinois Public Service
Company, doing business as AmerenCIPS, C-I-P-S, and in
connection therewith, certain other related transactions.

This is Case No. EO-2004-0108. I am the
Regulatory Law Judge assigned to preside over this matter,
and we will begin with oral entries of appearance. Why
don't we have the company go first?

MR. LOWERY: Thank you, your Honor.
James B. Lowery with Smith Lewis, LLP, 111 South Ninth
Street, P.O. Box 2818, Columbia, Missouri 65205, on behalf
of AmerenUE.

JUDGE THOMPSON: Thank you, Mr. Lowery.
Sir?

MR. RAYBUCK: Good morning, Judge Thompson.
My name is Joseph Raybuck. I'm an attorney with Ameren.
I would also like to enter the appearance of the other
in-house attorneys on behalf of Ameren: Edward C.

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1 Fitzhenry to my right, David B. Hennen in the back, and
2 Thomas M. Byrne. Our addresses are the same, 1901
3 Chouteau Avenue, St. Louis, Missouri 63103.

4 One housekeeping item, Judge. Entries of
5 appearance were filed, I believe, yesterday afternoon by
6 Mr. Hennen and by Mr. Byrne.

7 JUDGE THOMPSON: I saw those. It's our
8 practice to take oral entries at the beginning of any
9 on-the-record proceeding. Thank you.

10 Why don't we begin then with Staff next.

11 MR. DOTTHEIM: Steven Dottheim, Lera
12 Shemwell, Dennis Frey, Post Office Box 360, Jefferson
13 City, Missouri, appearing on behalf of the Staff of the
14 Missouri Public Service Commission.

15 JUDGE THOMPSON: Thank you. And we're
16 aware that Mr. Frey, I guess, is just getting out of the
17 hospital after a heart problem and, of course, we all wish
18 him well and hope to see him here soon.

19 Public Counsel?

20 MR. COFFMAN: Thank you. John B. Coffman
21 and Douglas E. Micheel on behalf of the Office of the
22 Public Counsel and the rate-paying public.

23 JUDGE THOMPSON: Thank you. Now
24 intervenors. Mr. Fischer?

25 MR. FISCHER: Yes, your Honor. Let the

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1 record reflect the appearance of James M. Fischer,
2 Fischer & Dority PC, 101 Madison Street, Suite 400,
3 Jefferson City, Missouri 65101, appearing today on behalf
4 of Kansas City Power & Light Company.

5 And, your Honor, KCPL is just monitoring
6 this proceeding and I would ask to be excused after the
7 openings this morning.

8 JUDGE THOMPSON: That's fine, Mr. Fischer.
9 With respect to the openings, they're not actually going
10 to happen until the Commissioners come down from agenda.
11 So do you have an opening statement to make?

12 MR. FISCHER: I do not, your Honor.

13 JUDGE THOMPSON: Okay. So you can come in
14 and out as you please. How's that?

15 Mr. Johnson?

16 MR. JOHNSON: Robert C. Johnson, The Stoler
17 Partnership, 911 Washington, St. Louis, Missouri 63101,
18 appearing on behalf of Missouri Energy Group.

19 JUDGE THOMPSON: Thank you, Mr. Johnson.
20 Any other intervenors or other counsel?

21 (No response.)

22 JUDGE THOMPSON: We understand
23 Ms. Vuylsteke is on her way, and she can enter her
24 appearance when she gets here.

25 Okay. The first order of business, I

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1 believe, would be Union Electric's motion for leave to
2 file supplemental surrebuttal testimony and request for
3 expedited treatment. This motion has been filed, has not
4 been ruled.

5 There was a response by Staff, a request
6 for reasonable time to review supplemental surrebuttal
7 testimony and to respond, and then a reply to that by
8 Union Electric. So the motion has been fully briefed.
9 And I'm going to grant the motion for leave to file
10 supplemental surrebuttal testimony, and as for the
11 reasonable time to review and respond, when would you like
12 to respond, Mr. Dottheim or Ms. Shemwell?

13 MS. SHEMWELL: Thank you, Judge. While
14 this is very brief testimony and certainly Staff can
15 review it, I personally need some time to review it and I
16 was informed that Mr. Weiss's testimony is based upon
17 Mr. Getz' work papers.

18 JUDGE THOMPSON: Whose work papers?

19 MS. SHEMWELL: Mr. Getz' work papers. So
20 I'm going to ask -- it's actually my time probably more
21 than Staff's. I need time to review that, discuss it with
22 them and understand what has been --

23 JUDGE THOMPSON: What issue does the
24 supplemental testimony go to?

25 MS. SHEMWELL: The liability issue. The

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1 liabilities.

2 JUDGE THOMPSON: Okay. And that's on
3 Wednesday, March 31st?

4 MS. SHEMWELL: It is on Wednesday,
5 March 31st.

6 JUDGE THOMPSON: So the weekend and also
7 the first two business days of next week are available.

8 MS. SHEMWELL: That's true. I was going to
9 suggest, however -- Mr. Lowery has offered to move it to
10 Friday, which would be all right with Staff, so long as
11 it's Friday morning. If it gets close to Friday
12 afternoon, we consider this a very important issue and
13 would prefer to take it up then on Monday afternoon, the
14 5th.

15 JUDGE THOMPSON: Okay. Is it necessary to
16 move it? Because it does disturb the Commissioners
17 somewhat when we move witnesses around and, if possible,
18 I'd like to avoid it. Do you think it's necessary? Have
19 you had a chance to look at the testimony to --

20 MS. SHEMWELL: I have not. I have not had
21 a chance to review the testimony. While it was filed late
22 Tuesday afternoon, I did not see it until Wednesday.

23 JUDGE THOMPSON: I understand. And you've
24 got to have your subject matter experts review it and get
25 back to you. I understand

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1 MS. SHEMWELL: That's correct. And then
2 they're going to have to explain it to me --

3 JUDGE THOMPSON: Right.

4 MS. SHEMWELL: -- which may take some time.
5 Frankly, Mr. Getz' work papers are in four-point font,
6 which doesn't work too well for my eyes these days.

7 MR. LOWERY: We can fix that problem.

8 JUDGE THOMPSON: Get the easy reading
9 version over to Staff.

10 MS. SHEMWELL: It's a matter of my
11 understanding, and that will take some time. I suppose we
12 could do it on Wednesday, Judge, but what it is is it's
13 disadvantaging the Staff.

14 JUDGE THOMPSON: I understand that, and I
15 think at this point I don't know how much of a
16 disadvantage it is, and I don't think Staff knows either.

17 MS. SHEMWELL: I think that's correct.

18 JUDGE THOMPSON: So why don't we set this
19 aside until later in the proceedings, and then you can
20 report to me whether you're going to need to move it and,
21 if so, of course, we will move it. And I will also tell
22 you now that whatever supplemental or additional testimony
23 Staff needs to file in response, of course, you will have
24 an opportunity to file. Okay?

25 MS. SHEMWELL: Thank you, Judge.

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1 JUDGE THOMPSON: Certainly. Okay. I think
2 that takes care of that.

3 I want to make sure that we are straight
4 with the suggested order of opening and cross-examination.
5 This is Staff's list of issues as far as we know. Is that
6 still correct? Is that the agreed order?

7 MR. DOTTHEIM: Yes, as far as -- as far as
8 I'm aware.

9 JUDGE THOMPSON: So opening then would be
10 Ameren, Staff, Public Counsel, Industrial Energy
11 Consumers, Missouri Energy Group, and then you've
12 indicated Kansas City Power & Light will not actually have
13 an opening statement.

14 MR. FISCHER: That's correct.

15 JUDGE THOMPSON: Okay. So is that the
16 understood order?

17 MR. DOTTHEIM: Yes, I believe so.

18 JUDGE THOMPSON: And as I told you, we're
19 going to have to set that off until the Commissioners are
20 actually able to be here. They're getting ready to start
21 agenda in about 10 or 11 minutes. The agenda is not
22 particularly long today, but I thought there were quite a
23 few rules on the agenda and those always seem to require
24 extended discussion. So whenever they let me know that
25 they can be here, then we'll go ahead and start with the

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1 opening.

2 So why don't we put Mr. Redhage up, and
3 we'll --

4 MR. COFFMAN: Your Honor, just one other
5 item of concern I thought I would mention.

6 JUDGE THOMPSON: Sure.

7 MR. COFFMAN: I don't have a motion to make
8 at the time, but we were having some difficulty in being
9 able to read a legible copy of a response to one of the
10 Data Requests that has been compelled by the Commission.
11 It is relating to Public Counsel Data Request 665, and
12 they are risk management steering committee minutes and
13 information. And the copy we have is a PDF file and there
14 are portions of it that are not legible.

15 The company has attempted to give me
16 another copy. Still I think there are problems.
17 Mr. Byrne, an attorney for Ameren, is supposed to be here
18 tomorrow on that issue. He has promised to try to remedy
19 the problem, but he's not here today and the issue does
20 begin tomorrow. So I just raise that as a concern.
21 Hopefully the company will be able to get us a legible
22 copy that we can read prior to that issue.

23 JUDGE THOMPSON: Okay. Mr. Lowery?

24 MR. LOWERY: Your Honor, we at a break will
25 contact Mr. Byrne again and see what we can do to get a

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1 more legible copy of it and see if maybe he can even bring
2 one with him or we can get one overnighted.

3 JUDGE THOMPSON: Very well. I think that's
4 the best response we can get at this point.

5 MR. RAYBUCK: Judge, may I make one other
6 observation?

7 JUDGE THOMPSON: Absolutely.

8 MR. RAYBUCK: We have, I believe, with your
9 concurrence, moved company witness Jim Moore until next
10 Wednesday, and hopefully that would facilitate things and
11 allow Mr. Coffman to have time to use that response to
12 No. 665 for his cross-examination of Mr. Moore.

13 JUDGE THOMPSON: Okay. And we can always
14 bring other witnesses back if that's necessary,
15 Mr. Coffman. We want to make sure you have every
16 opportunity to explore the issues that are important.

17 Anyone else have any preliminary matters?
18 (No response.)

19 JUDGE THOMPSON: Ms. Vuylsteke, I see
20 you've made it. Why don't you go ahead and give your oral
21 entry of appearance?

22 MS. VUYLSTEKE: Diana Vuylsteke of Bryan
23 Cave, LLP, 211 North Broadway, Suite 3600, St. Louis,
24 Missouri 63102, appearing on behalf of the Missouri
25 Industrial Energy Consumers.

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1 JUDGE THOMPSON: I will eventually learn
2 how to pronounce your name. I promise.
3 With respect to Mr. Brubaker, is he going
4 to be appearing or not?
5 MS. VUYLSTEKE: At this point Mr. Brubaker
6 is planning to appear, Judge.
7 JUDGE THOMPSON: Very good. So on
8 Thursday, April 1st?
9 MS. VUYLSTEKE: Correct.
10 JUDGE THOMPSON: Excellent. We have marked
11 the exhibit, his testimony, and that will be Exhibit
12 No. 23.
13 MS. VUYLSTEKE: Thank you.
14 JUDGE THOMPSON: And perhaps at the break
15 I'll share with you the exhibit list and you can see the
16 numbers we've given to everything else.
17 MS. VUYLSTEKE: Thank you.
18 JUDGE THOMPSON: Certainly. Anything else
19 of a preliminary nature?
20 Mr. Dottheim?
21 MR. DOTTHEIM: Yes. If we're going to
22 start with Mr. Redhage --
23 JUDGE THOMPSON: He's the first witness,
24 right?
25 MR. DOTTHEIM: -- the Staff witnesses on

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1 decommissioning were anticipating that we would start with
2 opening statements. We are trying to get them down to the
3 hearing room, if I could have a few minutes.

4 JUDGE THOMPSON: Absolutely. Do you want
5 some minutes now?

6 MR. DOTTHEIM: Yes.

7 JUDGE THOMPSON: Okay. Well, we will go in
8 recess then for five minutes. Thank you.

9 (A BREAK WAS TAKEN.)

10 JUDGE THOMPSON: We're back on the record.

11 MR. FITZHENRY: Mr. Lowery's had some
12 conversations with Mr. Coffman and Mr. Dottheim, and I'll
13 let him tell you of those conversations since he had them
14 with them.

15 MR. LOWERY: Your Honor, various of the
16 witnesses or various of the parties cite or refer to other
17 Commission Orders in other cases in their testimony, and
18 what I had talked to Mr. Dottheim about, and he doesn't
19 have any objection to this -- I don't believe Mr. Coffman
20 does either -- we'd like to mark those as exhibits and
21 just submit them either before the end of the hearing or
22 shortly thereafter, not take up witness time with
23 identifying them, just so they become part of the record.

24 JUDGE THOMPSON: That will be fine. We do
25 that on a regular basis here.

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1 MR. COFFMAN: Your Honor, I don't have any
2 objection to the request. I just -- I think it might be a
3 little unnecessary. I don't have a problem with it, as
4 long as it's clear that that doesn't prevent me from
5 citing past Commission cases in Briefs that are not
6 included in this list.

7 JUDGE THOMPSON: It's always been our
8 practice that anyone can argue any past Commission
9 decision to the Commission, and it doesn't have to be in
10 the record. If you want the authorities above to see it,
11 of course, you will have to put it in the record as an
12 exhibit. I don't know if they would bother to read
13 anything we decided in the past anyway.

14 MR. COFFMAN: Thank you.

15 MR. FITZHENRY: One other matter about
16 that. Mr. Dottheim intends to introduce the Unanimous
17 stipulations and agreements that support the various
18 decommissioning orders in times past, and we have no
19 objection to that as part of these -- as well as part of
20 the record.

21 JUDGE THOMPSON: Very well.

22 MR. DOTTHEIM: And I have copies today,
23 possibly other than just one, and I have enough copies, I
24 think, to be marked and provided to the Bench and to the
25 other counsel.

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1 JUDGE THOMPSON: Would you like to mark all
2 these things now? Again, we don't have any Commissioners
3 here and so this is perhaps a good time to take to do that
4 kind of thing.

5 MR. DOTTHEIM: Okay.

6 MR. LOWERY: Your Honor, we don't have
7 multiple copies of all of them that we were talking about,
8 and we can certainly provide that if you believe we need
9 to, but my thought was since we really weren't going to
10 talk about them in connection with the testimony, we would
11 just submit them as exhibits rather than necessarily
12 having all those copies, but whichever way you want to go
13 is fine with us. I don't have those today.

14 JUDGE THOMPSON: I understand. I can tell
15 you that the Commissioners will read them, and so they
16 will want copies of them.

17 MR. LOWERY: We'll make sure that happens.

18 JUDGE THOMPSON: So we can go ahead and do
19 those tomorrow or later on in the proceeding. But let's
20 go ahead and mark those, Mr. Dottheim, if you're ready.

21 And I apologize, Mr. Redhage. If you're
22 comfortable there, you can stay there or you can go back
23 and sit down.

24 MR. REDHAGE: Thank you.

25 MR. DOTTHEIM: Yes. The first order is in

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1 Case No. EO-2003-0083, and it's the Order Approving the
2 Stipulation & Agreement, and in particular, attached to
3 each of the orders is the Stipulation & Agreement.

4 JUDGE THOMPSON: So it's the order and the
5 stip?

6 MR. DOTTHEIM: Yes. And in some instances,
7 I think, generally the Stipulation & Agreement is referred
8 to in the Order as being attached but not in every
9 instance, and in reviewing the Commission's bound volumes,
10 the Missouri PSC reports, more often than not the
11 Stipulation & Agreement is not printed in the bound
12 volume; it's referred to as being in the Commission's
13 files. So that in part or in large part is why I have
14 copies of both the Commission's Order and the
15 Stipulation & Agreement.

16 JUDGE THOMPSON: You might want to mention
17 that to Mr. Kelly, who was in charge of our publishing
18 efforts. Well, why don't we go ahead -- since we
19 understand the reasons why these are being marked and will
20 be offered, why don't you go ahead and offer them now,
21 Mr. Dottheim, and we'll see if there are any objections.
22 If not, we can just get them into the record now.

23 MR. DOTTHEIM: I think then Exhibit 24
24 would be the Commission's Order Approving Stipulation &
25 Agreement in EO-2003-0083, and the Stipulation & Agreement

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1 is attached.

2 JUDGE THOMPSON: Very well. Do I hear any
3 objections to the receipt of Exhibit 24?

4 MR. FITZHENRY: No objection.

5 JUDGE THOMPSON: Hearing no objections,
6 Exhibit No. 24 is received and made a part of the record
7 of this proceeding.

8 (EXHIBIT NO. 24 WAS MARKED AND RECEIVED
9 INTO EVIDENCE.)

10 JUDGE THOMPSON: Thank you, Mr. Dottheim.

11 MR. DOTTHEIM: Exhibit No. 25 would be the
12 Commission's Order Approving Stipulation & Agreement in
13 Case No. EO-2000-205, and the Stipulation & Agreement is
14 attached to the Commission's Order.

15 JUDGE THOMPSON: Very well. Do you want to
16 go ahead and offer that now?

17 MR. DOTTHEIM: Yes. I would offer what has
18 been marked now as Exhibit 25, the Commission's order
19 approving Stipulation & Agreement in EO-2000-205,
20 including the Stipulation & Agreement.

21 JUDGE THOMPSON: Do I hear any objections
22 to the receipt of Exhibit 25?

23 MR. FITZHENRY: No objection.

24 JUDGE THOMPSON: Hearing no objections,
25 that exhibit is received and made a part of the record of

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1 this proceeding.

2 (EXHIBIT NO. 25 WAS MARKED AND RECEIVED
3 INTO EVIDENCE.)

4 JUDGE THOMPSON: Thank you, Mr. Dottheim.

5 MR. DOTTHEIM: I'd like to have marked as
6 Exhibit No. 26 the Commission's order approving cost
7 estimates and funding levels for nuclear decommissioning
8 costs, and a Stipulation & Agreement attached to the
9 Commission's Order in Case No. EO-97-86, and I would like
10 to offer Exhibit 26 at this time.

11 JUDGE THOMPSON: Any objections to the
12 receipt of Exhibit No. 26?

13 MR. FITZHENRY: No objection.

14 JUDGE THOMPSON: Hearing no objections,
15 Exhibit No. 26 is received and made a part of the record
16 of this proceeding.

17 (EXHIBIT NO. 26 WAS MARKED AND RECEIVED
18 INTO EVIDENCE.)

19 JUDGE THOMPSON: Thank you, Mr. Dottheim.

20 MR. DOTTHEIM: At this time I'd like to
21 have marked as Exhibit No. 27 the Commission's order
22 approving cost estimates and funding levels for nuclear
23 decommissioning costs and the Unanimous Stipulation &
24 Agreement which is attached thereto in Case No. EO-94-81.

25 JUDGE THOMPSON: Very well.

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1 MR. DOTTHEIM: And at this time I'd like to
2 offer Exhibit 27.

3 JUDGE THOMPSON: Any objections to the
4 receipt of Exhibit No. 27?

5 MR. FITZHENRY: No objection.

6 JUDGE THOMPSON: Hearing no objections,
7 Exhibit 27 is received and made a part of the record of
8 this proceeding.

9 (EXHIBIT NO. 27 WAS MARKED AND RECEIVED
10 INTO EVIDENCE.)

11 JUDGE THOMPSON: Thank you, Mr. Dottheim.

12 MR. DOTTHEIM: At this time I'd like to
13 have marked as Exhibit No. 28 a Commission order approving
14 Stipulation & Agreement with the Stipulation & Agreement
15 attached in Case No. EO-91-300.

16 JUDGE THOMPSON: Very well.

17 MR. DOTTHEIM: And at this time I would
18 like to offer Exhibit 28.

19 JUDGE THOMPSON: Any objection to the
20 receipt of Exhibit 28?

21 (No response.)

22 JUDGE THOMPSON: Hearing no objections, the
23 same is received and made a part of the record of this
24 proceeding.

25 (EXHIBIT NO. 28 WAS MARKED AND RECEIVED

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1 INTO EVIDENCE.)
2 JUDGE THOMPSON: Thank you, Mr. Dottheim.
3 MR. DOTTHEIM: That is all the exhibits or
4 documents that I'd like to have marked as exhibits at this
5 time.
6 JUDGE THOMPSON: Great. Did you want to
7 mark those ones that you've got and then you can just
8 provide the copies at a later date?
9 MR. LOWERY: I don't believe we have them
10 with us here this morning.
11 JUDGE THOMPSON: Okay. Very well. That's
12 okay. In that case, then, we're ready to begin with
13 Mr. Redhage, I believe. Remind me of your name one more
14 time.
15 MR. FITZHENRY: Ed Fitzhenry.
16 JUDGE THOMPSON: Thank you, Mr. Fitzhenry.
17 I apologize. You see, I'm a slow learner. I'll have it
18 undoubtedly by the end of the hearing. Mr. Fitzhenry,
19 would you like to proceed?
20 MR. FITZHENRY: Yes, your Honor. At this
21 time Union Electric Company calls Mr. Redhage to the
22 stand.
23 (Witness sworn.)
24 JUDGE THOMPSON: Would you please state
25 your name for the reporter and spell your last name, sir.

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1 THE WITNESS: Kevin L. Redhage,
2 R-e-d-h-a-g-e.

3 JUDGE THOMPSON: Thank you. You may
4 proceed, Mr. Fitzhenry.

5 MR. FITZHENRY: Thank you, your Honor.

6 KEVIN L. REDHAGE testified as follows:

7 DIRECT EXAMINATION BY MR. FITZHENRY.

8 Q. Mr. Redhage, would you please give the
9 court reporter your business address as well.

10 A. It is 1901 Chouteau Avenue,
11 C-h-o-u-t-e-a-u, in St. Louis, Missouri 63103.

12 Q. Mr. Redhage, on whose behalf are you
13 employed?

14 A. Ameren Services.

15 Q. And, Mr. Redhage, have you caused to be
16 prepared for this proceeding a document titled direct
17 testimony of Kevin Redhage which has been previously
18 identified as Exhibit 1?

19 A. Yes, sir.

20 Q. And was this Exhibit 1 prepared by you
21 under your direction and supervision?

22 A. Yes, sir.

23 Q. Do you have any corrections or changes to
24 make to your direct testimony?

25 A. No, sir.

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1 Q. And does your testimony consist of ten
2 pages of questions and answers and Schedules 1 through 3?

3 A. Yes, sir.

4 Q. And are the answers that are provided in
5 your testimony true and accurate to the best of your
6 belief and knowledge?

7 A. Yes.

8 Q. Mr. Redhage, I direct your attention to
9 what's been previously marked for identification as
10 Exhibit 2, which is titled the surrebuttal testimony of
11 Kevin Redhage, and ask if this is the surrebuttal
12 testimony that you intend to offer in this proceeding?

13 A. Yes, sir.

14 Q. And does Exhibit 2 consist of 14 pages of
15 questions and answers, as well as Schedules 1 through 4?

16 A. Yes, sir.

17 Q. And was the testimony and the schedules
18 prepared by you or under your direction and supervision?

19 A. Yes.

20 Q. Do you have any corrections or changes or
21 modifications to either the testimony or the schedules?

22 A. No, I do not.

23 Q. If I were to ask you the questions that are
24 set forth in your surrebuttal testimony, would your
25 answers be as represented in the exhibit?

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1 A. Yes, they would.

2 MR. FITZHENRY: Your Honor, at this time
3 I'd move for the admission of Exhibits 1 and 2 and tender
4 Mr. Redhage for cross-examination.

5 JUDGE THOMPSON: Thank you. Do I hear any
6 objections to the receipt of Exhibit 1 or 2?

7 (No response.)

8 JUDGE THOMPSON: Hearing no objections,
9 Exhibits 1 and 2 are received and made a part of the
10 record of this proceeding.

11 (EXHIBIT NOS. 1 AND 2 WERE RECEIVED INTO
12 EVIDENCE.)

13 JUDGE THOMPSON: Thank you, Mr. Fitzhenry.

14 MR. FITZHENRY: Thank you, your Honor.

15 JUDGE THOMPSON: Mr. Johnson, you're the
16 first up with cross.

17 MR. JOHNSON: No questions.

18 JUDGE THOMPSON: Ms. Vuylsteke?

19 MS. VUYLSTEKE: No questions.

20 JUDGE THOMPSON: Thank you. Mr. Dottheim?

21 MR. DOTTHEIM: Yes, the Staff has
22 questions.

23 JUDGE THOMPSON: Come on up.

24 CROSS-EXAMINATION BY MR. DOTTHEIM:

25 Q. Good morning, Mr. Redhage.

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1 A. Good morning.

2 Q. Mr. Redhage, in your direct and surrebuttal
3 testimony, you state, do you not, that you are a finance
4 professional in the financial planning and investments
5 department at Ameren Services Company?

6 A. That is correct, sir.

7 Q. Are you an employee of Union Electric
8 Company, doing business as AmerenUE?

9 A. I'm an employee of Ameren Services.

10 Q. As a finance professional in the financial
11 planning and investments department at Ameren Services, do
12 you ever perform work for any of the other Ameren
13 operating companies, subsidiaries or affiliates?

14 A. Yes, sir.

15 Q. Could you identify which companies,
16 subsidiaries and affiliates that you also perform work
17 for?

18 A. Oh, on a case-by-case basis, we're a
19 service organization, so I would perform, you know, as
20 requested perhaps economic analyses, develop models,
21 capital funding studies, various projects on an
22 as-requested basis for, oh, I would say AmerenCIPS,
23 AmerenUE, the various subsidiary companies.

24 Q. Such as Ameren Energy or Ameren Energy
25 Resources?

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1 MR. FITZHENRY: Your Honor, I hate to get
2 off on a bad start, and it's early in the morning, but I'm
3 going to have to object. I don't see the relevance to
4 this line of questioning to Mr. Redhage's testimony, which
5 is, this is what I believe the decommissioning amount for
6 funding should be given the transfer. I was certainly
7 allowing Mr. Dottheim some leeway, but I really don't
8 understand that Mr. Redhage's duties with regard to other
9 Ameren affiliates has anything to do with the subject
10 matter of his testimony.

11 JUDGE THOMPSON: Mr. Dottheim?

12 MR. DOTTHEIM: I think it's significant to
13 identify on whose behalf and in what instances not just
14 Mr. Redhage but each of the Ameren witnesses provide
15 testimony on. As part of the issues as identified by the
16 Staff in this proceeding, Staff has identified affiliate
17 transactions. Also, too, this is a transfer of
18 facilities, and I think it is an issue or the Staff
19 asserts that it's an issue as far as whether the
20 transaction is at arm's length, amongst other things.

21 And I'm just at this point initially
22 attempting to identify which of the Ameren Corporation
23 operating companies, subsidiaries and affiliates that
24 Mr. Redhage at any point in time may be providing services
25 for, and the Staff would, frankly, seek to do that with

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1 the other Ameren witnesses that will be appearing during
2 these proceedings.

3 JUDGE THOMPSON: Okay. Mr. Coffman?

4 MR. COFFMAN: I strongly support
5 Mr. Dottheim's right to inquire into this. I think it's
6 extremely important which affiliate the witness may be
7 working for, representing, and since this is a transfer
8 among affiliates within the Ameren holding company
9 structure, we do believe this is extremely relevant to
10 understanding whether this transaction is in the best
11 interest of Missouri ratepayers.

12 JUDGE THOMPSON: Mr. Fitzhenry?

13 MR. FITZHENRY: Yes, your Honor. Without
14 conceding the relevance of this line of questioning to
15 other Ameren witnesses, Mr. Redhage does offer a very
16 narrow piece of testimony that does focus just on
17 decommissioning. He offers no testimony with regard to
18 the nature of the transaction, whether it's arm's length
19 and so forth. And I would point out that Callaway is the
20 only nuclear plant in the Ameren fleet. He's not done
21 decommissioning studies for other nuclear plants in the
22 Ameren family, so to speak. So again the line of
23 questioning certainly to this witness is inappropriate.

24 JUDGE THOMPSON: Mr. Dottheim?

25 MR. DOTTHEIM: Judge Thompson, there's an

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1 issue in this instance and others with the Ameren
2 witnesses regarding allocations.

3 JUDGE THOMPSON: Does that apply to the
4 decommissioning?

5 MR. DOTTHEIM: Yes, it does. Because of
6 the transfer, there will be a reallocation of the costs of
7 decommissioning Callaway.

8 JUDGE THOMPSON: I'm going to allow it.
9 I'm going to overrule the objection. But I will say,
10 Mr. Fitzhenry, you're not getting off on a bad foot by
11 making objections. Please feel free to make any
12 objections you feel are necessary.

13 You may continue.

14 MR. DOTTHEIM: Thank you.

15 THE WITNESS: Would you repeat the
16 question, Steve?

17 BY MR. DOTTHEIM:

18 Q. Yes. Mr. Redhage, I think you identified
19 that you in your capacity as a financial professional in
20 the financial planning investments department at Ameren
21 Services Company provide services to AmerenUE and
22 AmerenCIPS. Do you also provide services to Ameren
23 Cilcorp?

24 A. Yes, sir.

25 Q. And I would like to ask you regarding the

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1 other Ameren subsidiaries and affiliates. Do you provide
2 services to Ameren Energy?

3 A. I want to try to answer your question as
4 best I can. Yes, we would, because we're a service
5 organization. You know, an example could be if they were
6 to do a capital expenditure and need our assistance in the
7 capital expenditure analysis, that's one of the functions
8 that our group performs. So if they would use my model
9 for capital expenditure analysis, then I guess I would
10 have to say that we've provided a service to them.

11 Q. But would your answer be the same regarding
12 Ameren Energy Resources?

13 A. Yes, sir.

14 Q. Ameren Energy Marketing?

15 A. I don't recall any specific services we've
16 provided them, but I'm not going to say that I never have
17 because, again, it's on an as-requested basis.

18 Q. Ameren Energy Generating?

19 A. Yes.

20 Q. Ameren Energy Fuels and Services?

21 A. Right. I've worked with them.

22 Q. And Cilcorp Energy Services, Inc.?

23 A. Again, I don't recall any specific cases,
24 but if they've used any of the models that our group has
25 developed, then I guess one could say that we've provided

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1 a service to them.

2 Q. Have you submitted testimony on Callaway
3 decommissioning costs in any case other than cases before
4 the Missouri Public Service Commission?

5 A. To the Illinois Public Service Commission.

6 Q. I'd like to refer you to page 9, lines 20
7 to 21 of your surrebuttal testimony that's been marked as
8 Exhibit 2.

9 A. You said page 9?

10 Q. Yes, sir.

11 A. What line, please?

12 Q. Lines 20 and 21.

13 A. Okay.

14 Q. And in particular, I'd like to refer you to
15 your reference to the triennial update schedule
16 established in the statute. Can you identify which
17 statute you're referring to?

18 A. Yes, sir. It is 4 CSR 240-3.185.

19 Q. Okay. And that citation which you just
20 gave, you're referring to that as the statute?

21 A. I believe it's part of the Missouri Code of
22 State Regulations.

23 Q. Yes. I believe you're correct. I was just
24 referring to your testimony where you make reference to a
25 statute. But that's -- that's the citation that you

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1 intended by that statement on page 9, lines 20 and 21?

2 A. Right. That's the requirement that we do
3 triennial funding update studies.

4 Q. Are you familiar with statute
5 Section 393.292?

6 A. I don't have the statute in front of me,
7 Mr. Dottheim. If you could perhaps read it to me.

8 Q. Mr. Redhage, I'm going to hand you a copy
9 of Missouri Revised Statutes published in 2000, and
10 there's a pocket part 2003 cumulative supplement.
11 And I'd like to direct you to Section 393.292. That's on
12 page 6900.

13 A. Yes, sir.

14 Q. And I looked at the pocket part, the 2003
15 cumulative supplement, and I don't believe I located a
16 revision to that statutory section. You may want to
17 consult that yourself. But is Section 393.292 the
18 statutory section that you are familiar with regarding
19 decommissioning?

20 A. Again, I don't have my full Code of State
21 Regulations in front of me, so I can't really cite the
22 numbers, but I am familiar with the sections regarding
23 decommissioning and the triennial update filing
24 requirement.

25 Q. In your review of Section 393.292, is there

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1 a reference to a triennial update filing?

2 A. No, sir, not in this section.

3 Q. Is there another citation in the Missouri
4 Code of State Regulations dealing with decommissioning,
5 other than the one you've identified 4 CSR 240-3.185?

6 A. I believe -- I'm trying to quote from
7 memory here because, again, I don't have them in front of
8 me. I believe the Code of State Regulations is broken
9 into two sections. One part involves decommissioning and
10 the funding, and the other part involves the trust fund,
11 as I recall.

12 Q. Do you recall whether that other referenced
13 citation that you're referring to is 4 CSR 240-20.070?

14 A. Mr. Dottheim, I don't have it in front of
15 me to remember the numbers. I'm sorry.

16 Q. That's fine. That's fine, Mr. Redhage.
17 I'd like refer you to page 4, line 20, and
18 this time in your direct testimony -- I'm sorry -- which
19 is Exhibit 1. Page 4, line 20, to page 5, line 5 of your
20 direct testimony.

21 A. Yes, sir.

22 Q. And I'd also like to refer you to your
23 surrebuttal, Exhibit 2, page 2, lines 11 to 13, and also
24 in your surrebuttal, page 13, lines 6 to 8.

25 MR. FITZHENRY: I'm sorry. Could you

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1 repeat the last two references?

2 MR. DOTTHEIM: Yes. I'm sorry.

3 Mr. Redhage's surrebuttal testimony, which is Exhibit 2,
4 page 2, lines 11 to 13, and page 13, lines 6 to 8.

5 MR. FITZHENRY: Thank you.

6 THE WITNESS: Mr. Dottheim, it was page 13,
7 line 6 to 8. The one right before that was Schedule 2?

8 BY MR. DOTTHEIM:

9 Q. Was page 2.

10 A. Page 2.

11 Q. Page 2 of Exhibit 2.

12 A. I'm sorry.

13 Q. Which is your surrebuttal testimony.

14 A. Lines 13?

15 Q. 11 to 13.

16 A. 11 to 13. Thank you.

17 Q. And I just wanted to ask you, you state, do
18 you not, that AmerenUE is requesting that the Commission
19 authorize a reallocation of a portion of the funds
20 currently in the Illinois jurisdictional subaccount of the
21 qualified decommissioning trust fund to the Missouri
22 jurisdictional subaccount?

23 A. That is correct.

24 Q. The remainder of those funds in the
25 Illinois jurisdictional subaccount of the qualified

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1 decommissioning trust fund would be reallocated to the
2 wholesale jurisdictional subaccount, would it not?

3 A. That is correct.

4 Q. So there would be no funds left in the
5 Illinois jurisdictional subaccount?

6 A. That is correct.

7 Q. I'd like to refer you again to your
8 surrebuttal testimony, which is Exhibit 2, page 11,
9 lines 22 to 25.

10 A. Okay.

11 Q. You indicate, do you not, that if the
12 Commission ordered AmerenUE to increase its contribution
13 for the Missouri jurisdiction by \$272,554 annually,
14 AmerenUE would be required to request and receive from the
15 Internal Revenue Service a schedule of ruling amounts
16 authorizing the higher contribution for Missouri before
17 AmerenUE could make the higher contribution?

18 A. That is correct, sir.

19 Q. AmerenUE presently makes quarterly
20 contributions, does it not?

21 A. That's right.

22 Q. What would AmerenUE do with a quarterly
23 contribution that it would otherwise pay into the
24 decommissioning trust fund if it didn't have a schedule of
25 ruling amounts from the IRS?

1 A. Let me make sure I understand your
2 question. If we were to be required to contribute the
3 higher amount but our letter of ruling amount was only for
4 the lower amount?

5 Q. Yes, sir.

6 A. We would be unable to put it in the
7 qualified trust without the letter of ruling amount
8 because we're limited to the lesser of our letter of
9 ruling amount or the cost of service that the Commission
10 would grant. So our ruling amount would be for the
11 original \$6.2 million. We -- I am going to assume we
12 would probably have to fund it to the non-qualified trust.

13 Q. And there is a non-qualified trust?

14 A. It's not set up at the present time for
15 Missouri. We have a non-qualified trust established
16 because Illinois law requires us to have one established.
17 It has zero dollars in it. It's never been funded in its
18 life. There's not one at this point set up for Missouri.
19 We'd have to establish one.

20 Q. Based on past experience, if you can, would
21 you -- would you indicate how long it might take to obtain
22 a letter ruling -- or excuse me -- a schedule of ruling
23 amounts from the Internal Revenue Service?

24 A. I can go ahead and let counsel -- tax
25 counsel has advised me. It's getting a little bit into

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1 their area of expertise and out of mine. But the first,
2 of course, item of business would be to get the Commission
3 order stating that the higher amount was in our cost of
4 service and disclosing the after tax rate of return and
5 the parameters on which the amount was based.

6 Then our tax counsel could take that order
7 and that information and apply to the IRS. I am going to
8 say probably -- and again, this is more in the tax
9 counsel's area than mine -- but probably within a couple
10 months probably.

11 Q. And once a schedule of ruling amounts was
12 received from the IRS, the funds could then be contributed
13 to the tax qualified decommissioning subaccount?

14 A. That is correct, sir.

15 Q. Mr. Redhage, if the Commission approved the
16 Metro East transfer, do you know whether the rates of
17 AmerenUE's former Illinois electric customers would be
18 changed to reflect that they no longer have an obligation
19 to contribute to the decommissioning of the Callaway
20 generating unit?

21 A. Yes, sir. We collect the decommissioning
22 expense through a rider in Illinois, so that rider would
23 disappear, so that cents per kilowatt charge would cease
24 to apply.

25 Q. And that's what you assume would occur.

1 Are you saying that as someone who has performed for
2 AmerenCIPS, that you know how AmerenCIPS, because of your
3 work for Ameren Services, would treat that situation?

4 A. No, sir. I just know we have a rider for
5 the collection of decommissioning expense in Illinois and
6 that's how it's collected. So that rider would no longer
7 apply when there was no longer a decommissioning expense
8 to collect from that jurisdiction.

9 Q. I'd like to refer you to page 9 of your
10 surrebuttal testimony, Exhibit 2, line 22.

11 A. Yes, sir.

12 Q. You describe the Metro East transfer as an
13 extraordinary event, do you not?

14 A. Yes, sir.

15 Q. Would you please describe what constitutes
16 an extraordinary event using that term on page 9, line 11?

17 A. I would define it as any event that might
18 have implications to how we should fund the
19 decommissioning trust, either something that would
20 significantly increase the funding liability or decrease
21 the funding liability that would cause us to feel that we
22 would need to take a look at funding adequacy.

23 Q. Would you define a Missouri Staff earnings
24 complaint case audit as an extraordinary event as you are
25 using that term?

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1 A. I would probably not call a complaint case
2 an extraordinary event relative to the decommissioning
3 trust funding, because it is not an event that directly
4 impacts the decommissioning trust or its funding
5 assumptions, although I would imagine in the course of a
6 complaint case decommissioning funding would probably be
7 revisited at that time as part of the overall case, I
8 would imagine.

9 Q. Do you know whether AmerenUE has
10 requirements pursuant to the Securities Exchange
11 Commission to make filings in the event of an
12 extraordinary event?

13 A. I'm not familiar with SEC law,
14 Mr. Dottheim.

15 Q. Mr. Redhage, do you know whether the
16 Callaway nuclear generating plant will seek for a life
17 extension license with the NRC?

18 A. I don't know. I know they have not sought
19 one, to the best of my knowledge, at this point in time.
20 That's out of my -- out of my field there. That's more in
21 the realm of our nuclear licensing people.

22 Q. Mr. Redhage, for purposes of this case, did
23 you review the decommissioning trust funds that have been
24 accumulated to date, to see how the trust fund has
25 performed respecting the last triennial review? Do you

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1 know whether the trust fund has performed as was predicted
2 in the last triennial review?

3 A. I did not update the projected return
4 numbers in the analysis I did as part of this property
5 transfer filing from what was done in the last triennial
6 review, if that's what you were asking.

7 Q. Yes.

8 A. I held those numbers constant --

9 Q. And --

10 A. -- with what we were using in the 2002
11 update.

12 Q. And the reason you did that is why?

13 A. It was only a year ago, slightly more than
14 a year ago that we filed the 2002 update study, so we
15 looked it over and thought about it and decided that
16 probably within that one year time to reproject all of
17 those return assumptions probably would not really be
18 valid. Not enough would change to totally reproject
19 everything.

20 Q. Does Ameren utilize a consultant to
21 estimate the cost to decommission Callaway?

22 A. Yes, sir, we've used TLG Associates in the
23 past.

24 Q. Has Ameren utilized TLG for purposes of
25 looking at the cost to decommission Callaway as part of

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1 the present Metro East transfer case?

2 A. No, sir. We used the number that TLG
3 provided us in the 2002 study.

4 Q. Mr. Redhage, would you agree with me that
5 the single largest component of decommissioning expense is
6 the proper determination of the current costs of
7 decommissioning?

8 A. That's a large driver. I would concur that
9 it's one of the large drivers, the present decommissioning
10 costs and then decommissioning inflation.

11 Q. But you wouldn't characterize it as the
12 largest driver?

13 A. I wouldn't want to say it was the largest
14 driver without running sensitivity studies to really know
15 that I was making a true statement. It's a large driver.

16 A. Mr. Redhage, isn't it true that the cost to
17 decommission Callaway has increased each time the
18 triennial review has occurred?

19 A. I believe that's true.

20 Q. Mr. Redhage, what impact would a 2 percent
21 increase in the cost to decommission Callaway have on your
22 recommendation that no increase in funding for
23 decommissioning is necessary?

24 MR. FITZHENRY: Your Honor, objection. It
25 assumes facts not in evidence, unless the question is

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1 being posed as a hypothetical.

2 MR. DOTTHEIM: Yes, the question is
3 definitely being posed as a hypothetical.

4 MR. FITZHENRY: Thank you. Withdraw my
5 objection.

6 JUDGE THOMPSON: Thank you. Please
7 proceed.

8 THE WITNESS: Okay. Once could assume,
9 obviously, any increase in decommissioning costs would, if
10 you held every other factor in a funding analysis rigidly
11 constant, then obviously the funding level would have to
12 rise proportionately, if every other factor was held
13 rigidly constant and you wanted to achieve precisely the
14 same level of funding adequacy.

15 BY MR. DOTTHEIM:

16 Q. Mr. Redhage, I'm going to ask you a similar
17 hypothetical, except change the percentage increase.
18 Again, it's a hypothetical. What impact would a 4 percent
19 increase in the costs to decommission Callaway have on
20 your recommendation that no increase in funding for
21 decommissioning is necessary?

22 A. I would want to run my zone of
23 reasonableness analysis before I could really give you a
24 definitive answer. That is the reason that we analyzed
25 commissioning funding using the zone of reasonableness

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1 approach, because we can calculate an upper boundary based
2 on some conservative assumptions and a lower boundary
3 based on more liberal optimistic assumptions, and then we
4 can assume if the required funding level -- or if that
5 level that we're currently funding at falls within the
6 upper to lower boundary at what we assume to be an
7 appropriate rate of decommissioning inflation, then we can
8 assume that the funding is still adequate.

9 Because we realize that there is a
10 subjectivity, there are uncertainties to projections that
11 we're trying to make out into the future. That's why we
12 do that band or that approach. So it would depend, I
13 would say, on if that 4 percent increase in the
14 decommissioning cost estimate resulted in a funding level
15 that would fall outside of that zone tolerance.

16 Q. Do you believe that a 2 percent increase in
17 the cost to decommission Callaway would keep the present
18 funding within the zone of reasonableness?

19 A. Let's see. 2 percent would be about a
20 little over \$10 million probably. Again, I would really
21 have to run the model to state definitely, but I believe
22 it would probably still fall with about -- a \$10 to
23 \$12 million increase would still fall within the zone, I
24 would think, I would expect.

25 Q. And if I asked you about a 6 percent

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1 increase in the decommissioning costs for Callaway, would
2 that -- that would fall outside of the zone of
3 reasonableness?

4 A. I don't know, Mr. Dottheim. I mean,
5 without -- I would just have to run the model. I mean, at
6 some point -- I agree with you. At some point, yes, it
7 would start to fall out, but I couldn't tell you exactly
8 what percent increase that would be without doing those
9 sensitivity calculations.

10 Q. Mr. Redhage, I'm going to hand you a copy
11 of Ameren Corporation's Form 10-K report for the fiscal
12 year ended December 31, 2003, and I'm going to direct you
13 to Note 16, which appears as if it is on page 170, but I
14 have it flagged and I'm going to hand you a copy and ask
15 you to look at that document.

16 MR. FITZHENRY: Could I see what you're
17 going to show the witness, first of all?

18 MR. DOTTHEIM: Yes. In fact, I don't have
19 copies of the entire document, but I have copies of the
20 page with Note 16.

21 MR. DOTTHEIM: May I approach the witness?

22 JUDGE THOMPSON: You may.

23 BY MR. DOTTHEIM:

24 Q. Mr. Redhage, I'm going to direct you to
25 Note 16, but you're certainly free to look at that

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1 document, any page. It is a voluminous document.

2 A. Yes, sir.

3 Q. Mr. Redhage, I'd like to direct you in
4 particular to the second paragraph.

5 A. Yes, sir.

6 Q. And would you read that paragraph into the
7 record, please?

8 MR. FITZHENRY: Your Honor, first of all,
9 there's been no foundation laid that this witness has any
10 knowledge about this 10-K report or the information that's
11 cited here at Note 16. I was expecting that there would
12 be some questioning further as to whether or not
13 Mr. Redhage had any information or maybe was responsible
14 for this information. I don't know. That not having been
15 done, I think my objection is proper. I'll leave it at
16 that at this juncture.

17 MR. DOTTHEIM: And I will ask Mr. Redhage
18 if he has any familiarity with that document or the
19 information that's contained within the Note 16?

20 THE WITNESS: Yes, sir, I do. I provided
21 this information in the second paragraph for the annual
22 report. So I assume they took this -- what I provided for
23 the annual report and used it in this document.

24 BY MR. DOTTHEIM:

25 Q. And, Mr. Redhage, when you say annual

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1 report, is that the shareholders annual report --

2 A. Yes.

3 Q. -- or what document are you referring to?

4 A. The Ameren shareholders annual report.

5 Q. If you could read that second paragraph,
6 please.

7 A. Electric utility rates charged to the
8 customers provide for the recovery of the Callaway nuclear
9 plant's decommissioning costs over the life of the plant,
10 based on an assumed 40-year life, ending with expiration
11 of the plant's operating license in 2024. The Callaway
12 nuclear plant site is assumed to be decommissioned based
13 on immediate dismantlement method and removal from
14 service.

15 Decommissioning costs including
16 decontamination, dismantling and site restoration are
17 estimated to be \$536,000,000 in current year dollars, and
18 are expected to escalate approximately 3.5 percent per
19 year through the end of decommissioning activity in 2033.

20 Decommissioning costs are charged to cost
21 of service used to establish electric rates for UE's
22 customers and amounted to approximately \$7 million in each
23 of the years 2003, 2002 and 2001. Every three years the
24 MSPC and ICC require UE to file updated cost studies for
25 decommissioning its Callaway nuclear plant, and electric

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1 rates may be adjusted at such times to reflect the change
2 estimates.

3 The latest studies were filed in 2002.
4 Costs collected from customers are deposited in external
5 trust funds to provide for the Callaway nuclear plant's
6 decommissioning. Fund earnings are expected to average
7 approximately 8.6 percent annually through the date of
8 decommissioning. If the assumed return on trust assets is
9 not earned, we believe it is probable that any such
10 earnings deficiency will be recovered in rates.

11 The fair value of the nuclear
12 decommissioning trust fund for UE's Callaway nuclear plant
13 is reported in nuclear decommissioning trust funds in
14 Ameren's and UE's consolidated balance sheets. This
15 amount is legally restricted to fund the costs of nuclear
16 decommissioning. Changes in fair value of trust fund are
17 recorded as an increase or decrease to the nuclear
18 decommissioning trust fund and to the regulatory asset
19 recorded in connection with the adoption of SFAS No. 143.

20 Upon the completion of UE's transfer of its
21 Illinois electric and gas utility businesses to CIPS,
22 which is subject to the receipt of regulatory approvals,
23 the assets and liabilities related to the Illinois portion
24 of the decommissioning trust fund will be transferred to
25 Missouri. See Note 3, rate and regulatory matters, for

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1 further information.

2 Q. Thank you, Mr. Redhage.

3 Mr. Redhage, for purposes of your direct
4 and surrebuttal testimony in this proceeding, what cost
5 estimate did you use for Callaway decommissioning?

6 A. I maintained the 515,000,000 that was in
7 the 2002 Thomas LeGuardia study that we used in our 2002
8 filing.

9 Q. Mr. Redhage, if you had used the
10 \$536 million figure, would your testimony today still be
11 that the fund does not need to be increased?

12 A. One moment, please.

13 In effect, I am starting -- in effect, I am
14 using the higher amount, because if you would please refer
15 to, in my direct testimony, Schedule 3, page 2 of 5, I
16 start with the \$515,339,000 estimate, but I indicate to
17 the model that that is in terms of 2002 dollars. This
18 number in the document you handed me, the 536 million,
19 that is merely the 515 escalated by that 3.5 percent to
20 provide a more -- a 2003 dollar term for reporting
21 purposes.

22 But in my Schedule 3 to the model, I used a
23 2002 number of 515,000,000. I tell the model it's 2002
24 dollars, and then the model escalates that number using a
25 decommissioning inflation rate in this case for the most

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1 likely set of economic parameters, 3.854 percent.

2 Q. So then what is your answer to my question?
3 That is, if you had used the \$536 million figure, would it
4 still be your testimony that there would be no need to
5 increase the funding level?

6 A. That's right, because that 536 million
7 would be in terms of 2003 dollars. The 515 million is in
8 terms of 2002 dollars.

9 Q. Mr. Redhage, how many times has Ameren
10 reevaluated the cost to decommission Callaway outside of
11 the three-year triennial update?

12 A. Every year it's required to calculate the
13 NRC minimum decommissioning funding amount. Our nuclear
14 department does that on an annual basis now. That's a
15 different number than the site-specific studies that we do
16 as part of the triennial update studies.

17 I don't believe -- I'll take that back. We
18 did have a gentleman that was in our nuclear group that
19 would do a replication of the site-specific study in
20 interim years. Now, he has since retired and I don't
21 believe that the nuclear group has continued to do that
22 site-specific replication.

23 So on an ongoing basis, I would have to say
24 the triennial update studies are the only time we've gone
25 out and done an official site-specific full-blown study.

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1 Q. Mr. Redhage, do you know whether Ameren
2 files a consolidated tax return?

3 A. Yes, sir, that's my understanding.

4 Q. I'd like to refer you to Exhibit 2, your
5 surrebuttal testimony, page 11.

6 A. Yes, sir.

7 Q. And in particular -- it's the question and
8 answer that begins on line 9, but in particular I'd like
9 to direct you to lines 18 to 22.

10 A. Yes, sir.

11 Q. Where you state, if that amount were to be
12 decreased -- and I believe you're talking about the amount
13 of the decommissioning cost -- the company would be
14 required to request and receive from the Internal Revenue
15 Service a schedule of ruling amounts before making any
16 further tax deductible contributions to the qualified fund
17 for the year in which the Order takes effect.

18 A. That is correct.

19 Q. Okay. As a result of Ameren, should the
20 Commission approve the Metro East transfer, not collect on
21 a going-forward basis \$272,000 from its former Illinois
22 customers, would the company be required to request and
23 receive from the Internal Revenue Service a schedule of
24 ruling amounts?

25 A. No, sir, not in that case. The tax

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1 regulation allows us to contribute the lesser of our cost
2 of service or the ruling amount letter to each trust -- or
3 jurisdictional trust, and it's on a jurisdictional basis.
4 So the Missouri jurisdictional amount would not have
5 changed, and we would just not be collecting from Illinois
6 anymore, so we would not be contributing to that
7 jurisdiction's account.

8 Q. Would you report that in any manner to the
9 Internal Revenue Service, that you're no longer collecting
10 the \$272,000?

11 A. Again, this would be more tax counsel's
12 decision. I would assume the next time that we had to go
13 in for a ruling request for some reason, then we would
14 indicate that we were no longer collecting that Illinois
15 portion, that that portion of the trust had went away. I
16 assume that's what tax counsel would do.

17 Q. Mr. Redhage, I think you indicated in a
18 prior question or two that Illinois customers, because of
19 a rider involving the decommissioning cost recovery, the
20 rider would be no longer collected. As a consequence, do
21 you know whether Illinois ratepayers would see a reduction
22 in their electric bills as a result of the transfer of
23 Callaway to Missouri jurisdictional?

24 A. I assume they would, because we would no
25 longer be collecting the amount contained in that rider.

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1 Q. Would the Missouri ratepayers experience a
2 similar rate reduction as a result of the transfer?

3 A. I don't believe, because decommissioning,
4 we don't have a rider in Missouri. It's embedded in base
5 rates in Missouri.

6 MR. DOTTHEIM: May I have a moment, please?

7 JUDGE THOMPSON: You may.

8 MR. DOTTHEIM: Thank you for your patience,
9 Mr. Redhage.

10 Oh, there is one other thing if I might.

11 BY MR. DOTTHEIM:

12 Q. Mr. Redhage, we've marked earlier today
13 Commission orders respecting the triennial review of
14 Ameren's decommissioning costs?

15 A. Yes, sir.

16 Q. Have you participated in each of those
17 cases or could you identify which ones you have?

18 A. Yes, sir. I've been a participant in all
19 of them.

20 Q. Do you recall whether the Missouri
21 Commission in any of those orders has adopted the zone of
22 reasonableness proposed by Ameren?

23 A. If you mean in the explicit order, I don't
24 think we have an order stating that it's been explicitly
25 adopted. I know I do have Staff recommendations that were

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1 filed stating they used a zone of reasonableness to, I
2 guess, check the appropriateness of the calculations. I
3 know several years ago I worked with the Staff to enhance
4 the zone of reasonableness model.

5 We had originally developed it in an old
6 Lotus file, and the Staff liked what we did and called me
7 and asked if we would mind if they adopted it to an Excel
8 format and used it in their modeling efforts also. I said
9 I had no problem with that, so they had an intern at the
10 time work on it for the summer and did that.

11 So I don't know that I have explicit
12 language where they've adopted it, but I have a lot of
13 instances where they've used it and we've worked together
14 using it.

15 MR. DOTTHEIM: I'd like at this time to
16 have marked as an exhibit, Exhibit No. 29, and it is the
17 testimony of David P. Broadwater, his testimony in support
18 of Stipulation & Agreement in Case No. EO-2000-205.

19 May I approach the witness?

20 JUDGE THOMPSON: You may.

21 (EXHIBIT NO. 29 WAS MARKED FOR
22 IDENTIFICATION BY THE REPORTER.)
23 BY MR. DOTTHEIM:

24 Q. Mr. Redhage, I'd like to direct you in
25 particular to page 13, question and answer starting at

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1 line 5, the question and the answer ending at line 17.

2 JUDGE THOMPSON: Page 13, 5 to 17?

3 MR. DOTTHEIM: Yes.

4 JUDGE THOMPSON: Okay.

5 THE WITNESS: Yes, sir.

6 BY MR. DOTTHEIM:

7 Q. Mr. Redhage, do you know who Mr. David P.
8 Broadwater is?

9 A. Yes. He -- I don't know if he still is.
10 He was one of the Commission Staff members a few years ago
11 that I had worked with some on this issue.

12 Q. Do you recall if you have ever seen a copy
13 of Mr. Broadwater's testimony in support of Stipulation &
14 Agreement in cause EO-2000-205?

15 A. The testimony you just handed me?

16 Q. Yes, sir.

17 A. I believe I have seen this.

18 Q. In the situation that you were just
19 describing about working with the Staff on an Excel model,
20 is that subject matter covered on page 13 beginning at
21 line 5, the question, and going to line 17, the end of
22 Mr. Broadwater's response to that particular question?

23 A. Yes. His statements are accurate here.

24 Q. I'd like to ask you to read the question
25 and answer into the record.

1 A. Please discuss UE's statement in its
2 application and request for expedited treatment and
3 contingent request for waiver at page 2, that the company
4 and the Commission Staff have jointly developed a zone of
5 reasonableness model that computes the annual
6 decommissioning contribution within a reasonable range of
7 economic and financial parameters.

8 The financial analysis department,
9 financial analysis, developed an Excel model to analyze
10 the decommissioning trust funds of both KCP&L and UE prior
11 to the current decommissioning case. Financial analysis
12 patterned its Excel model after a Lotus model that UE had
13 previously developed. Financial analysis discussed the
14 model with UE on several occasions, but the collaboration
15 on the project did not go beyond the development of the
16 model. UE used the Excel model for purposes of its
17 September 1, 1999 filing. The Staff and UE have not
18 agreed to any of the assumptions or economic and financial
19 parameters that are to be used within the model.

20 MR. DOTTHEIM: At this time I'd like to
21 offer Exhibit 29.

22 JUDGE THOMPSON: Any objection to the
23 receipt of Exhibit 29?

24 MR. FITZHENRY: Your Honor, there is an
25 administrative law that's called a doctrine of

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1 completeness, and I don't have an objection per se to this
2 testimony going in, but I'm reasonably confident that
3 there was some reply to this testimony and perhaps it
4 relates to the points that Mr. Dottheim's bringing out
5 here this morning.

6 So I'd ask leave to be able to first
7 ascertain whether or not there was any reply testimony,
8 and I would have no objection to this going in so long as
9 the reply testimony also went in.

10 MR. DOTTHEIM: And the Staff would have no
11 objection that the record is complete. I don't know if
12 there might be any other documents that might make for a
13 complete record, but the Staff would have no objection,
14 again, to Ameren providing whatever documents, if any,
15 that may have been submitted in response, and if there are
16 any other documents. Of course, there's the Report and
17 Order itself, which has already been marked as an exhibit.

18 JUDGE THOMPSON: You're frightening me with
19 all this talk of additional documents.

20 Let me ask you, Mr. Dottheim, since the
21 portion of this exhibit that you seem to be interested in
22 has already been read into the record and is, therefore,
23 part of it, is it necessary to put all of Exhibit 29 in?

24 MR. DOTTHEIM: I don't think so, everything
25 considered.

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1 JUDGE THOMPSON: In view of that, is it
2 possible, then, that you might withdraw the offer of
3 Exhibit 29 since the portion that you -- again, that
4 you're interested in is in the record without objection?

5 MR. DOTTHEIM: Yes. The Staff would
6 withdraw its offer of Exhibit 29.

7 JUDGE THOMPSON: Thank you. We'd like to
8 keep these records manageable size. And again, Ameren,
9 you're free to bring in whatever you believe you need to
10 or that you want to or that's desirable to respond to this
11 portion, and perhaps you can have a witness read it in and
12 we won't have to carry quite as much paper around with us.

13 MR. FITZHENRY: Thank you, your Honor.

14 JUDGE THOMPSON: Anything else,
15 Mr. Dottheim?

16 MR. DOTTHEIM: No. Mr. Redhage, thank you
17 you again for your patience.

18 JUDGE THOMPSON: Thank you, Mr. Dottheim.

19 We're going to go ahead and take a
20 five-minute recess at this time, and then we will come
21 back and it will be time for Mr. Coffman's
22 cross-examination.

23 MR. COFFMAN: I don't believe I have any.

24 JUDGE THOMPSON: Well, then it will be time
25 for questions from the Bench. We are in recess.

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1 (A BREAK WAS TAKEN.)

2 JUDGE THOMPSON: Okay. We're ready for
3 questions from the Bench for Mr. Redhage, and, of course,
4 the Commissioners are not here, so I will bring you back
5 so that they can ask their questions. But the nice thing
6 about being here by myself is I get to ask my questions
7 now without having to wait for them.

8 QUESTIONS BY JUDGE THOMPSON:

9 Q. So without further ado, what is the current
10 value of the Callaway decommissioning trust fund, if you
11 know, or all of them?

12 A. The latest valuation I brought with me is
13 as of February 28th, 2004, and the market value for the
14 grand total of the overall fund is 219,841,863.97.

15 Q. Okay. And we're about halfway through the
16 useful life of the Callaway facility; is that correct?

17 A. The license expiration is in 2024.

18 Q. And this is 2004?

19 A. Right. So about '84, I believe, it went in
20 service, so about halfway, right.

21 Q. So is the fund -- in your opinion, is the
22 fund at an appropriate level given that we're halfway
23 through the useful life of the facility?

24 A. Right. Given all the -- again, we do the
25 zone of reasonableness analysis and our projections are at

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1 a -- at the reasonable level of returns and
2 decommissioning inflation, we should be on track.

3 Q. Explain to me what you mean by zone of
4 reasonableness analysis.

5 A. Okay. What we do, what the company does is
6 we make certain return assumptions. We assume a
7 conservative level of returns if the markets do poorly,
8 and then we assume a more optimistic set of returns if the
9 markets do well, and that gives us, like, a band of
10 contributions at any given level of decommissioning
11 inflation.

12 You can look and say, if the
13 decommissioning inflation is 4 percent, what optimistic
14 contribution amount would we have to fund at, or what
15 conservative, what pessimistic contribution amount would
16 we have to fund at, depending on whether we assume
17 optimistic or conservative return assumptions?

18 Then kind of in the middle we would assume
19 an expected rate of return -- or I'm sorry -- expected
20 contribution level that would fall between that optimistic
21 and pessimistic band. So what you would do, then, you
22 would plot that across an axis of varying assumed
23 decommission inflation levels, and that's going to give
24 you a different band of required contributions at
25 different assumed decommissioning inflation levels.

1 And so then the next step is to go in and
2 say, what do I think my decommissioning inflation is going
3 to be, and then going into that band and picking what
4 level you want to fund at within that band.

5 Q. Okay. And do the earnings of the fund
6 remain in the fund?

7 A. Yes, sir, they are reinvested. The only
8 thing that comes out of the fund is to pay administrative
9 fees of the trust and taxes.

10 Q. What if return is higher than expected,
11 what happens with the money collected from ratepayers?

12 A. That's why we do the every -- the triennial
13 update filings. We revisit this every three years, and we
14 more or less start over, you might say. We look at what
15 is our new starting point, which if we had really good
16 returns, that would be reflected in the starting balance
17 of the fund. When I did the update analysis, it would
18 have a higher starting point and, of course, a shorter
19 remaining life because now three years have went by, so
20 we've shortened the analysis period by three years but
21 we're starting with a different beginning point.

22 And then we would reproject what upper and
23 lower bounds of return assumptions would be and then
24 recompute the zone of reasonableness and then look at what
25 our current contribution is and say, does it still fall

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1 probably at kind of a midpoint between that upper and
2 lower boundary? Are we still okay or do we need to adjust
3 it upward or maybe downward, if we were overcollecting?

4 Q. But during the three-year period between
5 triennial reviews, the full amount that was determined to
6 be collected from ratepayers for contribution would be
7 contributed; is that correct?

8 A. Precisely.

9 Q. Okay. Now, it's my understanding, and
10 correct me if I'm wrong, that if the proposed transfer is
11 approved, that the Missouri ratepayers will become
12 responsible for the portion that previously had been paid
13 by the Metro East ratepayers; is that correct?

14 A. That is correct, sir.

15 Q. And whatever has been accumulated in the
16 Metro East trust fund would be rolled into the Missouri
17 trust fund; is that correct?

18 A. That's correct. A very small portion would
19 be rolled into the wholesale account, but the vast
20 majority would roll into Missouri.

21 Q. Okay. When you say the wholesale account,
22 is that because some of the power generated in Callaway is
23 sold on the wholesale market?

24 A. Exactly.

25 Q. Okay. Going -- on a going forward basis,

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1 Missouri ratepayers would receive a higher proportion of
2 Callaway's generation output; is that correct?

3 A. That's correct.

4 JUDGE THOMPSON: I have no further
5 questions, sir. We will bring you back when the
6 Commissioners become available. You may step down,
7 Mr. Redhage. And, of course, after the Commissioners ask
8 their questions, the parties will have an additional
9 opportunity then to ask cross based upon questions from
10 the Bench.

11 So I believe Mr. Bible is the next witness?

12 MR. DOTTHEIM: That is correct. Mr. Bible
13 is the first Staff witness.

14 JUDGE THOMPSON: Very well. Mr. Bible, I
15 see you're coming up. You've been here before. You know
16 the drill.

17 THE WITNESS: Yes.

18 JUDGE THOMPSON: Thank you, Mr. Redhage.

19 Okay. Mr. Bible, would you please raise
20 your right hand.

21 (Witness sworn.)

22 JUDGE THOMPSON: Would you please state
23 your name and spell your last name for the reporter.

24 THE WITNESS: It's Ronald L. Bible, and the
25 last name is spelled B-i-b-l-e.

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1 JUDGE THOMPSON: Very well. You may
2 inquire, Mr. Dottheim.

3 MR. DOTTHEIM: Thank you.
4 RONALD L. BIBLE testified as follows:

5 DIRECT EXAMINATION BY MR. DOTTHEIM:

6 Q. Mr. Bible, would you state the nature of
7 your employment.

8 A. I'm with the financial analysis department
9 of the Missouri Public Service Commission.

10 Q. Mr. Bible, do you have a copy of what has
11 been marked as Exhibit 3, which would be your rebuttal
12 testimony --

13 A. Yes.

14 Q. -- in this proceeding?

15 A. At this time, Mr. Bible, do you have any
16 corrections to make to your rebuttal testimony?

17 A. No, I don't.

18 Q. If I were to ask you today the same
19 questions that are contained in Exhibit 3, your rebuttal
20 testimony, would your answers be the same?

21 A. Yes, they would.

22 Q. Is the information contained in there true
23 and correct to the best of your knowledge and belief?

24 A. Yes, it is.

25 Q. And do you adopt Exhibit 3 and your

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1 rebuttal testimony in this proceeding?

2 A. Yes, I do.

3 MR. DOTTHEIM: At this time I would offer
4 Exhibit 3 and tender Mr. Bible for cross-examination.

5 JUDGE THOMPSON: Thank you, Mr. Dottheim.
6 Do I hear any objections to the receipt of Exhibit 3?

7 (No response.)

8 JUDGE THOMPSON: Hearing no objections,
9 Exhibit 3 is received and made a part of the record of
10 this proceeding.

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

12 JUDGE THOMPSON: Mr. Johnson, you're first
13 up for cross.

14 MR. JOHNSON: No questions.

15 JUDGE THOMPSON: Ms. Vuylsteke?

16 MS. VUYLSTEKE: No questions.

17 JUDGE THOMPSON: Mr. Coffman?

18 MR. COFFMAN: No questions.

19 JUDGE THOMPSON: Mr. Fitzhenry or is
20 another counsel going to do this?

21 MR. FITZHENRY: I have some questions.

22 JUDGE THOMPSON: Very well. Please come
23 forward.

24 CROSS-EXAMINATION BY MR. FITZHENRY:

25 Q. Good morning, Mr. Bible. I'm Ed Fitzhenry

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1 on behalf of Union Electric Company.

2 I'd like to first direct your attention to
3 page 3 of your rebuttal testimony, and specifically the
4 question and answer that begins on line 16. Do you have
5 that before you?

6 A. Yes, I do.

7 JUDGE THOMPSON: What page is that? I'm
8 sorry.

9 MR. FITZHENRY: Page 3.

10 JUDGE THOMPSON: Okay. Thank you.

11 BY MR. FITZHENRY:

12 Q. And in the question and answer, and I'm
13 sort of paraphrasing, but you indicate that the Commission
14 shouldn't make any ratemaking determination with regard to
15 the rate of return or capital structure with regard to the
16 asset transfer, correct?

17 A. That's correct.

18 Q. So this portion of your testimony is not
19 limited to your recommendations with regard to nuclear
20 decommissioning funding?

21 A. I'm not sure I understand your question.

22 Q. The bulk of your testimony addresses
23 whether or not it's appropriate to change the nuclear
24 decommissioning fund amount, and then here at the end of
25 your testimony, you have this question and answer that

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1 goes to certain ratemaking treatments.

2 And my question is, does this question and
3 answer at the bottom of page 3 in some way relate to your
4 position or recommendations with regard to nuclear
5 decommissioning funding?

6 A. Can you direct me in my testimony to where
7 I address the nuclear decommission funding amount?

8 Q. Yes, I can. Page 2, lines 14 through 16;
9 page 2, lines 23 through the top of page 3, line 2;
10 page 3 again, basically the question and answer that
11 begins on line 3 and line 7.

12 A. I'm addressing there the allocation, not
13 the funding amount.

14 Q. The allocation amount.

15 A. Okay. Well, you said originally the
16 funding amount. That's not correct. I address the
17 allocation amount.

18 Q. Thank you for that clarification. Does
19 your question and answer at the bottom of page 3 that
20 we've been talking about relate to your recommendations
21 concerning the allocation issues?

22 A. Yes.

23 Q. So you're not offering testimony here with
24 regard to, say, for example, how payroll expenses
25 associated with the asset transfer should be treated for

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1 ratemaking purposes?

2 A. No.

3 Q. Looking at your answer that begins on
4 line 7 of page 3, a few questions about that subject
5 matter. Your position is that the Commission has never
6 explicitly supported the economic or financial inputs
7 parameters that were in the zone of reasonableness studies
8 that were put forth by AmerenUE in the last 2002 triennial
9 study?

10 A. What I'm saying there is the Commission has
11 never specifically ruled on the appropriateness or the
12 inappropriateness of the inputs to the model.

13 Q. And Staff hasn't necessarily supported
14 those inputs as well; is that your testimony?

15 A. In fact, Staff has stated specifically in
16 testimony that they do not agree and do not accept
17 Ameren's inputs to the model.

18 Q. It is correct, though -- and I'll refer
19 again to the 2002 case which is Exhibit 24, if you need to
20 look at that -- that there was a Unanimous stipulation &
21 Agreement entered into between OPC, the company and Staff;
22 is that your recollection?

23 A. I recall that, yes.

24 Q. And as part of that Unanimous stipulation &
25 Agreement, the parties agreed that to be placed in the

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1 record before the Commission would be the 2002 cost study,
2 as well as the economic analysis?

3 A. I don't recall specifically what the
4 language was.

5 Q. Would you agree to that, subject to check?

6 A. Well, I understand we don't do that
7 anymore.

8 Q. Okay.

9 JUDGE THOMPSON: We've gotten away from the
10 subject to check, because it seems to be asking the
11 witness to speculate, and that seems like a bad basis for
12 testimony.

13 MR. FITZHENRY: May I approach the witness?

14 JUDGE THOMPSON: You may.

15 BY MR. FITZHENRY:

16 Q. Mr. Bible, I'm showing you what has been
17 placed in the record as Exhibit 24, and ask that you look
18 at that document.

19 A. Which paragraph?

20 Q. Paragraph 14. Would you read that in the
21 record, please?

22 A. The 2002 study in the economic analysis
23 shall be received into evidence. But that doesn't say
24 that Staff agrees with the inputs to the models or any of
25 that. So, I mean, I don't think you can construe that as

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1 being our agreement to that.

2 Q. Mr. Bible, I don't quarrel with you as to
3 what Staff agreed to or didn't agree to.

4 A. Okay. I'm not quarreling either. I'm just
5 stating the facts.

6 Q. The economic analysis that's referred to at
7 paragraph 14 of Exhibit 24 refers to the economic analysis
8 that was put forth by the company; is that your
9 recollection?

10 A. I can't say for certain that this didn't
11 include any economic analysis that the Staff included
12 also. So I can't -- I can't just limit it to just the
13 company's economic analysis.

14 Q. Okay. Would you please refer to
15 paragraphs 2 and 3 of the stipulation and see if that
16 helps refresh your recollection?

17 A. Okay. It would appear that that is
18 referenced to studies that AmerenUE did.

19 Q. Right. In fact, just for your comfort, if
20 you would look to page 5 of this document, the first full
21 paragraph, again, there's reference to AmerenUE's economic
22 analysis?

23 A. Uh-huh. Yes.

24 Q. And would you agree, Mr. Bible, that the
25 economic analysis put forth by AmerenUE included a set of

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1 economic, financial and investment assumptions?

2 A. Yes.

3 MR. FITZHENRY: Thank you, sir. That's all
4 the questions I have.

5 JUDGE THOMPSON: Thank you, Mr. Fitzhenry.

6 Again, Mr. Bible, we're ready for questions
7 from the Bench, and of course, the Bench is not here
8 except for me. So I will not excuse you, but I will have
9 you come back when the Commissioners are available. I
10 will simply ask you a quick question or two.

11 QUESTIONS BY JUDGE THOMPSON:

12 Q. Did you hear the testimony of Mr. Redhage
13 as to his understanding of what the cumulative level value
14 of all the funds for decommissioning is at present?

15 A. Yes.

16 Q. And in your opinion, is that level
17 appropriate, given that we're halfway through the useful
18 life of the plant?

19 A. I think it's extremely difficult to say
20 with any high level of confidence that that is going to be
21 adequate. I'll point to the zone of reasonableness that
22 Mr. Redhage has come up with. The zone extends from
23 somewhere around \$3 million to \$10 million. It's a pretty
24 big zone.

25 Q. And what they're contributing I understand

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1 is 7 million annually?

2 A. 6.2 million in the Missouri subaccount.
3 I'd like to clarify that, too. It's my understanding
4 there are -- there is no Illinois qualified
5 decommissioning trust fund, there is no Missouri qualified
6 decommissioning trust fund. It is the Callaway
7 decommissioning trust fund, and there are subaccounts
8 within that. They're not separate trust funds.

9 Q. Okay.

10 A. So the contributions that are being made
11 are into the singular trust fund, but allocated to the
12 subaccounts based on the allocation factors. So -- but
13 getting back to your original question, I don't think
14 anybody can say with any certainty that the current level
15 that is in the trust fund as far as the balance amount and
16 the current contributions that are being made, with any
17 certainty can we say that, yes, this is the adequate
18 amount.

19 And, in fact, I know the Nuclear Regulatory
20 Commission, as well as this Commission, has taken the
21 position that there is an emphasis on ensuring there is an
22 adequate amount, not trying to come up with the minimum
23 amount, but ensuring there is enough. And in my mind, if
24 you're going to err on the side of caution to make sure
25 there is enough, then certainly you don't want to try to

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1 minimize or go to a minimum level within your zone of
2 reasonableness, given those uncertainties.

3 Q. I understand. And your answer is based, is
4 it not, on the fact that we don't know what's going to
5 happen with the financial markets and what have you in the
6 future; is that correct?

7 A. Exactly. And the industry does not have
8 very much experience with decommissioning these trust
9 funds to begin with. So there's a lot of uncertainty with
10 regards to just how costly it is going to be into the
11 future.

12 JUDGE THOMPSON: Okay. And let me just
13 take a moment to remind counsel and everyone to please
14 speak into your microphone. There are people listening
15 elsewhere in the building, and I've gotten a message that
16 some people at least have been inaudible. So if you would
17 shout in the direction of your microphone for the
18 listeners across the planet, that would be helpful.
19 BY JUDGE THOMPSON:

20 Q. Let me ask the question in a different way.
21 Is the present value of the trust fund, in your opinion,
22 appropriate given the Commission's last order with respect
23 to contributions to the trust fund?

24 A. Again, I can't say with any certainty. I
25 know that since we last looked at the fund, there's been

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1 some changes in the marketplace and obviously the returns,
2 and again, you know, there's a lot of speculation out
3 there about what the stock market and the returns we're
4 going to get from the stock market, as well as the fixed
5 income investments are going to be.

6 So I think that given the concept that this
7 is an -- overall a singular trust fund, that the
8 contribution in place for Missouri now only dealt with the
9 Missouri obligation, but now the Missouri obligation is
10 increasing, and it certainly makes sense in my mind that
11 we would continue funding it at the level that that
12 overall obligation was originally determined to be funded
13 at, which is not just the 6.2 million from Missouri.

14 Q. Okay. As far as you know, is Union
15 Electric in compliance with the Commission's most recent
16 order with respect to the trust fund?

17 A. As far as I know, yes.

18 Q. Okay. And when is the next triennial
19 review?

20 A. It will be 2005, I believe.

21 Q. In your opinion, should there be a review
22 sooner if this transfer is approved?

23 A. I really don't see what impact this
24 transfer has specifically with regards to the trust fund.
25 Again, we're not changing the amount of -- I mean,

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1 Callaway is still going to be decommissioned based on all
2 the assumptions in there. This transfer does not change
3 any of that. All it does is change the obligation. I
4 mean, there's nothing being transferred into or out of the
5 trust. The only --

6 Q. It just changes who's going to pay?

7 A. Just changes who's going to pay for it,
8 that's correct.

9 Q. Very well.

10 A. And how much their obligation is going
11 forward.

12 Q. So as far as you're concerned, 2005 is soon
13 enough for the next review?

14 A. I believe it is, yes.

15 JUDGE THOMPSON: Thank you very much. I
16 appreciate that, Mr. Bible. Why don't you go ahead and
17 step down. As I said, you're not excused.

18 I believe the next witness is Mr. Meyer.

19 MR. DOTTHEIM: Judge, I might point out
20 that Mr. Bible not being excused, I assume that the --
21 Mr. Bible, the reason we're doing decommissioning today is
22 because of some limited availability of Mr. Bible.

23 JUDGE THOMPSON: I understand. Okay.
24 Well, you know, we will work around that as best we can.
25 I only say we're not going to excuse Mr. Bible because

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1 there may be a Commissioner question for Mr. Bible. After
2 all this hearing is for them. They have to make the
3 decision, not me.

4 So if Mr. Bible is available when the
5 Commissioners would want to question him, then we would
6 bring him back. If, of course, he's out of the building
7 or away or something, then he won't be available, and
8 we'll just have to live with that.

9 MR. DOTTHEIM: Thank you.

10 JUDGE THOMPSON: And we would then bring
11 him back for recross and redirect whenever he becomes
12 available. Okay?

13 MR. DOTTHEIM: Yes, which might be quite
14 some time. Mr. Bible has a military commitment that will
15 take him out of the country for an extended period of
16 time. So when we indicated that -- we didn't indicate it,
17 I don't believe, to you, Judge, but when we made it known
18 to the other parties that Mr. Bible had some limited
19 availability, we weren't just talking of a minor event.

20 JUDGE THOMPSON: Well, let's cut to the
21 chase. When is the last moment that he will be available?

22 THE WITNESS: I have to report April 1st.

23 JUDGE THOMPSON: Okay. I think we have one
24 day yet in March next week, and we also have tomorrow. We
25 will get to him sometime when he is available.

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1 Thank you very much, Mr. Bible.
2 MR. DOTTHEIM: Thank you. The Staff would
3 call as its next witness on decommissioning Mr. Greg
4 Meyer.
5 JUDGE THOMPSON: Thank you.
6 (Witness sworn.)
7 JUDGE THOMPSON: Would you please state
8 your name and spell your last name for the reporter.
9 THE WITNESS: Greg R. Meyer, M-e-y-e-r.
10 JUDGE THOMPSON: You may inquire,
11 Mr. Dottheim.
12 MR. DOTTHEIM: Thank you.
13 GREG R. MEYER testified as follows:
14 DIRECT EXAMINATION BY MR. DOTTHEIM:
15 A. Mr. Meyer, would you please state the
16 nature of your employment.
17 A. I'm a Regulatory Auditor 5 with the
18 Missouri Public Service Commission.
19 Q. Mr. Meyer, did you have cause to be filed
20 what's been marked as Exhibit No. 4, your rebuttal
21 testimony in this proceeding?
22 A. Yes, I did.
23 Q. Mr. Meyer, at this time do you have any
24 changes or corrections to make to your rebuttal testimony?
25 A. No, I do not.

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1 Q. Mr. Meyer, if I were to ask you the
2 questions that are contained therein, would your answers
3 be the same?

4 A. Yes, they would.

5 Q. Is the information therein true and correct
6 to the best of your knowledge and belief?

7 A. Yes, it is.

8 MR. DOTTHEIM: At this time I would tender
9 Mr. Meyer for cross-examination.

10 JUDGE THOMPSON: And offer Exhibit 4?

11 MR. DOTTHEIM: Yes, I would offer
12 Exhibit 4. Of course, Mr. Meyer has more than one issue
13 in his testimony that he's covered. So he will be
14 returning at a later stage.

15 JUDGE THOMPSON: I understand. We might as
16 well get it in now so that we don't forget.

17 MR. DOTTHEIM: Thank you.

18 JUDGE THOMPSON: Do I hear any objections
19 to receiving Exhibit 4?

20 (No response.)

21 JUDGE THOMPSON: Hearing no objections,
22 Exhibit 4 is received and made a part of the record of
23 this proceeding.

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

25 JUDGE THOMPSON: Mr. Johnson, you're first

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1 up.
2 MR. JOHNSON: No questions.
3 JUDGE THOMPSON: Ms. Vuylsteke?
4 MS. VUYLSTEKE: No questions. Thank you.
5 JUDGE THOMPSON: Mr. Coffman?
6 MR. COFFMAN: No questions.
7 JUDGE THOMPSON: Mr. Fitzhenry?
8 MR. FITZHENRY: Yes, sir.
9 CROSS-EXAMINATION BY MR. FITZHENRY:
10 Q. Good morning, Mr. Meyer. My name is Ed
11 Fitzhenry, and I'm here on behalf of AmerenUE.
12 A. Good morning.
13 Q. I take it in reviewing your testimony
14 regarding nuclear decommissioning that you have some
15 familiarity with the triennial review process?
16 A. Yes, I do.
17 Q. Is it fair to say that there are a number
18 of factors and assumptions that go into eventually
19 determining the appropriate nuclear decommissioning
20 funding level?
21 A. Yes, there are several assumptions.
22 Q. Tax rates, for example?
23 A. Tax rates would be one.
24 Q. Management fees?
25 A. Generally those are not an issue of debate.

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1 Q. Asset allocation would be another one, for
2 example?

3 A. Correct.

4 Q. Now, we heard earlier testimony that for a
5 long time anyway, each time there's been a review of the
6 funding amount, that it's actually increased. Is that
7 your understanding as well?

8 A. Yes. There's not been one triennial filing
9 that the overall cost in those current dollars hasn't
10 increased.

11 Q. And that's just a function of the inputs
12 and the information that goes into the models and whatever
13 to come up with an appropriate decommissioning funding
14 level, correct?

15 A. Correct.

16 Q. It's not an absolute guarantee that it has
17 to go up each triennial period?

18 A. I don't have any information to say that it
19 would. So my experience is that, yes, it will go up.

20 Q. It has, but it's no guarantee that it has
21 to go up each and every three-year period?

22 A. The cost to decommission?

23 Q. Yes.

24 A. I don't have any information to doubt that
25 it won't continue to increase.

1 Q. Well, looking at the -- your testimony, in
2 particular the bottom of page 5 and top of page 6, I guess
3 it starts at lines 20 and continues through line 2, and
4 I'm sort of paraphrasing, but you indicate that the total
5 amount to decommission Callaway at the time of the
6 transfer will be deficient by that portion that was funded
7 by AmerenUE Illinois jurisdiction. Is that a fair
8 characterization of your testimony there?

9 A. That's my testimony.

10 Q. Okay. Now, you yourself did not conduct an
11 analysis to determine the appropriate decommissioning
12 expense level at the time of transfer, did you?

13 A. No.

14 Q. You're relying upon the Commission's 2002
15 order in making -- in providing the testimony that you do
16 here at the bottom of page 5 and top of page 6?

17 A. Yes, I was involved in the Staff's approach
18 in the 2002 decommissioning case, and that's what I'm
19 relying on.

20 Q. And even when the next triennial review
21 takes place in 2005, the Staff can't know with any
22 precision what that number should be, can you?

23 A. No, that's the purpose of -- the purpose of
24 the triennial review is just to continually update the
25 cost to decommission Callaway.

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1 Q. I want to ask you a hypothetical question
2 that lawyers like to do from time to time, and I want you
3 to assume that the Commission has entered an Order on a
4 triennial review and set a certain dollar amount. And the
5 next day the Nuclear Regulatory Commission comes out with
6 a new rule that dictates how nuclear plants are to be
7 decommissioned, and as a result of this new rule -- and
8 there's no quarrel with this in the industry -- that the
9 cost of decommissioning a nuclear plant would be reduced
10 by, let's say, a third. Are you with me so far?

11 A. Yes.

12 Q. In that instance, would it be Staff's
13 position that the Commission should not consider that NRC
14 rule change and its impact on decommissioning funding
15 levels until the next triennial review?

16 A. The Staff would attempt, given those
17 circumstances, to encourage a review. I think it is in
18 the power of the Commission to order that a review be
19 done. I can tell you that with my experience at this
20 company, that they would -- they object to that review
21 early.

22 MR. FITZHENRY: Your Honor, I move to
23 strike the latter portion of Mr. Meyer's answer as not
24 being responsive. His opinion as to what the company may
25 or may not do is really outside the realm of my question.

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1 JUDGE THOMPSON: Mr. Dottheim?

2 MR. DOTTHEIM: Mr. Meyer was responding to
3 Mr. Fitzhenry's question. I think it was an appropriate
4 response for Mr. Meyer to that question.

5 JUDGE THOMPSON: I'm going to strike the
6 portion of testimony that counsel has objected to and
7 admonish the witness to please answer the questions. You
8 may proceed.

9 BY MR. FITZHENRY:

10 Q. And just so I understood clearly the
11 portion of your answer that remains, did I understand
12 clearly that the Staff's position would be that you would
13 encourage the Commission to look at a review of the
14 nuclear decommissioning funding level prior to the next
15 triennial review under the hypothetical circumstance that
16 I provided you?

17 A. It's my testimony that the Commission has
18 the power to offer -- or to instruct the company to file a
19 new decommissioning study. It's not -- I haven't seen
20 anything in the rules that allows the Staff to do that.

21 Q. Would you think it appropriate for the
22 Commission to direct the company to look into whether or
23 not the nuclear decommissioning funding level should be
24 revisited prior to the next triennial review?

25 A. I would have to look at all the

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1 circumstances surrounding your hypothetical.

2 Q. Well, the circumstances are as outlined in
3 the hypothetical. Again, the NRC enters a rule, says that
4 this is the way to decommission a nuclear plant. We know
5 that the cost of decommissioning a unit is going to be
6 reduced by a third. All other things are equal.

7 A. Well, as it pertains to what I would look
8 at, I would look at the total cost of service also, to
9 determine if it truly needed to be redone at this point or
10 not.

11 Q. But I think it's fair to say, given your
12 last answer, that there ought to be some examination of
13 what the appropriate nuclear decommissioning funding level
14 should be at that point in time, assuming that
15 hypothetical?

16 A. I think I responded, Mr. Fitzhenry, that we
17 don't have the power to open that up, that the Commission
18 can make that decision.

19 Q. Okay. Thank you. Turning to page 6 of
20 your rebuttal testimony, you, beginning on lines 15
21 through 22, offer sort of three different interim
22 solutions, is that correct, three solutions during this
23 interim period?

24 A. There's three -- there's three examples
25 there.

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1 Q. I'm interested in your first example, your
2 first solution there where you suggest that AmerenUE
3 Missouri retail be required to increase its portion of the
4 decommissioning funding to reflect nearly 100 percent of
5 the Callaway decommissioning cost assignment. In that
6 circumstance, would AmerenUE Missouri ratepayers pick up
7 the difference, the \$272,000 that's at issue here, if your
8 recommendation is approved?

9 A. That would be up to the Commission to make
10 that decision.

11 Q. Could you elaborate on that for me, please?

12 A. I believe that increases in the
13 decommissioning fund can be separately placed into rates.
14 If the company decided that as a result of this order that
15 272,000 was going to be assigned to Missouri, the company
16 could make a decision, based on their cost of service,
17 whether the 272,000 should be flowed through under rates
18 for ratepayers.

19 Q. Okay. I have one last question, Mr. Meyer.
20 Is it Staff's view that -- strike that.

21 MR. FITZHENRY: The -- in fact I'll
22 withdraw that question. I have no other. Thank you.

23 JUDGE THOMPSON: Thank you. Time for
24 questions from the Bench.

25 QUESTIONS BY JUDGE THOMPSON:

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1 Q. Mr. Meyer, is the power produced from
2 Callaway, if you know, more expensive or less expensive
3 given that it comes with a decommissioning obligation than
4 power produced by, say, Ameren's coal-fired plants?

5 A. The fixed cost of Callaway nuclear
6 generation is extremely high. The fuel costs are low. I
7 have not performed an analysis to integrate the cost of
8 decommissioning Callaway into the economic loading order
9 of the plants.

10 Q. Okay. If it turns out after
11 decommissioning that the trust fund was overfunded, who
12 gets the surplus money?

13 A. There's no provision in any of the rules
14 that I've reviewed for a refund back of any money that
15 will be overcollected.

16 Q. So in other words, the company will get the
17 money?

18 A. Well, the money currently sits in a
19 separate fund. So that -- and it was specifically set up
20 that way so that the company couldn't access the funds
21 until the plant was decommissioned. However, once
22 decommissioning starts in 2024, if it does start then,
23 there is no provision that I'm aware of that if it takes
24 less dollars than what the fund has, that there's a
25 provision to refund those to the ratepayers, no.

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1 Q. Okay. And if it turns out that the fund is
2 underfunded, who is responsible for making up the
3 difference?

4 A. I'm sure -- based on my opinion, I'm sure
5 at that time that the company will come forward to the
6 Commission and request additional funding.

7 Q. Okay. You mean funding from ratepayers?

8 A. Absolutely.

9 Q. Okay. And the plant, of course, is located
10 in Missouri; is that correct?

11 A. Callaway County.

12 Q. So whatever happens, Missouri is stuck with
13 the plant?

14 A. Well, at that time, given the -- if this
15 transfer would be approved, it would be approximately
16 98 percent of the total.

17 Q. What do you mean, 2 percent of the plant is
18 not in Missouri?

19 A. I'm sorry. Missouri retail customers are
20 going to be asked to cover 98 percent of the
21 decommissioning, assuming this transfer would go through.
22 I think that's contained in -- those allegations are
23 contained, and that would be the current one, in
24 Mr. Redhage's Schedule 1, 98.01 percent.

25 Q. If you know, is it Staff's position that

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1 there is some detriment to the public interest in the
2 event that the proposed transfer is approved that turns on
3 Callaway or the decommissioning costs thereof?

4 A. I'm sorry. Could you repeat your question?
5 I want to make sure I understand.

6 Q. If you know, is it Staff's position that
7 there is some detriment to the public interest that will
8 occur if the proposed transfer is approved that turns on
9 Callaway or the decommissioning cost thereof?

10 A. Is your question -- I just to make sure.
11 Is your question is, is there detriment in the Staff's
12 opinion associated with the Callaway plant being
13 transferred and the decommissioning fund being transferred
14 to Missouri at this point?

15 Q. That's almost it.

16 A. Okay.

17 Q. Fifi Trunk Sewer and other cases on asset
18 transfers tell us that the standard is whether or not
19 there's going to be a detriment to the public interest if
20 the transfer is approved, correct?

21 A. Correct.

22 Q. Okay. And what I'm asking you is, if you
23 know, is it Staff's position that there will be such a
24 detriment if the present transfer that's on the table is
25 approved, that Metro East transfer and that the detriment

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1 has something to do with Callaway and its decommissioning?

2 A. Yes, it is the Staff's position that the
3 transfer as presented to this Commission today is a
4 detriment to the Missouri ratepayers and that I think, and
5 as you see as you explore more of the issues, that there
6 will be challenges against the -- this option versus
7 looking at other options of which the Cal-- in this option
8 Callaway is included.

9 We would assert, the Staff would assert
10 further that the 272,000 that the company proposes to not
11 continue to fund through any of the alternatives that I
12 listed would also create a detriment to Missouri
13 ratepayers.

14 Q. So you're telling me that Staff has
15 identified two detriments; is that correct?

16 A. There's several.

17 Q. And all relating to Callaway and its
18 decommissioning?

19 A. No, I didn't mean to say that. You will
20 hear in the next week several areas of detriment of
21 which --

22 Q. Right now I'm only concerned with Callaway,
23 because that's what we've been hearing about.

24 A. The inclusion of Callaway will be addressed
25 in other issues where the Staff will question the

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1 company's witnesses on their least cost analysis.
2 Inherent in that --

3 Q. Part of that is Callaway?

4 A. Is Callaway.

5 Q. And part of that is decommissioning?

6 A. Decommissioning -- I think in my mind
7 decommissioning could be separated out.

8 Q. Because?

9 A. But it does follow. Obviously if you
10 transfer Callaway, the allocation is going to be
11 transferred also. The debate here is whether, in the
12 interim period between now and 2005, filing for the
13 triennial review and then the subsequent order, is whether
14 that 272,000 should continue to be funded.

15 Q. And that's what's been collected from the
16 Metro East ratepayers pursuant to the most recent order of
17 the Illinois Commission?

18 A. Correct. All the parties in 2002 as part
19 of the -- well, as part of the triennial review, agreed
20 that this was a reasonable amount to fund Callaway going
21 forward until the next triennial. Staff's trying to
22 maintain that funding level in totality.

23 Q. Thank you. I appreciate that. Maybe if we
24 had had opening statements first, I would have had a
25 better understanding of the direction your testimony was

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1 taking.

2 And in your opinion, the Commission has
3 authority to order a triennial review sooner than 2005;
4 isn't that correct?

5 A. Just to make sure that I rely on accurate
6 information, I can't specifically point to the section at
7 this time, but I do recall reviewing it. I'll be happy to
8 look at that and try to find it.

9 Q. Okay. Well, without -- is that your
10 opinion today?

11 A. Yes, it is, absolutely.

12 Q. Thanks. That's all I needed to know. Do
13 we have any availability problems with you that I need to
14 know about?

15 A. No.

16 JUDGE THOMPSON: Great. You may step down.
17 Okay.

18 The next witness is Nelson, which is
19 starting a new issue. It's 20 minutes to 12. How does
20 counsel want to proceed? Do you want to start with
21 Mr. Nelson and then break for the lunch recess, do you
22 want to start with Nelson and then go until we're done
23 with him, do you want to take a lunch recess now? What do
24 you propose?

25 MR. LOWERY: Your Honor, I would just

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1 suggest, it would probably be helpful, assuming they're
2 going to be back to hear opening statements and then hear
3 Mr. Nelson, who's a policy witness and sort of a global
4 transaction, I think it might be helpful for them to hear
5 the context first, if that works.

6 JUDGE THOMPSON: What would you prefer,
7 then, to start with Mr. Weiss?

8 MR. LOWERY: We can certainly do that or we
9 can break for lunch now, either way. It makes no
10 difference.

11 JUDGE THOMPSON: I have no way of knowing
12 when the Commissioners will be available. That's what
13 makes trying these cases somewhat difficult in terms of
14 scheduling, because it's like having a jury that's, where
15 are they? And unlike a federal judge, I can't say, be
16 here, sit in that box, you're not moving. There are times
17 when I wish I could sequester the Commissioners so we have
18 them available when we need them.

19 We can take the lunch recess now. Maybe
20 that would be the best thing to do. I typically take an
21 hour and a half for lunch because that allows people time
22 to get in and get out of various restaurants in the area.
23 So let's see. That would give us 1:15. Okay. Why don't
24 we adjourn then until 1:15? Thank you all very much.

25 (A BREAK WAS TAKEN.)

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1 JUDGE THOMPSON: At this time we'll go back
2 on the record for opening statements. I believe the first
3 statement will be the company.

4 Please proceed.

5 MR. LOWERY: Thank you, your Honor.

6 Commissioners, Judge Thompson, may it
7 please the Commission? My name is Jim Lowery and I
8 represent AmerenUE in this case.

9 This proceeding involves AmerenUE's request
10 for an Order from the Commission approving its transfer of
11 what is essentially all AmerenUE-owned assets located in
12 the state of Illinois, the transfer to be to its sister
13 company, AmerenCIPS. In short, this transfer affects
14 assets relating to about 6 percent of AmerenUE's load and
15 all that load is located in Illinois. As a result of the
16 proposed transfer, AmerenUE will no longer have any
17 Illinois customers and would become a Missouri-only
18 utility.

19 The flip side of eventually divesting all
20 those Illinois assets is that AmerenUE will be able to use
21 for its Missouri customers what we believe the evidence
22 will show is low-cost, base load AmerenUE-owned generation
23 to serve its future capacity energy needs in Missouri.
24 The evidence shows that that transfer has no effect on our
25 ability to reliably, adequately and safely serve our

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1 remaining customers, all of whom will be Missourians.

2 Now, as the 25 -- or roughly 25 OPC Staff
3 issues and about 10 AmerenUE issues that are in our issues
4 list indicate, complexity has found its way into this
5 case. There are, I believe, 29 different pieces of
6 testimony covering 17 different witnesses.

7 What I hope to do with this opening
8 statement is to try to boil the case down for you as best
9 that I can to try to help you understand the evidence as
10 it's presented, and to try to do that I've prepared a
11 one-page summary that I'm going to talk about. I've got a
12 copy for each of the Commissioners and for you, Judge, and
13 I've also provided this to counsel first thing this
14 morning, if I could hand that out.

15 JUDGE THOMPSON: Sure.

16 MR. LOWERY: I also blew it up here so we
17 can -- can you see that okay, Commissioner Murray?

18 COMMISSIONER MURRAY: I'll read the copy I
19 have.

20 MR. LOWERY: This is our attempt to
21 summarize in one page essentially what we believe the
22 evidence shows related to the key points in this
23 transaction. As I mentioned, all the Illinois assets
24 would be transferred. Currently AmerenUE's generation is
25 committed essentially 92 percent to Missouri retail load,

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1 6 percent to Illinois load, and 2 percent to FERC
2 wholesale. After that transaction, that Missouri
3 percentage is going to change to 98 percent; the wholesale
4 would remain the same.

5 By acquiring this additional 6 percent of
6 AmerenUE's generation, we believe the evidence will
7 support that we're going to be providing Missouri with low
8 cost generation at about \$374 a kilowatt hour, which is --
9 represents a 26 percent savings, we believe the evidence
10 supports, over what we believe the next least cost option
11 is, and that would be building or buying combustion
12 turbines at approximately \$471 a kilowatt hour.

13 Also, since the generation is going to
14 become available to Missouri, one of the things that does
15 come along with that are the liabilities that would be
16 related to that generation, both pre and post close.

17 Now, another aspect of this case that has
18 become an aspect of this case is Staff's suggestion that a
19 condition, or actually a couple of conditions be imposed
20 related to the Joint Dispatch Agreement, and while we
21 didn't believe that that really is an issue in the case,
22 we have indicated our willingness to amend the JDA with
23 respect to sharing of profits from off-system sales, which
24 would change the current JDA from sharing of those profits
25 based upon load to sharing them based on generation

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1 output. And since AmerenUE would have more generation
2 output of greater proportion, essentially, that also would
3 bring a benefit if this transaction is approved, and we
4 are willing, which we are, to amend the JDA in connection
5 with it.

6 That is an economic benefit of
7 approximately \$7 million per year. The benefits of the
8 least cost generation, the difference in the two costs of
9 the two types of generation is approximately \$2.5 million
10 per year. So at bottom we believe that approving this
11 transaction, if we make the amendment that we're willing
12 to make, results in a benefit of at least \$79 million, and
13 depending on what electricity prices may do in the future,
14 could be as much as \$240 million.

15 So, in effect, while we don't believe we
16 need to show an affirmative financial benefit to obtain
17 approval, we believe the evidence supports that there
18 would be an affirmative financial benefit as a result of
19 this transaction.

20 Before discussing in more detail the
21 evidence that pertains to the basic transaction, I'm going
22 to talk about some of these other points in just a minute.
23 I'd also like to take this opportunity to further clarify
24 a couple of points regarding the relief that we seek in
25 this case and the relief that we don't seek.

1 Our application contains what I would term
2 as several generic prayers for relief, and some of the
3 parties have questioned whether or not we're seeking some
4 kind of ratemaking treatment with respect to those items.
5 I just want to clarify for the record, we are not seeking
6 any kind of ratemaking approval or ratemaking treatment.
7 We recognize this is not a rate case and don't believe it
8 affects rates. We would assume, as I believe is always
9 the case in an asset transfer case, that any order that
10 you would grant to us approving the transaction would have
11 the standard language that I think we normally see that in
12 the case of ratemaking treatment's not being given.

13 There are some items in the prayer for
14 which we do request rulings, and those primarily relate to
15 nuclear decommissioning, which I'll talk about in a
16 moment. Finally, as -- finally, one other point of
17 clarification, we don't believe the affiliate transaction
18 rules apply to this case, and the reason we don't believe
19 that is we don't think that the proposed transfer
20 implicates any issue of, quote, subsidization of
21 non-utility activities, which when you look at the purpose
22 clause of the rules themselves, that's what it's directed
23 for.

24 The transfer is a transfer from Utility A
25 to Utility B. But we recognize that Staff and I believe

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1 Public Counsel as well contend that those rules do apply,
2 and so if the Commission were to determine that's the
3 case, one of the prayers that we've asked for is a waiver
4 or variance from those rules. We also believe that such a
5 waiver at least implicitly, not for ratemaking approval
6 purposes, but implicitly means that you would be approving
7 the transfer price, at least for the purposes of the
8 affiliated transaction rules, which is why we've included
9 a prayer related to approval of the transfer price in our
10 application.

11 Now, let me try to address in general
12 terms, and then more specific terms, what the evidence in
13 the case shows specifically. We believe the evidence
14 shows that the transfer has no negative impact of any kind
15 on our ability to adequately, reliably and safely serve
16 our customers.

17 The evidence will be that all of the assets
18 to be transferred, both gas and electric, have always
19 served only Illinois customers and have been paid for only
20 by Illinois customers in their rates. It will also show
21 that the transfer will have no impact, detrimental or
22 otherwise, on our ability to provide transmission service.

23 The application does reflect that there is
24 a small amount of AmerenUE-owned transmission in Illinois
25 that would be transferred. However, we will present

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1 evidence that shows that the transfer has no effect on how
2 those assets are operated or managed. Today they are
3 operated and managed as part of Ameren's single control
4 area to provide AmerenUE and AmerenCIPS systems operated
5 together. Tomorrow they'll be operated the same way. And
6 that's true whether or not functional control is
7 transferred to the MISO or whether Ameren continued to
8 have complete control of the system. Transfer of title to
9 these assets has no effect on how they would be operated
10 and managed.

11 The evidence will also show that no party
12 has shown the existence of any direct and present
13 detriment relating to our ability to provide service in
14 the case. The evidence rather indicates that those who
15 have raised concerns about the transfer really affect
16 their concerns about matters that might have some cost
17 impact in the future and, consequently, might or could, I
18 suppose, have cost or other kind of impacts, such as
19 ratemaking impacts, but all in the future and no direct or
20 present detriment at all.

21 Now, why does AmerenUE want to transfer the
22 assets? The evidence reflects this is at least the third
23 time that we've sought to transfer the Illinois assets,
24 and we want to transfer the assets for the same reasons
25 we've always had. We first of all want to make available

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1 this cheap base load generation to meet our long-term
2 resource needs and, frankly, we want to simplify our
3 regulatory life. Today we operate under two different
4 regulatory schemes, and that at times can become
5 complicated, as I think the Commission is probably aware.

6 The evidence also shows that using this
7 AmerenUE-owned generation we think is consistent with the
8 Commission's expressed desire that we meet our long-term
9 needs with owned generation, as opposed to buying power,
10 and we also think this is proven, is consistent with the
11 commitments that we made in the rate case No. EC-2002-1.

12 as I mentioned, Illinois is a retail choice
13 state, is moving fully to retail choice in 2006. Missouri
14 is a traditional regulation state. It's not uncommon, and
15 I think the evidence reflects this, for us to face
16 conflicting regulatory agendas that are driven by the
17 different regulatory philosophies. Not sanctioning which
18 philosophy is correct or incorrect, but the fact remains,
19 as Mr. Nelson indicates, that we believe that the company
20 and the Commission and Missouri will be better off with
21 AmerenUE as a Missouri-only utility.

22 Now, I've addressed what we are and what
23 we're not asking for. I hope I've clarified a few points
24 that will help you in understanding the evidence in the
25 case, and I've tried to give you a little bit of context

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1 as to why we seek permission to transfer these assets.

2 I'd like to now look a little bit more
3 specifically at some of the evidence including, in
4 particular, evidence that I think shows that there is
5 actually a decent amount of agreement between Staff and
6 the company on what we think are the most relevant points
7 with regard to our request.

8 The evidence demonstrates that company and
9 Staff agree that in the relatively near future and
10 certainly for the long term, over the next 20, 25-plus
11 years, that AmerenUE is going to need additional energy
12 and capacity to meet its long-term needs. The evidence
13 shows, in fact, several areas of substantive agreement
14 between Staff and the company in this case.

15 We believe that those areas of agreement
16 alone allow us to meet our burden, and as I discuss in a
17 moment, we don't believe that the areas where we disagree,
18 and there are some areas where we disagree, preclude in
19 any way our ability to provide adequate and reliable
20 service or can or should preclude obtaining the
21 Commission's permission in this case.

22 What else does the evidence show? The
23 evidence reflects that Staff and OPC have concerns about
24 future cost impacts that might occur and consequently
25 future rate impacts that might occur. But the evidence

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1 does not show that there will, in fact, be any negative
2 cost or rate impacts, and there has been no attempt made
3 to quantify any such rate impacts or cost impacts at all.

4 There are far too many items to address
5 now, but I would like to give you just a few examples of
6 the kind of things I'm talking about where these concerns
7 have been raised. Staff has proposed a condition that
8 AmerenUE be forever held harmless for any negative
9 transmission cost or transmission service effects that
10 might occur as a result of transfer.

11 The evidence doesn't show what those
12 effects might be, and as I mentioned a minute ago, the
13 active change in the title to the poles and wires and
14 easements has absolutely no effect on how we provide
15 transmission service today, the day before the transfer or
16 the day after the transfer. The evidence will be that
17 Staff's concerns arise from the possibility that there
18 could be some series of future events that might or might
19 not occur.

20 There's -- there are other similar
21 examples. Take Mr. Redhage's testimony regarding nuclear
22 decommissioning, for example. As I believe the Commission
23 knows, the company contributes to a qualified trust fund
24 that is designed to have funds available when Callaway is
25 ultimately decommissioned to pay for that decommissioning.

1 Missouri law requires that the Commission review the
2 adequacy of that funding every three years, and this was
3 last done in 2002.

4 Mr. Redhage's testimony reflects that the
5 company has done an analysis in connection with this case
6 using data that is much more recent than what we had in
7 2002 when the last triennial review was done to determine
8 whether or not we need to continue to fund the 272,000
9 that we have been collecting from Illinois ratepayers once
10 we no longer have those ratepayers. The evidence reflects
11 that we will no longer collect those sums from Illinois
12 after this time.

13 The evidence as reflected in Mr. Redhage's
14 testimony shows that decommissioning inflation has gone
15 down since that last review was done, the rates of return
16 have gone up, and that funding is adequate without
17 continuing to fund that 272,000 that we will no longer
18 collect. Of course, in 2005 there will be another
19 triennial review that can review funding adequacy at that
20 time as well.

21 The evidence indicates that Staff has made
22 no attempt to determine whether Mr. Redhage's analysis is
23 or is not correct. He submitted his analysis six-plus
24 months ago in connection with his direct testimony. There
25 has been no contrary analysis and, in fact, no attempt to

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1 do a contrary analysis in this case.

2 Another issue that's been raised deals with
3 whether the transfer is beneficial. As I mentioned a
4 moment ago, we don't believe it's our burden to show
5 affirmative benefit, although we believe there is one.
6 The evidence reflects that the six months since Mr. Voytas
7 submitted his direct testimony and his analysis of the
8 cost impacts related to the base load generation versus
9 the next least cost option, that there has been no
10 contrary analysis done or presented in any way in this
11 case by Staff or any other party.

12 In wrapping up my remarks, I'd like to
13 leave you with what I think are two very important
14 principles that the Commission has many times recognized
15 and stated itself that govern these kinds of cases. First
16 of all, the Commission has repeatedly recognized, and I
17 quote, that the obvious purpose of Section 393.190 is to
18 ensure the continuation of adequate service to the public
19 served by the utility. We respectfully submit the
20 evidence shows that this transfer would do that.

21 And secondly, the Commission has also
22 repeatedly recognized, and I quote again, that the right
23 to sell property is an important incident of the ownership
24 of the property. We ask, therefore, that you recognize
25 that the company's made a decision to sell, to transfer

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1 this property, these Illinois assets, and the company's
2 right to make that decision should not be denied unless it
3 is, in fact, detrimental under the applicable standards,
4 and that we believe the evidence shows that it is not
5 detrimental and, in fact, that there is a tremendous
6 benefit to Missouri and we, therefore, would respectfully
7 ask that you approve the transfer.

8 Thank you very much.

9 JUDGE THOMPSON: Thank you, Mr. Lowery.

10 Mr. Dottheim?

11 MR. DOTTHEIM: May it please the

12 Commission?

13 In this case, it is difficult to know when
14 to refer to Ameren Corporation, AmerenUE or one of the
15 other Ameren Corporation operating companies, subsidiaries
16 or affiliates. The Metro East transfer has not resulted
17 from negotiations of disinterested parties. The proposed
18 transfer is not an arm's length transaction. In fact,
19 only one of the witnesses testifying in support of the
20 proposed Metro East transfer is identified solely as an
21 employee of AmerenUE rather than some other Ameren entity.

22 As Mr. Lowery mentioned, this is the third
23 time that Ameren has sought to transfer the Illinois
24 operations of Ameren Electric Company to Illinois. The
25 first effort was in the UE/CIPSCO merger case. The second

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1 one was several years ago in a case, EO-2001-233, and
2 again, the present case is the third effort.

3 Staff cannot recommend that the Commission
4 approve the proposed Metro East transfer, even on the
5 standard of not detrimental to the public. It is the
6 Staff's analysis that excluding, for example, any changes
7 in the AmerenUE/Ameren Energy Generating Company Joint
8 Dispatch Agreement, the economics between the proposed
9 Metro East transfer and AmerenUE building combustion
10 turbine generators is a tossup only under the best of
11 circumstances, while ignoring an analysis of other areas
12 impacted by the Metro East transfer proposal and
13 disregarding risks that Ameren has acknowledged exist.

14 The Staff's conclusion is based on the
15 snapshot analysis performed by Ameren Services. A more
16 comprehensive analysis would reveal the impact of the
17 detrimental aspects of the proposed transfer not evaluated
18 in the present analysis. AmerenUE has not adequately
19 addressed all of the significant areas of the proposed
20 Metro East transfer, as well as the impacts on its costs
21 in the event that the proposed transaction were authorized
22 by the Commission and the transaction was implemented.

23 Areas that should have been addressed by
24 Ameren in the direct case -- in its direct case include,
25 one, energy transfers between AmerenUE and Ameren Energy

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1 Generating Company, an Ameren exempt wholesale generator,
2 at market prices to serve the transferred load, rather
3 than at incremental cost pursuant to the present terms of
4 the Joint Dispatch Agreement.

5 A second area that should have been
6 included by Ameren in its direct case is profits from
7 off-system sales distributed to AmerenUE or Ameren
8 Generating Company based on which entity's generation
9 supply the energy for the sales, rather than on the basis
10 of whose load is being served, again, pursuant to the
11 present terms of the Joint Dispatch Agreement.

12 Ameren proposes to transfer profits to
13 Illinois while Missouri pays all the costs of the units
14 that produce those profits. Although Ameren has noted --
15 asserts that the JDA is not a proper issue in this
16 proceeding, it has made an offer to the Commission in its
17 surrebuttal testimony to alter the JDA.

18 A third area that should have been included
19 by Ameren in its direct case is AmerenUE obtaining written
20 assurance from Ameren that AmerenUE will be held harmless
21 with respect to transmission service and transmission
22 charges on any of the AmerenUE generating plants in
23 Illinois and the Keokuk Run River plant in Iowa, all of
24 which would be separated from the AmerenUE transmission
25 system due to the Metro East transfer. And those Illinois

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1 plants are at Venice, Joppa and would include
2 Pinckneyville, which, as the Commissioners are aware, is
3 subject to a FERC proceeding at the present time.

4 A fourth area that should have been
5 included by Ameren in its direct case is Ameren obtaining
6 assurance that gas supply transportation or storage
7 agreement that is used to serve Missouri electric or gas
8 utility operations be transferred to AmerenCIPS without
9 agreements that leave Missouri's electric and gas utility
10 operations in no worse position or situation in terms of
11 costs or operations than would be the situation if there
12 were no transfer of gas supply, transportation and storage
13 agreements.

14 The effect of the gas supply transportation
15 and storage proposal is clearly, in the Staff's view, a
16 detriment that has not been addressed by the applicants in
17 this proceeding, and it is also not part of Ameren's least
18 cost analysis.

19 The deficiencies of AmerenUE's case is
20 compounded by the recent Missouri Supreme Court decision
21 on October 28, 2003 in State ex rel AGP Processing, Inc.
22 Ameren filed its application on August 25, and its direct
23 testimony on September 17, 2003, post AGP decision of the
24 Western District Court of Appeals, as initially handed
25 down on April 22, and then modified on May 27. Ameren

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1 does not appear to have given any consideration to the AGP
2 Western District Court of Appeals decision which was
3 subsequently adopted, in essence, in large part by the
4 Missouri Supreme Court in October of last year.

5 The Staff filed its rebuttal testimony on
6 January 30, 2004 recognizing the effect of the Missouri
7 Supreme Court's decision in the AGP case. Ameren filed
8 its surrebuttal testimony on March 1, again apparently
9 giving no consideration to the Missouri Supreme Court
10 decision in AGP. The not detrimental to the public
11 standard that applies in this case is the same that
12 applied in the AGP case respecting UtiliCorp United/
13 St. Joseph Light & Power merger.

14 Ameren asserts that not detrimental to the
15 public standard is whether the item for which Commission
16 authorization is being sought will negatively impact
17 AmerenUE's ability to provide reliable, safe and adequate
18 service to the public in Missouri. Ameren takes the
19 position that items that do not immediately result in
20 Ameren not providing reliable, safe and adequate service
21 to the public in Missouri are not part of the review to
22 determine whether the proposed transaction is not
23 detrimental to the public.

24 Ameren also takes the position that not
25 detrimental to the public means whether the transaction

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1 will have a material effect on Ameren's financial
2 strength. None of these are the standards set out in the
3 AGP decision and which are applicable in the present case.

4 Ameren's claim that the Metro East transfer
5 case is comparable to its cases respecting transfers of
6 customers and facilities between AmerenUE and Missouri
7 electric cooperatives, such as in Case No. E0-2002-178, is
8 not accurate. Ameren's assertion that whether the
9 transfer price should be higher, lower or remain as
10 proposed has nothing to do with the issue whether the
11 transfer is detrimental to the public, it's not an
12 accurate statement when liabilities are being assigned to
13 the transferor and the transferee, as is the case with the
14 proposed Metro East transfer.

15 The proposed transaction assigns
16 unreasonable amounts of risk and unreasonable cost to
17 AmerenUE's Missouri customers. There is a case involving
18 Union Electric Company regarding facilities outside of the
19 state of Missouri for which Commission authorization was
20 sought to effectuate, which predates this case by about
21 12 years. The case is Re Union Electric Company, Case
22 Nos. EM-92-225 and EM-92-253, 1 Missouri PSC 3rd 501.
23 It's a December 22, 1999 decision of the Commission, which
24 involves Union Electric Company seeking Commission
25 authorization to sell certain assets, facilities in Iowa,

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1 to Iowa Electric Light and Power Company and certain
2 assets and facilities in northern Illinois to Central
3 Illinois Public Service Company.

4 MR. LOWERY: Your Honor, I was very
5 reluctant to do this, but I believe the purpose of opening
6 statements is to talk about the evidence in this case, not
7 to talk about what I believe Mr. Dottheim is directing
8 this latest discussion to, matters of jurisdiction of the
9 Commission, which I don't believe have been raised in any
10 of the evidence, the prefiled testimony in this case, nor
11 do I believe I raised them in my opening statement. So I
12 object to the extent we're arguing about legal issues
13 outside the case.

14 MR. DOTTHEIM: I think I probably now have
15 the distinction of having two opening statements in a row
16 objected to by AmerenUE. I believe it was Mr. Cook who
17 objected to my opening statements at the Staff's excess
18 earnings complaint case against Union Electric Company.
19 I, of course, believe that the subject matter which I
20 discussed is relevant and pertinent. It is not out of
21 bounds.

22 JUDGE THOMPSON: I'm going to overrule the
23 objection. Please continue, Mr. Dottheim.

24 MR. DOTTHEIM: Although Ameren asserts that
25 there will be no ratemaking consequences flowing from the

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1 proposed transfer because of the rate moratorium in effect
2 as a result of the settlement of Staff's excess earnings
3 and excess revenues complaint case in July 2002, Ameren is
4 clearly requesting in its application that it filed on
5 April 25, 2003 that the Commission make certain ratemaking
6 determinations in this proceeding.

7 At the same time, the Missouri Supreme
8 Court's AGP decision requires that the Commission consider
9 in this case issues which Ameren is seeking to avoid. If
10 the Commission does not decide those issues and the case
11 is appealed, the Commission's report and order may suffer
12 the same fate as the Commission's first reports and order
13 respecting the UtiliCorp/St. Joseph Light & Power merger.

14 thank you.

15 JUDGE THOMPSON: Thank you, Mr. Dottheim.

16 Mr. Coffman?

17 MR. COFFMAN: Thank you.

18 Good afternoon. May it please the

19 Commission?

20 Public Counsel's own independent analysis
21 of the application and the evidence on this matter here in
22 this case has led us also to the conclusion that Ameren
23 has not been successful in attempting to persuade that the
24 proposed transfer of its Metro East Illinois properties
25 are not detrimental to the public. The courts have

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1 defined the public consistently as including Missouri
2 ratepayers, and detriment is defined as being that which
3 would tend to create a negative impact as to utility rates
4 or service.

5 The transfer proposed here would be a
6 complex affiliate transaction between subsidiaries of
7 Ameren Corporation, and there are a host of anticipated
8 and perhaps some unanticipated consequences that would
9 result, we believe, in serious detriments to AmerenUE
10 customers.

11 I generally agree with Mr. Dottheim's
12 review of the law relating to the not detrimental standard
13 or Section 393.190. The Missouri Supreme Court has
14 clarified, not changed in my opinion, the not detrimental
15 standard in the recent AG Processing case, and I
16 respectfully, frankly, would point out that there are a
17 few decisions that this Commission had issued in the 1990s
18 that I do not believe would comply with the standard as
19 clarified.

20 Necessary and essential issues affecting
21 future rates cannot be ignored by the Commission. The
22 Commission cannot lawfully turn a blind eye to the
23 likelihood that these detriments can raise rates in
24 subsequent cases. In this case, AmerenUE has failed to
25 take into account many significant aspects of this

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1 proposal and how it would ultimately affect revenue
2 requirements in future cases.

3 We no longer believe that it is proper to
4 state that harm, as it relates to the not detrimental
5 standard, has to be direct and present; in other words,
6 does not have to be harm that happens the day after the
7 transfer agreement is signed.

8 It was pointed out most recently by you in
9 the Commission's report and order in the Aquila
10 collateralization case, Case No. EF-2003-0465, that even
11 though the Commission cannot make rate decisions in a
12 393.190 application, it must not ignore the risk of
13 potential rate increases that might result; that is, as
14 the Commission has stated, the reasonableness or the
15 tendency of a transaction to lead to higher rates in the
16 future.

17 Furthermore, this is more than a simple
18 transfer of assets application. It is an affiliate
19 transaction under the Commission's affiliate transaction
20 rule, and as such, we do not believe it is in the best
21 interests of regulated customers. The Asset Transfer
22 Agreement is a broad document and, as has been pointed
23 out, the application includes many subparts which, in my
24 opinion, come close to asking for ratemaking treatment.
25 I'll take for what it's worth what Mr. Lowery said

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1 regarding some of these aspects, but I think it's
2 important that you do take a look at the various subparts
3 of relief requested in the prayer.

4 The most important, I think, thing for the
5 Commission to focus on in this case is the assertion and
6 rebuttal to the asked question of whether this is the
7 least cost resource option. Ameren states in its
8 application and in its testimony that this transfer would
9 be the least cost alternative available to supply
10 AmerenUE's long-term capacity and energy needs.

11 Our analysis is different. We strongly
12 disagree with this, and the evidence in this case, we
13 believe, will show that there has been no meaningful
14 comparison or analysis done to prove this claim and we
15 have many reasons to believe that it would not be the
16 case. Ameren has not met its burden of proof by issuing a
17 request for proposals that would analyze the entire range
18 of potential resource options to determine what is exactly
19 the least cost resource. They have not put all their
20 cards on the table. Their evidence does not make a proper
21 comparison of all available options.

22 Instead, they attempt to propose a
23 comparison between only two options, a flawed and
24 unreasonably narrow comparison, the snapshot that was
25 referred to earlier. They want to compare the Metro East

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1 transfer to building some gas-fired generation. AmerenUE
2 did not even explore and evaluate all known existing
3 resource options for supplying AmerenUE's long-term
4 capacity and energy needs. For example, Ameren did not
5 explore extending its EE, Inc. contract past the current
6 expiration date at the end 2005.

7 But even if you ignore all the other
8 potential known resource options available and look at
9 their narrow comparison, their two options that they would
10 like to focus you on, we believe they still fail to meet
11 their burden of proof, and we believe that when this
12 hearing is over and all the questions are asked and
13 answered, that the evidence will show that Ameren's
14 so-called least cost analysis is seriously flawed.

15 If it was performed correctly, even this
16 limited and simplistic approach would show that the
17 proposed transfer is detrimental to the public. For
18 example, Ameren chose an arbitrarily high cost per
19 kilowatt cost for the gas-fired capacity in its analysis
20 as performed by Ameren Witness Rick Voytas. As for the
21 margin of sales and excess capacity, we do not believe
22 that it contains the appropriate assumptions.

23 As for future environmental compliance,
24 their least cost resource analysis is flawed because it
25 fails to take into account the increased the cost of

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1 environmental compliance; that is, sulfur dioxide,
2 mercury, et cetera. These would tend to make AmerenUE's
3 coal-dominated fleet of generation assets more costly
4 relative to potential resource options.

5 Ameren assumes that the cost of complying
6 with these environmental regulations would remain
7 unchanged over the 25-year time horizon of this analysis.
8 We disagree. They claim that sulfur dioxide allowance
9 sales are not a proper issue in this case, but we do not
10 understand how it cannot be an issue when there has been
11 an adjustment made in Mr. Voytas' testimony to adjust for
12 annual revenues for SO2 allowance sales, a level that we
13 believe is an unsustainable level.

14 Regarding Mr. Lowery's chart, note that as
15 to the generation cost and the 26 percent savings, we do
16 not believe that that is a relevant or valid percentage.
17 It certainly does not relate to a proper comparison of
18 revenue requirements. There is no direct relationship
19 between the cost per kilowatt capacity of various resource
20 options and the revenue requirement upon which those rates
21 would ultimately be based, and we'll be getting into that
22 as well.

23 The evidence will also show that there's a
24 detriment created by the potential increase in cost and
25 decline in reliability associated with the transfer of

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1 transmission facilities to AmerenCIPS that will still be
2 necessary to deliver power from AmerenUE generation plants
3 in Illinois to AmerenUE's Missouri customers.

4 To fully understand the various detriments
5 that I've described, I invite you to inquire of Public
6 Counsel economist Ryan Kind. I assume that you are aware
7 of his qualifications and background in resource planning,
8 and he's here -- he will be here in this case to elaborate
9 on these issues.

10 We believe that the evidence in this case
11 will show that this proposed transfer is actually
12 motivated by an attempt to benefit the company's Merchant
13 power affiliate at the expense of regulated ratepayers.
14 The evidence will show that essentially all of the
15 employees that have -- that are making the resource
16 planning decisions for AmerenUE also serve other
17 affiliates, and all ultimately answer to the holding
18 company, Ameren Corporation. In fact, all strategic
19 decisions of this magnitude we believe are directed by the
20 holding company for bottom line of Ameren as a whole, not
21 necessarily for the benefit of AmerenUE ratepayers.

22 Now, we understand that Illinois has a
23 different regulatory scheme and that there is some perhaps
24 common sense appeal to cleaning up the boundaries here and
25 making sure that AmerenUE is a Missouri only utility. We

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1 understand the FERC has its own reasons to promote the
2 deregulation in other states and to make distinctions here
3 between Illinois and Missouri. We understand there may be
4 other political pressure at work, but Missouri ratepayers
5 should not suffer detriments simply to accommodate
6 deregulation in an adjoining state.

7 I urge the Commission to think first and
8 foremost about Missouri customers and what is best for
9 them. The Metro East transfer should not be approved
10 unless it can be done in a way that holds Missouri
11 customers harmless from the resulting risk of higher rates
12 and less reliable service. We recommend that you reject
13 the proposed application for transfer.

14 Thank you.

15 JUDGE THOMPSON: Thank you, Mr. Coffman.
16 Ms. Vuylsteke?

17 MS. VUYLSTEKE: May it please the
18 Commission? My opening statement is merely to state the
19 position of the Missouri Industrial Energy Consumers
20 regarding Ameren's filing and will be very short.

21 We believe that the company has failed to
22 show that the transaction would be not detrimental to the
23 public interest, and we are concerned that the
24 transactions will ultimately harm Missouri ratepayers. We
25 support the position of the Office of the Public Counsel

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1 and the Staff in this case.
2 Thank you very much.
3 JUDGE THOMPSON: Thank you, Ms. Vuylsteke.
4 Mr. Johnson?
5 MR. JOHNSON: MEG waives its right to an
6 opening statement.
7 JUDGE THOMPSON: Thank you, sir. And,
8 Mr. Johnson, I've been told that you left your bag out in
9 the cafe area. It's in JoAnne French's office with the
10 glass window.
11 MR. JOHNSON: Thank you, your Honor.
12 JUDGE THOMPSON: Okay. At this time we
13 will recall Mr. Redhage.
14 Mr. Redhage, I'll remind you that you're
15 still under oath.
16 Questions from the Bench, Commissioner
17 Murray?
18 COMMISSIONER MURRAY: Thank you.
19 KEVIN REDHAGE testified as follows:
20 QUESTIONS BY COMMISSIONER MURRAY:
21 Q. Good afternoon, Mr. Redhage.
22 A. Good afternoon.
23 Q. The issue we've addressed so far with you
24 is decommissioning; is that right?
25 A. That is correct.

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1 Q. In attempting to understand your position
2 on that issue, I think you're saying that calculation
3 based on current information, more current than at the
4 time of the last triennial update, results in the amount
5 that Missouri is currently setting aside or is currently
6 calling a decommissioning expense is adequate even without
7 the amount that was considered in the last triennial
8 update for Missouri CIP-- or UE CIPS or AmerenCIPS. I'll
9 get it right eventually.

10 Is that correct?

11 A. Yes, Commissioner, that is correct. I can
12 expound on it a little bit, but in effect, that's exactly
13 correct. The Missouri jurisdiction could take on the
14 additional liability that they will be assuming when the
15 property is transferred from Illinois without any
16 additional funding requirement from the Missouri
17 ratepayers.

18 I reran my analysis, and I guess really two
19 things justify that. One, the current Missouri
20 contribution of 6.2 million is still within what we
21 consider to be a reasonable zone of funding level that
22 would adequately fund decommissioning. And since the 2002
23 update filing, I revisited my decommissioning inflation
24 projection and it had decreased slightly, which would
25 indicate we could take on slightly more liability at the

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1 same funding level.

2 Q. And it was originally calculated at
3 3.854 percent and is now calculated at 3.472 percent, is
4 that --

5 A. Let's see. In the -- bear with me a
6 minute, please.

7 Right. In the -- my direct testimony that
8 I filed in this case, the 6.2 million Missouri
9 contribution would be adequate up to an inflation rate of
10 3.854. In my surrebuttal testimony, I used updated fund
11 balances to update the study, and the fund had -- the
12 balance had increased since the previous direct testimony,
13 and that resulted in a 3.964 percent inflation rate that
14 it would be adequate to fund to.

15 And that -- I'll clarify that what we term
16 the expected set of economic and financial parameters in
17 our zone of reasonableness analysis, which is about
18 midpoint between the optimistic and the conservative
19 boundaries.

20 Q. And the -- I gathered from your testimony
21 that the reason this is an important issue to the company
22 is that the request that would have to be made from the
23 Internal Revenue Service if the amounts for Missouri were
24 changed at this time; is that --

25 A. That ties into it. To put the money into

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1 the tax qualified decommissioning trust, we can put in the
2 lesser of our cost of service amount or our letter of
3 ruling amount. Right now our letter of ruling amount and
4 our cost of service amount is for the 6.2 million. If
5 that changes, we will have to go to the Internal Revenue
6 Service and request a letter of ruling amount in order to
7 put the additional amount in.

8 And to do that, then, that ties in to some
9 of the other discussion this morning. We would have to
10 have an Order from the Commission that the increased
11 amount was in our cost of service, and the Commission
12 would also have to disclose the after tax rate of return
13 and any other assumptions on which the increased amount
14 was based.

15 Q. Okay. And I think when I was reading
16 Staff's testimony, they had some objection to what you
17 were saying the Commission would have to disclose; is that
18 right?

19 A. That's my understanding, that they did not
20 agree that the Commission has disclosed the parameters
21 that went into the derivation of the funding level.

22 Q. They do not agree that the Commission has
23 to disclose that or --

24 A. They did not feel that in past cases the
25 Commission had disclosed it, and I assume that's their

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1 position, that the Commission would not disclose it in the
2 future. I guess I'm a little vague on that myself. I can
3 only cite what the tax code requires, and it says the
4 Commission must -- to put the money in a qualified trust,
5 the Commission must disclose the amount that's in our cost
6 of service and the after tax rate of return and any other
7 assumptions on which the amount was based.

8 Q. And you do set that out in your testimony,
9 your surrebuttal, on page 12?

10 A. Yes, Commissioner. Thank you. I believe
11 it's on page 12.

12 COMMISSIONER MURRAY: Thank you.

13 JUDGE THOMPSON: Commissioner Clayton?

14 QUESTIONS BY COMMISSIONER CLAYTON:

15 Q. Is there a definition of the zone of
16 reasonableness somewhere or is that just a utility term
17 that I haven't come across yet? Is there an official
18 definition somewhere?

19 A. That's a term that we coined.

20 Q. Did you copyright that or --

21 A. I don't believe it's trademarked.

22 Q. So basically we're just talking about a
23 very general reasonableness standard?

24 A. Basically that's what it is. It calculates
25 an upper and lower boundary of contributions that would be

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1 required at varying decommissioning inflation rates, and
2 as long as you were within that upper and lower boundary,
3 then one could assume that you were reasonably adequately
4 funding your decommissioning trust.

5 Q. In reviewing the testimony with regard to
6 this decommissioning fund, I keep coming back to a figure
7 I wrote down of approximately \$272,000 being shifted in
8 costs from Illinois to Missouri. Is that a -- do you
9 recall where I saw that figure?

10 A. The 272,000 is the amount that currently is
11 being funded by Illinois ratepayers and being contributed
12 annually to their jurisdictional subaccount of the trust.

13 Q. Theoretically, if everything stayed the
14 same with no inflation, then the 272 would be shifted to
15 Missouri ratepayers; is that correct?

16 A. I believe, if I understand your question
17 correctly, if you wanted to continue your funding adequacy
18 at exactly the level it is now, freezing everything else
19 at exactly that level, right, that would be the amount.

20 Q. All things being the same, then that amount
21 would be shifted over across the river, right?

22 A. Right, you would increase the Missouri fund
23 by 272 if you want everything held.

24 Q. There are other factors that go into
25 determining that funding amount for the decommissioning

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1 fund, correct?

2 A. Yes, sir.

3 Q. There's the inflation rate?

4 A. Yes.

5 Q. What other factors go into that in
6 determining that amount?

7 A. Asset allocation, percentage in equities
8 and fixed income. We would assume rates of return on the
9 fixed income, fixed income securities and equities, tax
10 rates, management fees. All of those would be input
11 parameters. If one was to -- let's see. I believe on
12 page 1 of my Schedule 3 and Schedule 4 of my surrebuttal
13 testimony shows the assumptions, the factors that are
14 assumed in the zone of reasonableness analysis.

15 Q. Which page was that?

16 A. Page 1.

17 Q. Page 1 of your surrebuttal or your --

18 A. This would be my surrebuttal, Schedule 3,
19 and then again, Schedule 4, page 1 of both of those
20 schedules.

21 Q. On the schedules?

22 A. Right.

23 Q. You mentioned that there would be
24 additional IRS compliance or costs that would be derived
25 from additional IRS compliance if there were changes made

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1 in this analysis, did you not?

2 A. Yes, sir.

3 Q. Were you able to quantify what that cost
4 would be?

5 A. I don't really have the quantified cost.
6 Mainly if we increase to contribution, we would have to
7 file with the IRS for a letter of ruling amount to put it
8 in the qualified trust. I know there is a filing fee
9 associated with that, and of course, company manpower to
10 prepare the filing. I don't know what the quantified
11 amount of those costs are.

12 Q. Are you aware of what options that we would
13 have in either this case or future cases in making
14 decisions in ratemaking with regard to this possible shift
15 in costs? Are you able to assess ratemaking issues?
16 Should that wait for somebody else?

17 A. I guess I would assume if an increased
18 amount was included in cost of service, then it would be
19 recoverable in rates, but you are getting a bit out of my
20 area of expertise with ratemaking.

21 Q. I think there was subsequent testimony that
22 has been filed making reference to several options about
23 if the contribution were to go up, that it would either
24 have to be paid for by the ratepayers or by the company or
25 by Illinois ratepayers. There aren't too many options

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1 other than that, correct?

2 A. That is correct.

3 Q. Do we have any options to hold Missouri
4 consumers harmless if there is a shift in cost, if the
5 contribution remains the same? Are you aware of any?

6 A. I believe the options you alluded to were
7 mentioned in one of the Staff testimony, as I recall, and
8 those basically would be the potential options. I guess
9 it would either be paid for by ratepayers, recovered
10 through rates from ratepayers or paid for by the company.

11 COMMISSIONER CLAYTON: Okay. Thank you
12 very much.

13 JUDGE THOMPSON: Thank you, Commissioner.
14 Recross based on questions from the Bench. Mr. Johnson?

15 MR. JOHNSON: No questions

16 JUDGE THOMPSON: Ms. Vuylsteke?

17 MS. VUYLSTEKE: No questions.

18 JUDGE THOMPSON: Mr. Dottheim?

19 MR. DOTTHEIM: Yes, thank you.

20 RECROSS-EXAMINATION BY MR. DOTTHEIM:

21 Q. Mr. Redhage, this morning we -- or I had
22 marked as exhibits five reports and orders of the
23 Commission involving Union Electric Company and its
24 decommissioning cost studies, did I not?

25 A. Yes, sir.

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1 Q. Mr. Redhage, do you still have the copies
2 that I handed to you this morning of those reports and
3 orders?

4 A. Yes, I do.

5 Q. And they're Exhibits 24 through 28?

6 A. I believe that is correct.

7 Q. Could you identify where in the reports and
8 orders in the ordered section or elsewhere that the
9 Commission adopts the zone of reasonableness proposed by
10 Union Electric Company?

11 A. It's been adopted -- I guess the best way I
12 can explain it would be through a chain of documentation.
13 And I'll try to describe how we've always perceived it.

14 Q. That's okay. I don't think you've answered
15 my question. I asked you if you could go to the
16 Commission's Report and Order and show me, such as in the
17 ordered section of each of those reports and orders, where
18 the Commission has adopted the zone of reasonableness
19 proposed by Union Electric Company or AmerenUE.

20 A. I can reference the last order, for
21 example, if I may.

22 Q. I'm sorry, sir. You say you could
23 reference to what?

24 A. I could reference to the last order in
25 Case EO-2003-0083. It is not explicitly stated, but it

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1 states the Commission has considered the verified
2 application and its attendant studies and analyses, the
3 Unanimous stipulation & Agreement and the Staff
4 recommendation. We assume that to mean that the zone of
5 reasonableness being an analysis, that the Commission had
6 considered it.

7 Q. Well, my question, I think, was, could you
8 show me where the Commission adopted or approved the zone
9 of reasonableness proposed by Union Electric Company?

10 A. Not explicitly in those words, no, sir.

11 Q. Mr. Redhage, do you still have the copy of
12 the testimony in support of Stipulation & Agreement filed
13 by David Broadwater in Case No. EO-2000-205?

14 A. Yes, sir.

15 Q. And I'd like to direct you again to
16 page 13.

17 A. Okay.

18 Q. And this morning I asked you to read into
19 the record the question that starts at page -- excuse
20 me -- at line 5, and then the answer of Mr. Broadwater
21 that starts at page 10, did I not, this morning?

22 A. Yes.

23 Q. And the last sentence in Mr. Broadwater's
24 answer, is it not, the Staff and UE have not agreed to any
25 of the assumptions or economic and financial parameters

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1 that are to be used within the model?

2 A. That is correct.

3 Q. Can you show me anywhere in
4 Mr. Broadwater's testimony in support of the Unanimous
5 Stipulation & Agreement where the Staff has adopted any
6 element of Union Electric Company's zone of reasonableness
7 in that case?

8 MR. FITZHENRY: Your Honor, at this point
9 I'm going to enter an objection. I was trying to follow
10 to see where Mr. Dottheim was going with this line of
11 cross-examination. It's not the intention of company,
12 it's not in Mr. Redhage's surrebuttal testimony nor in his
13 direct testimony where he says ever that the Commission
14 Staff has agreed to the zone of reasonableness analysis
15 that he's put forth from time to time in his
16 decommissioning studies.

17 All he's had to say was, there's an IRS
18 rule out there says the Commission has to make certain
19 findings and determinations and relies upon certain
20 assumptions in coming to determine what is the appropriate
21 nuclear decommissioning funding amount. And we just heard
22 from Mr. Redhage where he's explained how the company's
23 viewed the Commission's prior orders adopting stipulations
24 that include the analysis, that the analysis includes the
25 assumption as being sufficient for our purposes in terms

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1 of meeting the IRS rules.

2 We admit that the Staff has never agreed
3 specifically in black and white with any of our input
4 assumptions or parameters. They have come to agreement on
5 the overall funding level. It's really not a relevant
6 line of cross-examination, and moreover, it's not
7 appropriate recross-examination. I don't recall any
8 questions from you along these lines and I didn't hear any
9 from Commissioner Murray or Commissioner Clayton.

10 I think it's inappropriate in that regard
11 as well, unless the protocol is that we can go back into
12 stuff we should have went back into during our original
13 cross-examination.

14 MR. DOTTHEIM: I don't think I've concluded
15 my questions with Mr. Redhage, but I don't think
16 Mr. Fitzhenry has accurately represented what occurred
17 this morning. I do believe that Mr. Redhage, until he was
18 asked to read that question and answer on page 13 of
19 Mr. Broadwater's testimony in support of the Stipulation &
20 Agreement, implied that the Staff had adopted the analysis
21 of Union Electric Company by working with Union Electric
22 Company on the model that's referred to therein.

23 I have no further questions of Mr. Redhage.

24 JUDGE THOMPSON: Well, isn't it Union
25 Electric's position that the \$272,000 more or less that's

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1 been contributed by the ratepayers in Illinois need not be
2 contributed during the interim period because the Missouri
3 contribution is still within the zone of reasonableness
4 that's been defined by Union Electric's analysis, correct?

5 MR. FITZHENRY: Yes. Yes, your Honor.

6 JUDGE THOMPSON: Okay. And I heard
7 Commissioner Clayton ask Mr. Redhage to define the zone of
8 reasonableness. So I'm going to overrule both of your
9 objections for that reason.

10 And you are done, Mr. Dottheim?

11 MR. DOTTHEIM: Yes, I am.

12 JUDGE THOMPSON: Okay. Thank you.

13 Mr. Coffman?

14 MR. COFFMAN: Thank you. Just a couple of
15 follow-ups to Judge Thompson's questions and the
16 Commissioners' questions on the zone of reasonableness.
17 RECROSS-EXAMINATION BY MR. COFFMAN:

18 Q. I assume it would be fair to assume that
19 you believe it's appropriate to use the ranges or bands of
20 costs that are contained in the zone of reasonableness as
21 you put forth in your testimony?

22 A. I do. You must ultimately come up with a
23 number, but you have to recognize that there are
24 uncertainties, and so for funding adequacy, you have to
25 look at a band.

1 Q. So when it's not possible to know the
2 precise amount of some future cost, you believe it's fair
3 to use a range of possible costs in order to aid good
4 decision-making?

5 A. I believe it's valid in this case to come
6 up with a band within which funding adequacy would be
7 achieved.

8 Q. Does Ameren believe this is an acceptable
9 way to calculate the risk of unknown costs?

10 A. In this case, I believe it's appropriate.

11 MR. COFFMAN: That's all I have, thank you.

12 JUDGE THOMPSON: Thank you, Mr. Coffman.

13 Mr. Fitzhenry, redirect?

14 MR. FITZHENRY: Yes, your Honor. I have
15 some brief redirect.

16 REDIRECT EXAMINATION BY MR. FITZHENRY:

17 Q. Mr. Redhage, earlier today there were
18 questions asked of you regarding the possibility of
19 creating a non-qualified trust depending on certain
20 circumstances and depending on certain rulings of the
21 Commission. Do you generally recall those questions some
22 time ago?

23 A. Yes, I remember the discussion.

24 Q. I think you mentioned in one of your
25 answers that today there is no non-qualified trust in

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1 existence. Did I recall your answer correctly?

2 A. Not for Missouri. We have one set up for
3 Illinois, because Illinois law requires us to maintain one
4 in existence. It has zero dollars in it, no funding. But
5 we don't have one set up for Missouri at this point in
6 time.

7 Q. Okay. And in the event that the Commission
8 would support the Staff's position in this case and
9 require the additional funding amount of \$272,000, and
10 assuming that the Commission order, for whatever reason,
11 didn't meet the IRS rules in terms of the findings that
12 had to be made, and is one possible outcome, could
13 AmerenUE create a non-qualified trust fund for those
14 additional monies?

15 A. We could. It's starting to delve into a
16 little more into tax counsel's area of expertise than
17 mine, but in my discussion with tax counsel, he advised me
18 that that would probably also throw the -- it could also
19 throw the 6.2 million at risk, too. But even not getting
20 into that, yes, we could create a non-qualified trust to
21 put the money into. That's certainly doable. There are
22 downsides to it.

23 Q. Well, before we get -- I don't want to
24 delve into that area of expertise that you're not
25 comfortable with. But what is the difference or

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1 differences between a qualified tax trust fund and a
2 non-qualified tax trust fund for holding decommissioning
3 funds?

4 A. Primary difference on the tax qualified
5 trust, you get to deduct the contributions to the funds in
6 the tax year that you make them in. In the non-qualified
7 trust, you don't get to deduct the contributions in the
8 years that you make them.

9 The tax rates on the earnings of the trust
10 are the other major difference. In the qualified trust,
11 all of the earnings, including interest dividends, capital
12 gains are taxed at a 20 percent rate for federal income
13 tax purposes, and in the non-qualified trust, they're
14 taxed at the full corporate income tax rate, which I
15 believe is 35 percent. So your after tax rate of return
16 is better in the qualified trust because of lower tax
17 rate.

18 Q. And do these tax rates have any bearing on
19 the cost of service for AmerenUE, if you know?

20 A. I guess the deductibility of the
21 contributions would lower the company's income tax
22 expense, I would assume.

23 Q. Now, there was also at the very beginning
24 of your cross-examination questions about you being an
25 employee of Ameren Services Company. Do you again

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1 remember generally those questions?

2 A. Yes, sir.

3 Q. And you're currently an Ameren Services
4 employee?

5 A. That is correct.

6 Q. And have you in times past performed work
7 regarding these decommissioning fund studies as an
8 employee of Ameren Services?

9 A. Yes, sir.

10 Q. Was there ever a time when there was voiced
11 any opposition or objection to you and the work that you
12 were doing because you were an Ameren Services employee by
13 any member of Staff or OPC?

14 A. Never, sir.

15 Q. And then finally, there was some earlier
16 discussion about the -- apparently there's a Callaway
17 nuclear decommissioning trust fund and within that trust
18 funds there are subaccounts?

19 A. Correct.

20 Q. And in the event the transfer goes forward,
21 what happens to the Illinois subaccount?

22 A. The funds in it will be reallocated to
23 Missouri, almost entirely to Missouri. A small percentage
24 will be reallocated to the wholesale. The Illinois
25 subaccount will cease to exist.

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1 Q. And approximately how many dollars are in
2 that Illinois subaccount?

3 A. As of December 31st, 2003, we had a market
4 value of 15 -- about \$15,099,000.

5 Q. And about 98 percent of that will end up in
6 the Missouri subaccount, assuming the transfer goes
7 forward?

8 A. Yes, sir, the allocation factor was
9 97.92 to Missouri as of December 31st.

10 MR. FITZHENRY: Thank you, sir. That's all
11 the questions I have.

12 JUDGE THOMPSON: Thank you. You may step
13 down, Mr. Redhage. You are excused.

14 Mr. Bible? Mr. Bible, I'll remind you that
15 you're still under oath. We're ready for questions from
16 the Bench. Commissioner Murray?

17 COMMISSIONER MURRAY: Thank you.

18 RONALD BIBLE testified as follows:

19 QUESTIONS BY COMMISSIONER MURRAY:

20 Q. Good afternoon, Mr. Bible.

21 A. Good afternoon.

22 Q. Would you turn to page 12 of Mr. Redhage's
23 surrebuttal testimony where he sets out the treasury
24 regulation?

25 A. Okay.

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1 Q. If we were to adopt Staff's position on
2 this issue, would we be determining that the increased
3 amount of decommissioning costs would be included in the
4 taxpayers' cost of service for ratemaking purposes?

5 A. I think you're asking me a legal question.
6 I'm not sure.

7 Q. Well, I'm asking you for ratemaking
8 purposes, would we be making that determination at this
9 time?

10 A. Can you ask the question again then?

11 Q. Okay. If we said that the -- whatever the
12 amount is, 272,000 additional as Staff says should be
13 included in Missouri's cost for the decommissioning fund;
14 is that right?

15 A. Well, maybe it would be best to back up a
16 little bit. There's only one qualified nuclear
17 decommissioning trust fund. The Missouri portion, the
18 wholesale portion and the Illinois portion are
19 subaccounts. When the determination to fund this nuclear
20 decommissioning trust fund was originally made, it was
21 originally made to fund the entire trust fund, and then
22 the portions attributable to each of those three were
23 broken down.

24 Now, what the company's proposing now is
25 that that be decreased, and really there's nothing that

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1 has changed. This asset transfer does not change the cost
2 to decommission the trust fund. It does not change any of
3 the parameters as far as what kind of inflation rates
4 would be subject to the costs associated with
5 decommissioning, what kind of rates of return could be
6 earned on the monies in that trust fund.

7 So really it's questionable in my mind why
8 there should be any change in the overall contribution to
9 the trust fund. And that's where that \$272,000 comes
10 from. You know, the company wants to say now, well, back
11 in 2002 we said 6.2 for Missouri, so much for Illinois and
12 so much for wholesale is appropriate. And now they want
13 to say merely because they're transferring or requesting
14 to transfer these assets that, well, now that number's
15 changed.

16 Again, there's nothing that's really
17 changed that number. And we have a triennial review
18 process where we can look at the whole thing and update
19 the study to do that.

20 Q. Let me try to get back to my question.
21 You're discussing the entire amount --

22 A. Right, I was just --

23 Q. -- that's attributable to two different
24 jurisdictions; is that right?

25 A. Right. I was just trying to give some

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1 background, because the 272,000 is built into somebody's
2 rates at this point in time.

3 Q. I understand that.

4 A. Now, for you to deem that it's appropriate
5 to continue that 272,000, I'm not sure how that would be a
6 ratemaking --

7 Q. Okay.

8 A. -- prospect.

9 I don't understand that, but --

10 Q. When you're finished, let me know.

11 A. Okay. I'm done.

12 Q. What I'm trying to ask you is, right now
13 that \$272,000 is not attributable to Missouri, is that
14 correct, currently?

15 A. Right now, no.

16 Q. So if we made that determination in this
17 proceeding that it should be attributable to Missouri
18 would we also be making a determination that it would be
19 included in the cost of service for ratemaking purposes?

20 A. I can't answer that. I think I heard
21 earlier that it could be funded by Illinois, it could be
22 funded by Missouri, or the company could absorb that. So
23 that would be up to the Commission to decide how the
24 \$272,000 would fund the trust fund. I mean, that was an
25 option proposed to Witness Redhage and he agreed. So I --

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1 I can't answer how the Commission would determine how that
2 would be handled.

3 Q. There would be an increased contribution at
4 this time; is that correct?

5 A. No, no.

6 Q. Well --

7 A. The contribution --

8 Q. -- from AmerenUE. From AmerenUE.

9 A. If -- well, if you decided that AmerenUE's
10 customers or whatever would pay for it, yes. It is still
11 the same contribution. It's just a matter of who within
12 those suballocated accounts pays for it. It's not an
13 overall increase to contribution to the trust fund.

14 Q. I understand that. What I'm trying to
15 determine here, would it be an increased contribution
16 attributable to AmerenUE?

17 A. Well, again, it depends on what the
18 Commission would decide, would the company pay for it,
19 would Illinois customers continue to pay for it or would
20 they rule that Missouri customers pay for it?

21 Q. Who do you think should pay for it?

22 A. I have no opinion on that, Commissioner.

23 Q. And do you have an opinion or did you do a
24 study that refutes Mr. Redhage's study that the current
25 amount that is contributed by AmerenUE is adequate without

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1 that \$272,000 as a result of different inflationary
2 numbers since the last triennial whatever that's called,
3 the last triennial update?

4 A. No. I haven't done a study, but it
5 certainly makes sense to me that if you're going to
6 transfer the liability associated with that portion of the
7 nuclear decommissioning trust fund, that there's -- I see
8 no reason why you shouldn't transfer the funding to
9 continue to fund that liability either. That range,
10 that -- somebody asked for a definition of the zone of
11 reasonableness. That zone of reasonableness is defined by
12 about \$3 million up to \$10 million. So based on
13 Mr. Redhage's analysis, this nuclear decommissioning trust
14 fund, if everything went right, we had low inflation and
15 real great returns from the trust fund, we could get by
16 with as little as \$3 million in contributions.

17 Now, if things don't go so well and we have
18 higher than expected inflation and lower than expected
19 returns, it could be up to \$10 million, and I can tell you
20 everything that I've seen from the Nuclear Regulatory
21 Commission and from this Commission in the past, the
22 emphasis has been not on trying to get the minimum
23 contribution into the fund or even trying to identify the
24 specific amount of contribution, but the emphasis has been
25 making sure you have adequately funded this fund to

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1 decommission this nuclear power plant.

2 Certainly in my mind a prudent thing to do
3 if you were going to err on the side of funding, you would
4 err on the side of maybe overfunding a little bit.

5 Q. And the purpose of reexamining it every
6 three years is to make sure that you are -- that it is
7 adequate; is that right?

8 A. As best as you can. I would not propose
9 that -- I could tell you that whatever number is agreed to
10 with any certainty, that will be the number that it ends
11 up being adequate, and I don't think the company can tell
12 you with any certainty that whatever contribution is
13 determined to be made will exactly, once we get out in
14 that time frame when the decommissioning actually occurs,
15 that that would be the right number. There's too many
16 variables involved with this.

17 Q. And I think in your testimony you take
18 issue with the statement that the IRS has to be told the
19 assumptions that were used in determining the amount?

20 A. Can you direct me in my testimony where
21 that is?

22 Q. I believe it's on page 3.

23 A. Page 3?

24 Q. Specifically on line 7 you say, to the
25 Staff's knowledge, the Commission has never confirmed nor

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1 denied that the economic and financial parameters used in
2 its own reasonable analysis or any analysis previously
3 submitted by the company was either valid or acceptable to
4 the Commission?

5 A. No, this -- to my knowledge, this
6 Commission has never ruled on and has never gone on record
7 as saying that they agree with the input parameters to the
8 models. We use the same basic model as the company does,
9 but we have never agreed with them that this is going to
10 the after tax rate of return that we will use as an
11 assumption in the model. And we have never agreed with
12 them that this is the inflation rate that we expect the
13 cost to decommission this nuclear power plant to be
14 subject to.

15 Q. So did you look at page 12 of Mr. Redhage's
16 testimony and the relevant treasury regulation?

17 A. Now, we're on page 12?

18 Q. It's the quotation from the regulation that
19 he sets out there, and I'm looking at specifically G,
20 subsection 2.

21 A. Okay. It's on page 12?

22 Q. Are you in surrebuttal? I meant to direct
23 you to his surrebuttal.

24 A. Okay. What was the question again?

25 Q. Well, my question is, do you think that

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1 this is something that can be ignored or has been ignored
2 or --

3 A. By who?

4 Q. Well, if the IRS requires that a public
5 utility commission have made a determination that
6 establishes or approves rates to which the nuclear
7 decommissioning fund relates, has determined the amount of
8 commissioning costs to be included in the taxpayers' cost
9 of service and for ratemaking purposes and disclosed the
10 after tax return and any other assumptions used in
11 establishing or proving such amount, if you're saying that
12 this Commission never used or made any assumptions --

13 A. Commissioner, I never said that. I never
14 said the Commission did not make or use any assumptions.
15 I said the Staff of the Commission has never agreed with
16 the specific input parameters that the company has used,
17 and that they have never specifically ruled on whether or
18 not they accept the company's inputs.

19 Q. So have they indicated what assumptions
20 that they did use?

21 A. Well, yes, the company submitted their
22 analyses, which had the after tax rates of return on it --
23 in it and the interest rates. The Staff has submitted its
24 testimony in these cases, and I know this one refers to
25 1997, and I have the 2000 testimony where Mr. Broadwater

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1 said that the Staff used a 5 percent inflation factor and
2 after tax 8.5 percent average return. So the real return
3 would be 23.5 percent. We all disclosed on the record
4 what assumptions we used.

5 Q. But then there was another amount that was
6 agreed on or that the Commission ordered; is that right?

7 A. The funding amount, yes.

8 Q. And in order to get there, there had to be
9 some after tax return?

10 A. There was -- there was a -- the zone of
11 reasonableness, I think the issue here is, it's not
12 totally unreasonable and it's not totally unusual for two
13 people to use two different sets of parameters but still
14 be able to agree upon a dollar amount because that dollar
15 amount would fall within both of their zones of
16 reasonableness and not appear to be unreasonable, even
17 though they came at it from a little different
18 perspective.

19 Q. So if you put those two zones of
20 reasonableness, you might actually result in one zone of
21 reasonableness?

22 A. No. Agreement on a funding level.

23 Q. How about agreement on the after tax
24 return?

25 A. No. You don't have to agree on an after

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1 tax return to still consider a certain level of funding as
2 appropriate.

3 Q. So there's no determination made when a
4 Commission enters its order as to any after tax return or
5 assumptions and determinations used in approving the
6 amount?

7 A. I have to look at the Report and Order. I
8 couldn't tell you if the Commission ever mentioned
9 anything specifically in it.

10 Q. Did you look at it in regard to this
11 regulation that was quoted here and put in issue in this
12 case, put at issue in this case?

13 A. No.

14 COMMISSIONER MURRAY: Okay. Thank you.

15 JUDGE THOMPSON: Thank you, Commissioner
16 Murray.

17 Commissioner Clayton?

18 QUESTIONS BY COMMISSIONER CLAYTON:

19 Q. Good afternoon.

20 A. Good afternoon.

21 Q. I've got notes on both your testimony and
22 that of Mr. Meyer. Could you tell me the difference? I
23 know you each kind of talk about the same thing, but what
24 role are you playing in discussing the decommissioning
25 funds?

0342

1 A. Well, originally I was -- I was requested
2 to comment on the appropriateness of the allocation and
3 whether or not it would be appropriate to reallocate based
4 on the transfer and also based on prehearing conferences
5 with the company, whether or not they were requesting any
6 ratemaking treatment and would there be any impact from my
7 area of responsibility, which is cost of capital, rate of
8 return, which would include capital structure, so I
9 commented on that also.

10 Q. Okay. I jotted down some notes from
11 Mr. Redhage's testimony, and I think there were five
12 different points of requests that they were making, that
13 being approving the cost reallocation, reallocating the
14 funds that are actually already in the account, approve
15 the expense, confirm the current levels and then determine
16 the zone the reasonableness.

17 Are you familiar with those or should I
18 address those to Mr. Meyer?

19 A. You can ask me and Mr. Meyer.

20 Q. Okay. The Staff is in agreement with,
21 generally speaking, with the first three items, the first
22 three requests, and the disagreement comes down to the
23 actual -- the actual dollar amount of cost; is that
24 correct?

25 A. No. I believe the disagreement of the

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1 three numerical issues, the cost to decommission, the
2 transfer of funds out of another subaccount and the actual
3 going-forward contribution, the only one in question in my
4 understanding is the ongoing contribution.

5 Q. Okay. So in this case, we would have the
6 responsibility of determining that contribution level?

7 A. That's what the company's asking for, that
8 contribution level has already been determined.

9 Q. And so we could make no finding on
10 determining the contribution level and it would continue
11 as it is right now, correct?

12 A. I don't know if it would or not. I would
13 assume it would.

14 Q. This is the first time I've ever dealt with
15 an a decommissioning fund, so I need to understand exactly
16 how the fund works. I understand why it is there. Every
17 three years an amount is set to determine a level of
18 contribution; is that correct?

19 A. Well, an evaluation is done every three
20 years. Since I've been here, the contribution level has
21 remained the same because, in spite of the changes of
22 inflation, in spite of the performance in the fund and
23 what has been put in, there hasn't been enough of a change
24 for either party to determine whether or not it should be
25 changed.

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1 But you're right in the concept that every
2 year -- or every three years, it is evaluated to see if
3 it's still appropriate to maintain the funding or if it
4 should be changed.

5 Q. Okay. In your testimony you made a
6 statement that if we were to approve the transfer of these
7 assets, that we should make no finding of ratemaking and
8 reserve the right to review these costs in the next rate
9 case; is that correct?

10 A. That's correct.

11 Q. Would you elaborate on that and explain
12 that to me?

13 A. That's a pretty standard set of language
14 that we use, just to confirm that we either have agreement
15 with the company or the Staff takes the position that
16 we're narrowing the focus of this thing and we're not
17 going to give anything away for ratemaking purposes or
18 concede anything for ratemaking purposes and that we
19 reserve the right to look at it in an actual rate case.

20 so that prevents the company from saying,
21 well, you took this action in this case; therefore, you
22 gave up your rights for any kind of ratemaking treatment
23 or you assume that it would be or wouldn't be included in
24 rates or whatever.

25 Q. Did you participate in Ameren's last rate

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1 case, which would have been the complaint case?

2 A. Yes.

3 Q. Which is -- it still is a rate case, form
4 of a rate case, correct?

5 A. Yes.

6 Q. The amount that seems to be in disagreement
7 here is quite small and insignificant in the big scheme of
8 things, isn't it?

9 A. Extremely small, relatively speaking.

10 Q. So is this really that big of an issue in
11 making the determination of whether it's detrimental to
12 the public interest?

13 A. Well, I mean, I don't know if this is the
14 issue that is being held out as what's detrimental to the
15 public interest. I think it's one of and a part of other
16 issues, but I don't know that this is the one that's being
17 held out as causing the detriment. I don't believe it is.

18 Q. Do you hold it out to be one of the
19 detriments?

20 A. I don't, no. I would have addressed that
21 in my testimony if I had.

22 COMMISSIONER CLAYTON: Okay. Well, then
23 that answers that, doesn't it? Thank you, Judge.

24 JUDGE THOMPSON: Thank you, Commissioner
25 Clayton.

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1 We're about ready for a break for the
2 reporter, so we'll take about five minutes at this time
3 and come back for recross based on questions from the
4 Bench. We are in recess.

5 (A BREAK WAS TAKEN.)

6 JUDGE THOMPSON: Okay. We're ready for
7 recross. Mr. Johnson and Mr. Vuylsteke are excused.
8 Where's Mr. Coffman?

9 MR. COFFMAN: I apologize. I have no
10 questions.

11 JUDGE THOMPSON: Thank you. Mr. Fitzhenry?

12 MR. FITZHENRY: I have no questions, your
13 Honor.

14 JUDGE THOMPSON: Thank you.
15 Mr. Dottheim, redirect?

16 MR. DOTTHEIM: Yes.

17 REDIRECT EXAMINATION BY MR. DOTTHEIM:

18 Q. Mr. Bible, based on some questions that you
19 received, do you know whether Ameren has been able to
20 obtain a schedule of ruling amounts based on the reports
21 and orders that the Commission has issued in the prior
22 triennial reviews of the Callaway decommissioning costs?

23 A. When you say scheduled ruling amounts, what
24 are you referring to?

25 Q. I'm referring to the Internal Revenue

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1 Service schedule of ruling amounts which I believe it's
2 been indicated the company must obtain in order to make
3 quarterly contributions to the qualified decommissioning
4 trust fund.

5 A. Are you asking me would it be their right
6 to seek that from the Commission?

7 Q. I'm asking whether you know whether if,
8 based on the reports and orders that the Commission has
9 issued previously in the company's triennial
10 decommissioning trust fund cases, whether the company has
11 been able to obtain schedules of ruling amounts from the
12 Internal Revenue Service?

13 A. I would assume they should be able to.
14 MR. DOTTHEIM: I have no further questions.
15 JUDGE THOMPSON: Thank you, Mr. Dottheim.
16 You may step down, Mr. Bible. You are
17 excused.

18 Mr. Meyer. We wish you well on your
19 deployment.

20 MR. BIBLE: Thank you.

21 JUDGE THOMPSON: Mr. Meyer, I'll remind you
22 that you're still under oath. We're ready now for
23 questions from the Bench. Commissioner Murray?

24 GREG MEYER testified as follows:

25 QUESTIONS BY COMMISSIONER MURRAY:

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1 Q. Good afternoon, Mr. Meyer.

2 A. Good afternoon.

3 Q. On page 6 of your rebuttal testimony, you
4 speak about the interim period between now and the next
5 triennial review, and there you set out a couple -- I
6 think a couple of possibilities, but one of which would be
7 that, as a condition of the transfer, AmerenCIPS would
8 fund the current portion until it's reviewed again in
9 2005. Now, if that were -- if that were done, would that
10 require any new filing with the IRS?

11 A. Not in my mind, no.

12 Q. And then a third alternative was for Ameren
13 shareholders to fund the amount. Would that require a
14 different filing?

15 A. I guess in the Staff's opinion, referring
16 back to Mr. Bible's testimony, we believe that there's a
17 single tax qualified fund for decommissioning. I believe
18 the company witness, Mr. Birdsong, even referred to this
19 in the EM-96-149 case. So that if you maintain the
20 present funding level, we don't believe that they would
21 require a new IRS action.

22 Q. Regardless of whether the entities within
23 that contribute the different amounts?

24 A. Yes, because just so -- let -- and let me
25 read you the statement that at least I'm relying on.

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1 Mr. Birdsong files testimony in EM-96-149, and in that he
2 says, UE maintains a single tax qualified nuclear
3 decommissioning trust with subaccounts. The single tax
4 qualified fund is the reliance that at least I'm relying
5 on to say that you need to maintain your funding current.

6 Q. Okay. So you're saying UE maintains or
7 applies to the IRS with the total amount?

8 A. Right. UE -- earlier there was some
9 questions, UE files a consolidated tax return. I'm sorry.
10 Ameren files a consolidated tax return. So there would
11 just be one return. The necessity of an Illinois filing,
12 a Missouri filing or a wholesale filing is not done. It's
13 just one tax filing for which they receive this tax
14 benefit.

15 Q. But do they have to indicate if there are
16 different state regulatory jurisdictions involved in
17 determining the amount of funding, do they have to
18 substantiate what those jurisdictions have found?

19 A. I don't know.

20 COMMISSIONER MURRAY: I think that's all I
21 have. Thank you.

22 JUDGE THOMPSON: Thank you, Commissioner
23 Murray. Commissioner Clayton?

24 QUESTIONS BY COMMISSIONER CLAYTON:

25 Q. First question, do you consider this issue

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1 big enough to be a detriment to stop this transfer of
2 assets?

3 A. Singularly by itself, I would say that the
4 parties would have been able to get together and have a
5 meeting of the minds, but in the context of the total
6 package, I think it should be included and addressed. And
7 let me further state that one of the issues you will hear
8 later in these proceedings is an asset transfer and some
9 of the safeguards that the Staff's looking for in that.
10 In the asset transfer, there are items as small as \$10 to
11 \$11 that are listed to be transferred. so in my opinion
12 \$272,000 annually, and this would be, I would estimate the
13 period to be approximately 18 months, is starting to get
14 into some dollars, yes.

15 Q. Starting to get into some dollars?

16 A. Well, it's not -- I don't want to quantify
17 it that that's 272,000, because that's an annual figure,
18 so you have to expand that to the period between the time
19 when the Order, if this is approved, until the next time
20 that the triennial order is ordered by the Commission.

21 Q. Triennial review system allow for catching
22 up in the event of undercontribution?

23 A. It's a forward-looking process, so that
24 the -- everything is looked at at what is accumulated to
25 date, and then it's, from my understanding, projected up

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1 to the current retirement date of Callaway at 2024.

2 Q. So year in, year out, it's not a dollar for
3 dollar. You get a point in time and you look forward to
4 determine the level of contribution?

5 A. Reflecting -- yes, holding what has
6 happened in the past in the calculations, that's correct.

7 Q. Well, what I mean by that is if you
8 underfund it by \$5 in past years, it's not necessarily
9 going to convert into, well, you have to add \$5 to your
10 supposed contribution in the next year?

11 A. It could be a contributing factor
12 obviously.

13 Q. Now, Staff's position is that the current
14 funding level be continued; is that correct?

15 A. Yes.

16 Q. What is the downside if the contribution
17 level is decreased by that 272 -- 700 -- excuse me --
18 \$272,000?

19 A. The downside would be that in the context
20 of the next triennial, that when the -- when all the
21 factors are restudied and reanalyzed, that an increase in
22 the amount of funding would be required to decommission
23 this plant at 2024, and at that time, if this transfer was
24 approved within 60 days, at that point it's clear that on
25 a going-forward basis that the Missouri retail ratepayers

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1 would have to fund in excess of 98 percent of that.

2 Q. Do you believe that at any point in the
3 future if this transfer, asset transfer is approved, that
4 Missouri ratepayers should pick up the Illinois percentage
5 of contribution?

6 A. It's my position that at the next
7 triennial, as a result of the next triennial, if this
8 transfer is approved prior to that, that the Missouri
9 ratepayers at that point would pick up the 98 percent, if
10 that's the current balance.

11 Q. After the next?

12 A. At the next one, not up -- up until the
13 next one, we believe the funding should stay constant at
14 the 6.7 to 8 million.

15 Q. And then after the next review, then the
16 Missouri ratepayers would pick up that extra share?

17 A. Correct.

18 COMMISSIONER CLAYTON: I don't have any
19 other questions. Thank you.

20 JUDGE THOMPSON: Thank you, Commissioner.
21 Recross, Mr. Coffman?

22 MR. COFFMAN: No cross.

23 JUDGE THOMPSON: Mr. Fitzhenry?

24 MR. FITZHENRY: I do, your Honor.

25 RECROSS-EXAMINATION BY MR. FITZHENRY:

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1 Q. Good afternoon, Mr. Meyer.

2 A. Good afternoon.

3 Q. Just a few follow-up questions. Again
4 referring to page 6 of your testimony in the three
5 different proposals that you suggest for the Commission's
6 consideration, Commissioner Murray focused on where the
7 transfer takes place but AmerenCIPS would continue to be
8 responsible for, I presume, the current share that it
9 currently is responsible for. Is that -- do I read your
10 testimony correctly?

11 A. Yes, they would assume that liability until
12 the next triennial.

13 Q. And they would be assuming that liability
14 even though AmerenCIPS Illinois ratepayers no longer were
15 the beneficiaries of the Callaway nuclear plant?

16 A. They would assume that liability until the
17 next study is performed, complete study is performed and a
18 new reasonable estimate is determined, yes.

19 Q. Yes is the answer to my question?

20 A. Can you restate it?

21 Q. Well, I'll restate it, then. Transfer
22 takes place. Are you with me so far?

23 A. Yes.

24 Q. And if I understand then your second
25 proposal, even though the transfer has taken place and

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1 presumably the additional generation that was associated
2 with the AmerenCIPS load is now in the AmerenUE load,
3 AmerenCIPS ratepayers would continue to fund nuclear
4 decommissioning liability. That's one of your three
5 proposals, is it not?

6 A. They would continue, yes, until the next
7 triennial.

8 Q. Okay. The -- there's been also questions
9 again this afternoon about what has this Commission
10 approved in the past, and there's also been testimony that
11 there's a Callaway nuclear decommissioning fund and within
12 that fund there are three different subaccounts; there's
13 the wholesale AmerenUE, Missouri AmerenUE and Illinois; is
14 that true?

15 A. AmerenUE. Illinois, AmerenUE retail and
16 AmerenUE wholesale Missouri.

17 Q. Okay. Thank you. And each of those
18 subaccounts, are they not -- are they a qualified trust
19 fund account?

20 A. I don't know.

21 Q. Well, do you know then whether the Callaway
22 nuclear decommissioning fund, the big one, is that a
23 qualified trust fund?

24 A. According to Mr. Birdsong, it is, a single
25 one.

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1 Q. I want to ask you about that testimony you
2 referred to. When did you first learn of that testimony?

3 A. Last night approximately 7:15.

4 Q. And were you a participant in the case in
5 which Mr. Birdsong offered testimony?

6 A. No.

7 Q. Are you familiar or did you review
8 Mr. Redhage's surrebuttal testimony?

9 A. Yes, I did.

10 Q. You are generally familiar with the IRS
11 rules that he cites at page 12 of his surrebuttal
12 testimony?

13 A. I've seen this rule. I read this rule in
14 the context of testimony.

15 Q. And maybe you don't know the answer to the
16 question, but when I read the rule, it refers to certain
17 determinations to be made by the Public Service Commission
18 and reference to certain assumptions. Do you have an
19 opinion one way or the other whether or not the Missouri
20 Public Service Commission can adjudicate the level of
21 decommissioning fund for ratepayers outside of its
22 jurisdiction?

23 A. I'm sorry. Can you repeat that?

24 Q. Yeah, I will. I will. We know that in
25 Illinois there is in a subaccount where there's \$272,000

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1 being collected from those ratepayers each year, correct?

2 A. That's correct.

3 Q. Do you know whether this Commission, the
4 Missouri Public Service Commission has been the Public
5 Service Commission that made the determination that that
6 was an appropriate amount of decommissioning funds to be
7 collected from Illinois ratepayers?

8 A. I'm not aware the Missouri Commission made
9 that determination, no.

10 MR. FITZHENRY: Thank you. That's all the
11 questions I have.

12 I want to make one comment to the judge.
13 This reference to Mr. Birdsong's testimony, of course, is
14 new and apparently was quite new to the witness. I don't
15 know that we will want to supplement our case in some way
16 responding to that testimony, but I want to put you on
17 notice that we want to at least look at it and at the
18 appropriate time we can bring it to your attention.

19 JUDGE THOMPSON: Very well. I am on
20 notice. Thank you, Mr. Fitzhenry.

21 Mr. Dottheim?

22 REDIRECT EXAMINATION BY MR. DOTTHEIM:

23 Q. Mr. Meyer, I wanted to ask you a question
24 concerning a cross-examination question or two from
25 Mr. Fitzhenry this morning. I think he asked you whether

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1 the funding amount has increased for each triennial review
2 from the decommissioning trust fund. Do you recall that?

3 MR. FITZHENRY: Your Honor, I must have
4 misunderstood your earlier explanation about the protocol
5 here. I thought that counsel's right now to ask questions
6 of his witness came about from questions from the Bench,
7 from the Commissioners and my recross

8 Now, I didn't understand it to be --

9 JUDGE THOMPSON: This is the only
10 opportunity at redirect that he has, and so it covers the
11 original round of cross-examination and also questions
12 from the Bench and recross based on questions from the
13 Bench.

14 MR. FITZHENRY: I stand corrected

15 JUDGE THOMPSON: That's quite all right.
16 Please proceed, Mr. Dottheim.

17 THE WITNESS: Could you repeat the
18 question?

19 BY MR. DOTTHEIM:

20 Q. Yes. I believe that Mr. Fitzhenry this
21 morning asked you a question or two regarding whether the
22 funding amount has increased for each triennial review of
23 the decommissioning trust fund. Do you recall that?

24 A. The way I recall the question was whether
25 the cost to decommission, but if it was as you say, then I

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1 misspoke. The cost to decommission Callaway has not
2 changed since the, I believe, EO-91-300 case.

3 Q. Is that the cost to decommission Callaway
4 or is that the funding amount?

5 A. The funding amount of 6.2 million for
6 Missouri has not changed since EO-91-300. The cost to
7 decommission Callaway has increased in each triennial
8 review.

9 MR. DOTTHEIM: Thank you. I have no
10 further questions.

11 JUDGE THOMPSON: Thank you, Mr. Dottheim.

12 You may step down, Mr. Meyer. We're going
13 to see you back later, are we not?

14 THE WITNESS: I'm sure.

15 JUDGE THOMPSON: I think so, so I won't
16 excuse you.

17 Mr. Nelson? Good afternoon, Mr. Nelson.
18 Please raise your right hand.

19 (Witness sworn.)

20 JUDGE THOMPSON: Please state your name and
21 spell your last name for the record.

22 THE WITNESS: Craig D. Nelson, N-e-l-s-o-n.

23 JUDGE THOMPSON: You may inquire.

24 MR. RAYBUCK: Thank you, Judge and members
25 of the Commission. Good afternoon. My name is Joseph

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1 Raybuck. I'm one of the attorneys representing AmerenUE.
2 CRAIG NELSON testified as follows:

3 DIRECT EXAMINATION BY MR. RAYBUCK:

4 Q. Mr. Nelson, would you indicate what your
5 position is, please, and by whom you are employed?

6 A. The vice president of corporate planning
7 for Ameren Services Company.

8 Q. And you have a document in front of you
9 which is labeled your direct testimony, and let me
10 determine the exhibit number. I believe it's Exhibit
11 No. 5. Do you have a document that's been marked as
12 Exhibit No. 5 which is entitled the direct testimony of
13 Craig D. Nelson?

14 A. Yes, I do.

15 Q. And this is a document consisting of
16 13 pages of testimony and 4 schedules; is that correct?

17 A. That's correct.

18 Q. Do you have any changes or corrections to
19 make to your direct testimony?

20 A. None.

21 Q. You also have in front of you a document
22 which has been marked as Exhibit No. 6, and this is
23 designated as your surrebuttal testimony; is that correct?

24 A. Yes.

25 Q. And Exhibit No. 6, your surrebuttal

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1 consists of 25 pages of testimony and one schedule; is
2 that correct?

3 A. Correct.

4 Q. Do you have any changes or corrections to
5 make to your surrebuttal testimony?

6 A. Yes, two changes, please.

7 Q. Would you indicate what those are, please?

8 A. Yes, on page 9, line 11, I mention the
9 Gasconade Electric Cooperative. Please delete Gasconade,
10 replace it with the word Gascosage, G-a-s-c-o-s-a-g-e.

11 Q. Thank you. And did you have another
12 correction?

13 A. Yes. On page 10, line 15, I talk about a
14 20-year time frame, referring to Mr. Voytas' study. It
15 was actually a 25-year time frame.

16 Q. And what line was that again, please?

17 A. Line 15, page 10; delete 20, replace it
18 with 25.

19 Q. With those corrections, if I were to ask
20 you the questions set forth in your direct and your
21 surrebuttal testimonies, would your answers be the same as
22 contained therein?

23 A. Yes.

24 MR. RAYBUCK: Your Honor, I move to admit
25 into the record Exhibit Nos. 5 and 6.

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1 JUDGE THOMPSON: Very well. Do I hear any
2 objections to the receipt of Exhibits 5 or 6?

3 (No response.)

4 JUDGE THOMPSON: Hearing no objections,
5 Exhibits 5 and 6 are received and made a part of the
6 record of this proceeding.

7 (EXHIBIT NOS. 5 AND 6 WERE RECEIVED INTO
8 EVIDENCE.)

9 MR. RAYBUCK: Thank you, your Honor, and I
10 would tender Mr. Nelson for cross-examination.

11 I'd like to make one observation for your
12 benefit. Mr. Nelson is the lead company spokesman for
13 this transaction. He's also, as you may have noted, the
14 only policy witness for this case. In Mr. Lowery's
15 opening statement, he referred you to a summary of the
16 company's position and the benefits that we see. I would
17 encourage you to direct whatever questions you might have
18 with regard to that summary to Mr. Nelson, as he is the
19 company's lead spokesman.

20 For example, Mr. Coffman referred to the --
21 took issue with the 26 percent savings figure in our
22 summary, and Mr. Nelson would be -- and to some extent
23 Mr. Voytas also would be the best persons qualified to
24 answer any questions you might have about that.

25 JUDGE THOMPSON: Thank you, Mr. Raybuck.

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1 Mr. Dottheim?
2 MR. DOTTHEIM: Yes, I have
3 cross-examination.
4 CROSS-EXAMINATION BY MR. DOTTHEIM:
5 Q. God afternoon, Mr. Nelson.
6 A. Good afternoon.
7 Q. I'd like to direct you to page 1, line 11
8 of your direct testimony where you state, do you not, that
9 you are vice president corporate planning of Ameren
10 Services Company?
11 A. Correct.
12 Q. And at again on page 1, lines 13 to 18 of
13 your direct testimony you describe, do you not, Ameren
14 Services?
15 A. Yes.
16 Q. Would you please identify whether you
17 provide work for any of the following Ameren Corporation
18 operating companies. AmerenUE?
19 A. Yes.
20 Q. AmerenCIPS?
21 A. Yes.
22 Q. Ameren Cilcorp?
23 A. Yes.
24 Q. What is the nature of your work for those
25 operating companies?

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1 A. Resource planning is one example.
2 Strategic planning is another example.

3 Q. Any other examples?

4 A. I'm sure there are. Corporate analysis,
5 testifying before regulatory agencies would be another.
6 That's some of four examples anyway.

7 Q. Would you please identify whether you
8 provide work for any of the following Ameren Corporation
9 subsidiaries. Ameren Energy?

10 A. Yes.

11 Q. Ameren Energy Resources?

12 A. Yes.

13 Q. Ameren Energy Marketing?

14 A. Yes.

15 Q. Ameren Energy Generating?

16 A. Yes.

17 Q. Ameren Energy Fuels and Services?

18 A. Yes.

19 Q. Ameren Services?

20 A. Yes.

21 Q. Cilcorp Energy Services?

22 A. Yes, but on a very limited basis.

23 Q. Have I missed any of the Ameren Corporate
24 subsidiaries for which you provide work?

25 A. Yes.

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1 Q. Would you please identify them?

2 A. I don't have the chart in front of me, but
3 there are more than you mention. In my position, I
4 provide services to almost all of them.

5 Q. And the nature of that work, is it as you
6 previously identified regarding the operating companies?

7 A. Yes. Corporate analysis, resource
8 planning, strategic planning and so on. Another example
9 is corporate development.

10 Q. I'd like to direct you to page 4, line 16
11 to 18 of your direct testimony that's been marked
12 Exhibit 5. You state, do you not, that AmerenUE is
13 currently seeking approval from the FERC to purchase
14 Genco's Kinmundy and Pinckneyville stations?

15 A. That's correct.

16 Q. Can those units be transferred to AmerenUE
17 without the Metro East transfer being approved by the
18 Missouri Commission?

19 A. Yes, they could.

20 Q. In your direct testimony Exhibit 5, I'd
21 like to direct you to page 22.

22 A. Page 22 of the direct testimony?

23 Q. Excuse me. It's your surrebuttal
24 testimony, which is Exhibit 6. I apologize. And in
25 particular lines 12 to 14. You state therein, do you not,

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1 that the transfer of the Pinckneyville and Kinmundy
2 plants, which is supported by the Commission itself in
3 terms of its being consistent with the stipulation in
4 EC-2002-1, do you not?

5 A. I see it. Did you ask me a question?

6 Q. Well, how has the Commission supplied --
7 supported -- excuse me -- the transfer of the
8 Pinckneyville and Kinmundy plants?

9 A. In a couple of ways that come to mind. In
10 the Stipulation & Agreement that was approved by this
11 Commission, the company agreed to add 700 megawatts of
12 company-owned generation, and so I think that in itself is
13 responsive to your question. And then there have been a
14 couple of letters by the Chairman of the Commission in
15 specific support of the transaction that were sent to the
16 Chairman of the FERC.

17 Q. Those letters to which you refer, do you
18 recall whether there's any indication in the letters that
19 the Missouri Commission has not made any predetermination
20 for ratemaking purposes, such as to any prudence
21 determination?

22 A. Yes, I do recall.

23 Q. And what did the letters indicate as far as
24 that?

25 A. That this Commission has not predetermined

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1 for ratemaking.

2 Q. I'd like to refer you back to your direct
3 testimony, Exhibit 5, page 5, lines 1 and 2.

4 MR. RAYBUCK: I'm sorry. What page?

5 MR. DOTTHEIM: Page 5, lines 1 and 2.

6 BY MR. DOTTHEIM:

7 Q. You state, do you not, that the Missouri
8 Commission approved the JDA, in the UE/CIPSCO, Inc.
9 merger case, and in the case where the AmerenCIPS
10 generating assets were transferred to the Ameren Genco, do
11 you not?

12 A. Yeah. That's a paraphrase of what I said,
13 yes.

14 Q. Can you identify in what document the
15 Commission approved in the UE/CIPSCO merger case the JDA?

16 A. Yes, I think I can. Shall I do so?

17 Q. Yes, please.

18 A. It's actually -- it's difficult to find
19 directly in the CIPSCO merger case, but it is very
20 explicit, and the Genco order where the Commission itself
21 says they did approve it, and I can read you the pertinent
22 paragraph. The paragraph I'm going to read from deals
23 with the transfer of our generating assets from CIPS to
24 Genco. It's Case No. EA-2000-37. There's a finding
25 section and the Commission order.

1 In the Findings of Fact section on page 10
2 it starts, and then at page 11 -- this is from the
3 Commission order itself in the findings of fact -- it
4 says, Genco will succeed to all rights and obligations of
5 AmerenCIPS under the Joint Dispatch Agreement, previously
6 approved by this Commission, and it had to be referring to
7 its approval in the CIPS-UE merger case, because that's
8 when it was presented.

9 So the Commission itself in its findings
10 said it approved it. That was the basis for my statement
11 in the testimony.

12 Q. Do you know whether the Commission accepted
13 the JDA for ratemaking purposes?

14 A. Not offhand.

15 Q. The present proceeding today it's been
16 referred to by, I believe, Mr. Lowery and myself as the
17 third proceeding where Ameren has sought to -- Missouri
18 Commission authorization for transfer of UE's Illinois
19 retail operations to what is now AmerenCIPS. Would you
20 agree with that?

21 A. Yes, I do.

22 Q. And was the first case in which that
23 authorization was sought in the UE/CIPSCO, Inc. merger
24 case?

25 A. Yes, it was.

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1 Q. Do you have a copy perchance of the
2 company's application in EM-96-149, the UE/CIPSCO, Inc.
3 merger case?

4 A. No, I don't.

5 MR. DOTTHEIM: May I approach the witness?

6 JUDGE THOMPSON: You may.

7 BY MR. DOTTHEIM:

8 Q. Mr. Nelson, if I could direct you to page 7
9 of the company's application in EM-96-149, and I'd like to
10 direct you to the wherefore clause. Starts near the top
11 of the page. And in particular direct you to Section D,
12 and I'd like to ask you if you would read that into the
13 record.

14 A. Section D, authorizing UE to transfer the
15 assets, parens, listed on Schedule A hereto, end paren, to
16 CIPS, which assets generally constitute UE's
17 Illinois-based franchise works or systems as are necessary
18 or useful in the performance of UE's duties to the public
19 within the Illinois service territory with respect to the
20 provision of retail electric and gas service in Illinois,
21 but excluding any of UE's transmission or generating
22 assets located in the state of Illinois.

23 Q. And at the beginning of the wherefore
24 clause, it starts off, wherefore UE respectfully asks that
25 the Commission issue its order?

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1 A. Yes, it does.

2 Q. In the present proceeding, AmerenUE is
3 seeking authorization to transfer transmission assets, is
4 it not?

5 A. Some transmission assets in Illinois, yes,
6 and then there are transmission towers on the Illinois
7 side of the river that UE intends to retain.

8 Q. Could you identify those transmission
9 assets or any of them to transmission lines out of certain
10 generating stations in Illinois, such as Joppa, Venice?

11 A. Yes, there are transmission lines
12 connecting to Venice, and there is at least one
13 transmission line connecting to Joppa.

14 Q. Is there any -- I mentioned Illinois. Is
15 AmerenUE also seeking in the present proceeding
16 authorization to transfer a transmission line regarding
17 the Keokuk Run River plant, 345 page to Keokuk line?

18 A. I'm not sure about that.

19 Q. We had just talked a short while ago about
20 the Pinckneyville and Kinmundy combustion turbine
21 generators, which Ameren is seeking -- or excuse me --
22 that Ameren Energy Generating is seeking to transfer to
23 AmerenUE. Is there a transmission line, an AmerenUE
24 transmission line associated with the Pinckneyville
25 combustion turbine generators?

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1 A. Yes.

2 Q. And would AmerenUE be seeking to transfer
3 that transmission line to --

4 A. AmerenCIPS.

5 Q. -- AmerenCIPS?

6 A. Yes.

7 Q. Thank you. Could you explain why the
8 difference in the applications between the application in
9 EM-96-149, which was filed on November 7, 1995, where the
10 authorization to transfer assets excluded any of UE's
11 transmission assets, but in the presently pending
12 proceeding AmerenUE is seeking authorization to transfer
13 certain transmission assets?

14 A. I can explain why we're proposing to do
15 what we're doing in this proceeding. I don't know why
16 transmission was excluded in the '96 case.

17 Q. Back in the EM-96-149 case, ultimately this
18 Commission did not authorize the transfer of the assets
19 that were sought in the application to CIPS, did it?

20 A. I'm not sure. I thought it was the
21 Illinois Commission that said no and the Missouri
22 Commission said yes, but I could be wrong. I'm not sure
23 what the final order -- what was in the final order.

24 Q. Okay. Well, I was going to ask you next
25 then about -- and you've indicated there was an

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1 application made to the Illinois Commerce Commission, was
2 there not?

3 A. Yes, and I remember the problem there was
4 the power supply agreement from UE to CIPS to serve the
5 load and, yeah, the Illinois Commission had a problem with
6 that, and that's what the stumbling block was in that
7 proceeding.

8 Q. So at the moment you're not clear whether
9 the Missouri Commission authorized the transfer of assets
10 to CIPS that are referred to or in the wherefore clause in
11 EM-96-149?

12 A. No, I'm not absolutely clear.

13 Q. There was a subsequent case, was there not,
14 an EM-2001-233 case, where AmerenUE sought Missouri
15 Commission authorization to sell, transfer and assign
16 certain assets, real estate, leased property, and
17 contractual agreements to CIPS?

18 A. Yes. I don't know the case number, but I
19 know we filed it in October of 2000 and then withdrew the
20 pleading in May 2001. Is that the case you're referring
21 to?

22 Q. Yes, sir. Do you know if the Commission
23 had granted the authority that was sought in the EM-96-149
24 case, whether AmerenUE would have sought a reauthorization
25 of that in the case that we were referring to that was

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1 filed in October of 2000 by AmerenUE before the Missouri
2 Commission?

3 A. One would think we would not have unless
4 the deal changed, the transaction changed.

5 Q. Do you know what are the differences
6 between the authorization, if any, if there are any
7 differences between the authorization that was sought by
8 AmerenUE in that October 2000 filing and the presently
9 pending case before the Commission?

10 A. The October case and this case?

11 Q. The October 2000 case which I've referred
12 to as EM-2001-233.

13 A. Mr. Dottheim, I did not go back and review
14 that, so I'm sure if we talked long enough I'd start
15 recalling things, but I don't remember the details.

16 Q. It's not my goal that we talk long enough
17 that you recall that, not that I have some wish that you
18 not recall it. I'm just not sure how long we'd have to
19 talk.

20 A. Right.

21 Q. Do you recall -- were you involved in any
22 capacity in that case filed in October 2000?

23 A. Absolutely. I'm sure I even filed --
24 almost positive I filed testimony in that case.

25 Q. Do you recall what was the ultimate outcome

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1 of that case?

2 A. Yes, we withdrew the pleading in May 2001,
3 and the Commission issued an Order allowing us to
4 withdraw.

5 Q. Do you recall the reason for the company
6 filing to withdraw that application?

7 A. No. I would have to speculate. I don't
8 remember exactly what it was.

9 Q. And, Mr. Nelson, I'm not going to ask you
10 to speculate. So thank you. Do you recall whether prior
11 to withdrawing the application in that case that there was
12 a Unanimous stipulation and agreement respecting a
13 procedural schedule?

14 A. No, I don't.

15 Q. I think you mentioned about the filing --

16 A. I'm sorry, Mr. Dottheim. I do remember
17 that now. That was part of our reason for withdrawing is
18 that the procedural schedule took us beyond the summer of
19 2001, if I recall, and we needed an answer prior to summer
20 to take care of resource needs.

21 Q. And in talking about the procedural
22 schedule, do you recall whether AmerenUE had agreed to
23 file supplemental direct testimony in that proceeding?

24 A. No, I don't remember that.

25 Q. You don't recall whether AmerenUE filed a

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1 request to hold procedural schedule in abeyance in that
2 proceeding?

3 A. No.

4 Q. I'd like to ask you again -- you've
5 indicated that you may not recall precisely, but I'd like
6 to ask you further about the Ameren filings, if there were
7 Ameren filings before the Illinois Commerce Commission.
8 Was there a subsequent filing by Ameren before the
9 Illinois Commerce Commission subsequent to the UE/CIPSCO
10 merger case to transfer the Illinois electric system and
11 business of AmerenUE to AmerenCIPS?

12 A. Yes. When we made the filing -- if I've
13 got my dates right, when we made this filing in 2000, we
14 did receive permission from the Illinois Commerce
15 Commission allowing us to transfer the electric part of
16 the Metro East territory to CIPS, and then, I don't
17 remember the date, but we withdrew the gas part of that
18 application. And much later, maybe a year or so ago, we
19 filed -- I'm sorry. It may not have been a year ago.
20 When we went ahead with this case, we refiled the gas part
21 of the case with Illinois. That hearing has been marked,
22 heard and taken, and we're awaiting an Order from the
23 Illinois Commission regarding the Metro East transfer.

24 So, again, in summary we have permission
25 from the Illinois Commission to transfer the electric

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1 business, and we're awaiting an order from the gas
2 business.

3 Q. Do you recall why AmerenUE withdrew the
4 filing previously before the Illinois Commerce Commission
5 to transfer the gas properties to AmerenCIPS? I'm talking
6 about in the earlier time frame than the present
7 proceeding that you've mentioned.

8 A. It's the same reason that we withdrew from
9 the Missouri proceedings. That's what I said I could not
10 remember the exact reason.

11 Q. And again, that reason was?

12 A. I said I could not remember the reason.

13 Q. Okay.

14 A. But it was the same reason for both cases,
15 withdrawing in Missouri and withdrawing the gas in
16 Illinois.

17 MR. DOTTHEIM: I'd like to have marked an
18 exhibit at this time, and I think it is Exhibit --

19 JUDGE THOMPSON: 30.

20 MR. DOTTHEIM: -- 30.

21 JUDGE THOMPSON: Yeah.

22 MR. DOTTHEIM: The exhibit is the order of
23 the State of Illinois, Illinois Commerce Commission, dated
24 December 2, 2000, in consolidated cases or dockets 00-0650
25 and 00-0655. May I approach the witness?

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1 JUDGE THOMPSON: You may.
2 (EXHIBIT NO. 30 WAS MARKED FOR
3 IDENTIFICATION BY THE REPORTER.)
4 BY MR. DOTTHEIM:
5 Q. Mr. Nelson, have you had an opportunity to
6 review the document that's been marked as Exhibit 30?
7 A. Very cursory review, yes.
8 Q. Do you recognize that document?
9 A. Yes, I do.
10 Q. Could you identify that document?
11 A. Yes, it's the Order from the Illinois
12 Commerce Commission approving the Metro East transfer, the
13 electric portion of the Metro East transfer.
14 Q. Mr. Nelson, if I might, I'd like to ask you
15 again about some of the AmerenUE generating facilities in
16 Illinois, and in particular start with the Venice
17 generating station. That generating station is not being
18 sought to be transferred to AmerenCIPS, is it?
19 A. That's correct. It stays with AmerenUE.
20 Q. Do you know whether the present available
21 capacity out of that unit is 70 megawatts?
22 A. It's around 100 megawatts. It's not
23 substantial. If I remember, we're adding 330 watts to
24 that station. UE will be adding 330 megawatts.
25 Q. And when will UE be adding the

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1 330 megawatts?

2 A. That will go in service in the fall 2005.

3 Q. Do you know, respecting the Metro East
4 transfer, the pending application, whether AmerenUE will
5 retain ownership of the land on which the Venice, Illinois
6 generating station is sited?

7 A. I don't know exactly whether Ameren owns
8 the land in fee -- AmerenUE owns the land in fee.
9 Assuming that AmerenUE owns the land in fee, it would stay
10 with AmerenUE. None of the generation business is
11 transferring to CIPS.

12 Q. That would include that is -- that which is
13 not transferring is the land on which the generating
14 station is sited?

15 A. Yes.

16 Q. Would that also apply to Joppa?

17 A. Joppa is not owned by AmerenUE. You're
18 talking about Joppa generating plant, right?

19 Q. Yes.

20 A. That plant is owned by Electric Energy,
21 Inc., not AmerenUE.

22 Q. And does Ameren own a portion of Electric
23 Energy, Inc?

24 A. AmerenUE owns 40 percent of the common
25 stock of Electric Energy, Inc.

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1 Q. And is any portion of that generating
2 station being transferred to AmerenCIPS?

3 A. No, none of it is.

4 Q. Is any portion of the -- and again, it's
5 Run River plant, the Keokuk plant, is any of that
6 generating station being sought to be transferred to
7 AmerenCIPS?

8 A. No, it is not.

9 Q. Is the present generating capacity of the
10 units at Joppa available to AmerenUE 450 megawatts?

11 A. Yes, the output from that contract between
12 EE, Inc. and UE is 450 megawatts.

13 Q. Is the present generating capacity of the
14 units at Keokuk Run River plant that's available to UE
15 134 megawatts?

16 A. That sounds right, but Mr. Voytas could
17 better answer that question. I'm not sure.

18 Q. Why is it that -- again, excuse me if
19 you've answered this. We were talking earlier about
20 original filing for transfer of Union Electric facilities
21 business in Illinois to CIPS, in the application in
22 EM-96-149, there was going to be no transfer of the
23 transmission lines, was there?

24 A. That's what the -- that's what we asked for
25 in that application, yes.

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1 Q. And again, sorry, you may have previously
2 answered this question, but the reason for in the
3 presently pending proceeding why transmission lines that
4 we've discussed are being sought to be authorized to
5 transfer to AmerenCIPS, what is the reason for that
6 situation?

7 A. It relates back to the summary that
8 Mr. Lowery talked about. We want a clean break along the
9 river so that AmerenUE is regulated solely in Missouri and
10 anything in Illinois is regulated by Illinois Commerce
11 Commission, and it just makes it much cleaner if all the
12 gas distribution property goes, and there is -- no one can
13 argue then that UE is a regulated utility in Illinois
14 after that transfer.

15 Q. Now presently AmerenUE and AmerenCIPS
16 function as a single control area, do they not?

17 A. Correct.

18 Q. Would you agree that so long as AmerenUE
19 and AmerenCIPS are operated as a single control area,
20 there are no additional transmission charges arising from
21 the transfer of ownership of the transmission assets that
22 are owned in Illinois by AmerenUE pursuant to the Metro
23 East transfer?

24 A. Yes.

25 Q. AmerenUE and AmerenCIPS are presently

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1 charged for transmission costs pursuant to the open access
2 transmission tariff on file at the FERC, the OATT?

3 A. I don't know if I would -- if I could give
4 you -- we're not charged for our own transmission until
5 the MISO goes into being, is my understanding. Mr.
6 Pfeiffer could better answer that question.

7 Q. Okay.

8 A. We do have a single transmission tariff for
9 transmission because we have one control area.

10 Q. And Mr. Pfeiffer would be the person I
11 should ask regarding whether AmerenUE and AmerenCIPS would
12 continue to be charged or would be charged pursuant to the
13 OATT if the Metro East transfer is approved?

14 A. I think the question itself is confusing
15 me, sir, because I don't think we are charged under the
16 OATT --

17 Q. All right.

18 A. -- for service to serve our own retail
19 load.

20 Q. And that is at the present time with Ameren
21 not being -- participating in the Midwest ISO through its
22 contract actual agreement with Grid America?

23 A. Yes.

24 Q. Do you know whether if AmerenUE elects or
25 is otherwise required to split the present single control

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1 area of AmerenUE and AmerenCIPS, whether there would be
2 any additional transmission charges that arise solely from
3 the transfer by AmerenUE to AmerenCIPS of transmission
4 assets?

5 A. Yes, I do. I think as long as both parties
6 are -- continue with the MISO, there would be no
7 additional charge as a result of the transfer.

8 Q. Would you agree that presently Venice,
9 Keokuk, and Joppa, to the extent capacity is available to
10 AmerenUE from Joppa, are network resources to AmerenUE's
11 load?

12 A. Yes, they are.

13 Q. Would you agree that if the Pinckneyville
14 generating plant is transferred to AmerenUE, Ameren Energy
15 Generating, it will be a network resource to serve
16 AmerenUE load?

17 A. Yes, I would.

18 Q. And would you please define the term
19 network resource as it relates to transmission?

20 A. I can define it in terms of generation
21 needed to serve load. Mr. Pfeiffer may have to -- if
22 you're asking something beyond that, I can't.

23 But very simply, UE has load requirements
24 basically mostly from its retail load and then some
25 wholesale load requirements, and Ameren has to designate

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1 generation resources to serve those load requirements.
2 And part of FERC's rules -- I actually sent a letter to
3 Mr. Pfeiffer, who represents the transmission function
4 within Ameren, designating generating plants as resources
5 to serve that network load.

6 Q. Do you know whether the Metro East
7 transfer, if approved, whether that would impact the
8 amount of transmission revenues that are assigned to
9 AmerenUE?

10 A. Assigned from where?

11 Q. Assigned from any transactions.

12 A. I'm not an expert on that, sir.

13 Mr. Pfeiffer, again, could answer that.

14 Q. And Mr. Pfeiffer would be the person I
15 would ask about how transmission revenues are assigned to
16 UE? A. Yes, he would be a good one.

17 Q. Mr. Nelson, did you prepare or have
18 prepared a study of the impacts of the Metro East transfer
19 on UE's revenue requirements?

20 A. Yes. Mr. Voytas prepared that. He and his
21 Staff did.

22 Q. Did he prepare that at your direction?

23 A. Yes.

24 Q. Do you recall a date, even an approximate
25 date, when you might have directed that that study be

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1 prepared?

2 A. Well, I know that we met with Missouri
3 Staff and talked about the Metro East transaction on
4 July 7, 2003, and at that meeting we promised to Missouri
5 Staff and Office of Public Counsel to give them the
6 results of that study. We missed the year-end date and
7 actually gave it to them in January. But somewhere around
8 July 2007 -- 2003. I'm sorry. Somewhere around July of
9 2003, we would have have kicked off the study.

10 Q. I'd like to refer you back to your direct
11 testimony, Exhibit 5, page 11, lines 6 to 8.

12 A. Page 5, 6 to 8, right?

13 Q. Page 11.

14 A. All right. I'm there.

15 Q. Okay. And you state there, do you not,
16 that AmerenCIPS will maintain for some period of time the
17 same Metro East rate schedule for both electric and gas
18 service that were in existence before the transfer?

19 A. Yes.

20 Q. What do you mean by the phrase "for some
21 period of time"?

22 A. Well, I'm talking about retail rates, and
23 for some period of time is -- I don't know the period of
24 time. I do know, however, that we have no plans to change
25 those rates, and if we were to change them, they would

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1 have to go back to the Illinois Commerce Commission to get
2 approval, but there's no plans right now to change the
3 rates.

4 However, there will be a delivery service
5 rate case in Illinois most likely filed in '06 for rates
6 to go into effect. In '07, the rate freeze ends, so they
7 will change at that time, one would think.

8 Q. I'd like to refer you to the asset transfer
9 agreement which is a schedule, Schedule 1 to your prepared
10 direct testimony, Exhibit 5.

11 A. I'm there.

12 Q. And the copy that I have has no date on the
13 first page, which is page 6 of 34. And even on page 1 of
14 34, it says dated as of and it's blank, but it has the
15 year 2004. And if I could direct you to page 34 of 34,
16 there are signature blocks for which at least the copy of,
17 which I believe looks like a file copy, there are no
18 signatures. Is that presently the status of the asset
19 transfer agreement?

20 A. Yes, that's my understanding that we sign
21 it the day of closing.

22 Q. Do you know who will be signing the asset
23 transfer agreement for Union Electric Company?

24 A. No, I don't.

25 Q. Or do you know who would be signing it for

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1 Central Illinois Public Service Company?

2 A. No, I don't.

3 Q. Or who would be signing it for Ameren
4 Corporation?

5 A. Nope. An officer of each of those
6 corporations obviously, but beyond that, I don't know
7 beyond which officers.

8 Q. The asset transfer agreement itself was
9 negotiated among those three parties that are identified
10 on page 34 of 34 of Schedule 1?

11 A. No, I don't think I'd say it was
12 negotiated. I'd say that Ameren Services, in order to
13 effect this reorganization, prepared this for Union
14 Electric and CIPS.

15 Q. You've indicated that Ameren Services
16 prepared the document. Were there representatives, to
17 your knowledge, of the three entities, Union Electric
18 Company, Central Illinois Public Service Company or Ameren
19 Corporation, involved in the preparation of the asset
20 transfer agreement?

21 A. Yes, there have been representatives of all
22 three companies.

23 Q. Can you identify those three?

24 A. For instance, Mr. Steve Sullivan is an
25 officer of all three. So Gary Rainwater's been involved

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1 in discussions of how this would work. He's an officer,
2 Mr. Baxter.

3 Q. And when -- for Mr. Sullivan you indicated
4 he was an officer of all three. Is that also the case
5 with Baxter and Mr. Rainwater?

6 A. Yes.

7 Q. When was the decision made -- if you can
8 identify a date, even approximate date, when the decision
9 was made to attempt to effectuate the answer, the asset
10 transfer that is being requested in this proceeding?

11 A. I can answer that in a couple of ways.
12 Sometime during the first part of 2003, the company
13 decided to take the third run at the Metro East transfer.
14 I don't remember exactly when, but I do have this
15 presentation that we made to Missouri Staff in front of
16 me. So sometime before July 7th we decided to go ahead
17 with it.

18 And also, in answer to your question, my
19 guess is this asset transfer agreement is very similar to
20 the one we proposed in round 2 of this. So it's difficult
21 to answer that directly.

22 Q. And you made reference to the company
23 having made the decisions. When you made reference to
24 company, could you be more specific?

25 A. Yes, I'm talking about our senior team of

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1 officers, Gary Rainwater and his direct reports, the
2 senior vice presidents who report to him.

3 Q. And could you identify those individuals?

4 A. Well, they've changed since then. Do you
5 want me to give you the current list?

6 Q. Yes, if you could.

7 A. From memory, Gary Rainwater, Warner Baxter,
8 Steve Sullivan, Dave White, Tom Voss, Gary Randolph.

9 Q. And do you recall who those individuals
10 were at that prior time when that decision was made?

11 A. Paul Agethan (ph. sp.) would have been in
12 the list. That's the only thing I can think of.

13 Q. I'd like to direct you to your direct
14 testimony, Exhibit 5, page 12, lines 18 to 21.

15 A. Page 12, line 18, right?

16 Q. Yes, 18 to 21. And you mention Mr. Voytas'
17 testimony regarding the least cost alternative, do you
18 not?

19 Q. Yes, I do.

20 Q. Are there any other Ameren witnesses or
21 testimony or evidence that show that the Metro East
22 transfer is the least cost alternative for AmerenUE other
23 than Mr. Voytas' testimony?

24 A. No. I think his is the only testimony that
25 addresses that subject.

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1 Q. And is the Metro East transfer the least
2 cost alternative to service Missouri retail natural gas
3 customers in the future?

4 A. Yes, I think it is.

5 Q. Is there any testimony filed in this
6 proceeding that the Metro East transfer is the least cost
7 alternative to service AmerenUE's Missouri retail natural
8 gas customers in the future?

9 A. No, I don't think there's any testimony
10 directly on point. And I'm sorry. Did you ask me
11 previously about the electric customers? I may have been
12 jumping to an answer before.

13 Q. No, I think I was asking you about natural
14 gas.

15 A. I'm sorry. Then could we go back and do
16 those two questions again, because I was jumping to an
17 answer before -- I apologize.

18 JUDGE THOMPSON: That's quite all right.
19 BY MR. DOTTHEIM:

20 Q. Okay. And what you may be referring to is
21 I asked you a question where I don't think I -- what I was
22 referring to Mr. Voytas' testimony that I specified
23 whether it was for electric operations or gas operations,
24 but Mr. Voytas' testimony addresses the least cost
25 alternative for AmerenUE's electric operations, does it

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1 not?

2 A. Yes, it does.

3 Q. Mr. Voytas' testimony does not address the
4 least cost alternative for AmerenUE's natural gas
5 operations, does it?

6 A. It does not. Mr. Massmann does address
7 some of that, but there is no formal least cost analysis
8 on the gas side.

9 Q. Is there a reason why there is no formal
10 least cost analysis on the gas side?

11 A. Mr. Dottheim, we think this transfer is so
12 obviously in favor of Missouri retail that we didn't think
13 it was necessary.

14 Q. The least cost study that Mr. Voytas
15 prepared for purposes of this proceeding, do you know or
16 recall whether a similar study was prepared for purposes
17 of the first effort to transfer Union Electric's Illinois
18 business to CIPS in EM-96-149?

19 A. I do remember testimony on the subject, but
20 I'm much more familiar with the second effort, because I
21 did sponsor some testimony there. On the first effort, I
22 do remember we talked about the savings related to
23 splitting the jurisdiction along the river. There were no
24 generation savings on the first effort at the merger case
25 because UE was going to supply the generation needs of the

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1 load for CIPS for some extended period of time, and I
2 think the proposal was a 20-year power supply agreement.

3 Q. Was there a least cost study prepared for
4 the natural gas operations of AmerenUE in EM-96-149?

5 A. Not to my recollection. I'm not sure,
6 though.

7 Q. And you mentioned, if I understood you
8 correctly, that your memory is clear for the more recent
9 filing of AmerenUE, which I believe you've identified as
10 in October of 2000, and I indicated I believe the case
11 number is EM-2001-233?

12 A. Yes, it's more clear, thank goodness.

13 Q. And could you identify whether there was a
14 least cost study that was prepared and filed in that
15 proceeding for either electric operations or natural gas
16 operations?

17 A. I submitted testimony on the electric side
18 explaining the benefit to Missouri retail. It was not
19 nearly as comprehensive as Mr. Voytas' study in this case.
20 It was more of a top side analysis. I don't remember any
21 analysis on the gas side.

22 Q. And the top side analysis that you are
23 referring to, did you perform that analysis or did someone
24 perform that analysis for you?

25 A. Half and half. I remember doing quite a

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1 bit of it, but I did retain assistance from Mr. Voytas in
2 this matter.

3 Q. And you've identified it as a top side
4 analysis, not as detailed as the analysis that Mr. Voytas
5 has performed in the present proceeding?

6 A. Correct.

7 Q. Could you identify in some manner the
8 nature of the difference, what you mean by top side?

9 A. Yes. Referring back to Mr. Lowery's
10 exhibit, I focused on the bullet point related to the low
11 cost generation, and I don't remember what the cost per KW
12 was at that time, but right now it's 374 a KW versus 471 a
13 KW for the next cheapest alternative. And in that
14 previous case, I identified the same two amounts, the net
15 book value of the low cost UE generation, compared that to
16 the cost of a peaker, and then I remember doing an annual
17 cost related to that differential, costs related to that
18 differential.

19 Mr. Voytas' analysis takes into
20 consideration all the revenue requirement futures related
21 to generation.

22 Q. And I think these numbers have been
23 identified before, but let me ask you, before the proposed
24 Metro East transfer, approximately how much of Ameren
25 electric business is Missouri retail?

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1 A. About 6 percent.

2 Q. Is Missouri retail --

3 A. I'm sorry. 92 percent Missouri retail.

4 Q. And after the proposed transfer,
5 approximately how much of AmerenUE's electric business is
6 Missouri retail?

7 A. 98 percent. Thank you.

8 Q. Did you have any involvement in the
9 decision that AmerenUE will not continue to contract for
10 405 megawatts from Electric Energy, Inc.'s Joppa unit to
11 serve AmerenUE's load after 2005?

12 A. The form of the question is difficult for
13 me to answer, because it -- it wasn't AmerenUE's decision.
14 In fact, as Mr. Voytas specified in his testimony,
15 AmerenUE has gone out for RFPs for power in 2002 and 2003
16 and EE, Inc. has not bid on it. It's an EE, Inc.
17 decision.

18 Q. Do you know who at EE, Inc. Would make
19 those decisions?

20 A. Yes. The president, chairman, board of
21 directors makes that kind of decision.

22 Q. And could you identify the chairman and
23 board of directors of EE, Inc.

24 A. Well, the current chairman is a gentleman
25 named Allen Kelly. The president is a man named Bob

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1 Powers. I don't know who the other board members are.

2 Q. Is Mr. Kelly also an officer of Ameren
3 Corporation?

4 A. He's the senior vice president of Ameren
5 Energy Generating Company and a vice president of Ameren
6 Energy Resources, both Ameren subsidiaries.

7 Q. And can you identify Mr. Powers? Is he an
8 officer or a director of any of the -- of Ameren
9 Corporation or any of the subsidiaries or affiliates?

10 A. No. He's a vice president at Ameren Energy
11 Generating Company. I don't know if he's an officer of
12 Ameren Energy Resources.

13 Q. And I think you've indicated that the
14 others involved in that decision would be the board of
15 directors of EE, Inc.

16 A. Yes, I would suspect so.

17 Q. And you don't know who those other
18 individuals are?

19 A. Well, yes and no. I think that there is
20 another individual that's on the board, but I'm not
21 positive, but I think it could be Dan Kolb, who's the
22 senior vice president for Ameren Services. But again I'm
23 not positive. I don't know who the other representatives
24 are.

25 Q. Mr. Nelson, have you been involved in

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1 Ameren Corporation's acquisition of electric and natural
2 gas properties in Illinois?

3 A. Yes, I have.

4 Q. Could you identify what role you have
5 played?

6 A. Dual role. I'm a -- I'm on -- in fact, I
7 chair the deal team that analyzes transactions. Then I've
8 also been named the integration head for both Cilco and
9 Illinois power, so I look at deals and then I help
10 integrate them.

11 Q. Are you involve in any of the due
12 diligence?

13 A. Yes, I am.

14 Q. Could you identify what in particular you
15 do in that process?

16 MR. RAYBUCK: Your Honor, I'm going to
17 object at this point as being beyond the scope of
18 Mr. Nelson's testimony and not involving any issue
19 relevant to the Metro East transfer.

20 JUDGE THOMPSON: With respect to your first
21 objection, Missouri administrative procedures have wide
22 open cross-examination and so you're not limited to the
23 scope of direct.

24 As to the second part, Mr. Dottheim, would
25 you like to respond to that?

1 MR. DOTTHEIM: Yes, I would. I think the
2 company, and earlier this afternoon Mr. Raybuck has touted
3 that -- that Mr. Nelson was here as the policy witness for
4 AmerenUE on this application. I previously indicated that
5 the Staff views the transaction as an affiliated
6 transaction, and the purpose of my inquiry is to inquire
7 as to what due diligence experience Mr. Nelson may have or
8 participated in and whether that has figured in, in any
9 manner respecting the asset transfer agreement.

10 MR. RAYBUCK: Your Honor, I certainly stand
11 by what I said about Mr. Nelson being the policy witness.
12 With respect to this transaction, and in particular with
13 respect to the summary as described by Mr. Lowery in the
14 opening statement, Mr. Dottheim's question makes the
15 assumption that due diligence is a relevant issue in this
16 case, and I don't believe there's been any showing that
17 that is an appropriate issue.

18 He's assuming due diligence is essential to
19 the Metro East transfer. I don't believe that's a
20 reasonable assumption to make here. In addition, there's
21 been no showing as to why due diligence would be proper
22 for this transaction.

23 MR. DOTTHEIM: The Staff has asserted that
24 the Commission's affiliate transaction rules apply, and I
25 think AmerenUE has indicated in its application and wise

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1 that if the Commission believes that the affiliate
2 transaction rules do apply, AmerenUE is seeking a
3 variance, a waiver from the Commission's affiliate
4 transactions rulings.

5 JUDGE THOMPSON: Okay.

6 MR. RAYBUCK: Just one final observation to
7 follow up on what Mr. Dottheim said. I don't think we
8 have any dispute about this, as to the impact of the --
9 well, with respect to the impact of the affiliate
10 transaction rules. We have stipulated, we have indicated
11 that in our view a fair market value is not an appropriate
12 issue for this transaction. And so any inquiry as to
13 other transactions for which fair value would be
14 appropriate characterization is a mixture of apples and
15 oranges. So I continue to believe there's no showing of
16 relevance here.

17 JUDGE THOMPSON: First of all, the
18 question -- and, Kellene, would you read it back?

19 I think it was not limited to this
20 transaction; is that correct?

21 MR. DOTTHEIM: Correct. Excuse me. As I
22 recall it. I don't know if you were asking me, Judge.

23 JUDGE THOMPSON: It was something along the
24 lines of have you been involved in any due diligence?

25 MR. DOTTHEIM: Yes. At least that's my

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1 recollection.

2 JUDGE THOMPSON: And with respect to the
3 affiliate transaction rules -- and I don't have that in
4 front of me and I'm not familiar with them, but do they
5 refer in any way to due diligence?

6 MR. DOTTHEIM: They refer as far as pricing
7 is concerned and transactions in the best interests of
8 customers, ratepayers, transactions.

9 JUDGE THOMPSON: Well, I'll tell you what.
10 I'm going to sustain the objection at this point. Now, if
11 you are able to elicit some testimony that will then
12 provide a link to this area so that it becomes more
13 apparent that it has some relevance, then we can revisit
14 it, but for right now I will sustain the objection.

15 BY MR. DOTTHEIM:

16 Q. Mr. Nelson, can you identify how many
17 AmerenUE Illinois electric customers will be transferred
18 to AmerenCIPS if the proposed Metro East transfer is
19 authorized?

20 A. Not without looking.

21 I'm sorry, Mr. Dottheim. I don't see it.
22 I think it's in my testimony or someone's testimony.

23 Q. I realize your answer may be the same, but
24 can you identify how many AmerenUE Illinois natural gas
25 customers would be transferred to AmerenCIPS if the

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1 proposed Metro East transfer is authorized?

2 A. I'm sure I can if I scour the application
3 and my testimony, but I don't know what it is offhand.

4 Q. But it is your recollection that it is in
5 testimony or the application itself?

6 A. I'm very confident that it is. I'm very
7 hopeful it is.

8 MR. RAYBUCK: Do you want me to help
9 expedite this?

10 MR. DOTTHEIM: Yes. That would be
11 beneficial.

12 MR. RAYBUCK: At page 12 of Mr. Nelson's
13 direct, line 7, he indicates there are approximately
14 18,000 customers that UE currently serves in Illinois.
15 And also on page 3 of his direct testimony, at line 19, it
16 indicates 18,000 gas customers and approximately 16,000
17 electric customers served by UE in Illinois.

18 JUDGE THOMPSON: Thank you.

19 BY MR. DOTTHEIM:

20 Q. Mr. Nelson, I'd like to refer you to your
21 surrebuttal testimony, which is Exhibit 6, page 3, line 24
22 to 25.

23 A. I'm there.

24 Q. Your statement that -- well, you state
25 there, do you not, that future and uncertain ratemaking

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1 consequences are not properly an issue in this case, do
2 you not?

3 A. Yes, I do.

4 Q. Can you identify what is the source of your
5 statement, on what you base that statement?

6 A. Discussions with counsel and review of
7 certain cases, for example, the Gascosage Electric case,
8 EO-2002-178 before this Commission, Kansas City Power &
9 Light case, EM-2001-464, and education by counsel. There
10 may be more cases than that, but those are two I have with
11 me.

12 Q. You've referenced those cases. Can you
13 provide an explanation as to why that statement on
14 lines 24 to 25 are based -- are relevant to those two
15 cases that you've identified?

16 A. If I may, I could go through the Gascosage
17 Electric Coop case and just --

18 Q. So you would just go through the -- when
19 you say the case, are you referring to -- excuse me --
20 the --

21 A. Commission's order in that case.

22 Q. Thank you.

23 A. The -- for instance, in the Findings of
24 Fact section of the Order -- by the way, this is a
25 January 24th, 2002 decision of the Commission. The

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1 Missouri Commission said it considered all the competent
2 and substantial evidence in the case, and then they said
3 the Commission said the standard for approval for this
4 transfer of assets is the not detrimental to the public
5 interest standard. And then in the ordering paragraph at
6 the end, nothing in this order is a finding by the
7 Commission the value for ratemaking purposes of assets
8 here involved. Then the Commission reserves the right to
9 consider any ratemaking treatment herein involved in later
10 proceedings.

11 It was that type of statement by the
12 Commission in these two cases and others that led me to
13 write what I wrote.

14 Q. And when you said these two cases, the
15 other case you identify was a Kansas City Power & Light
16 case?

17 A. Yes.

18 Q. Can you identify in particular or with more
19 particularly that Kansas City Power & Light case?

20 A. I thought I did, but I'll be happy to do it
21 again. Case No. EM-2001-464.

22 Q. Do you know whether that was a case
23 respecting the reorganization of Kansas City Power & Light
24 into a public utility holding company?

25 A. Yes, I do. That's what it was. And again,

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1 the Commission talked about the not detrimental to the
2 public standard. The property owner should be able to
3 transfer its property as long as it's not detrimental to
4 the public.

5 Q. I'd like to direct you again on page 3 of
6 your surrebuttal testimony, line 25, to page 4 line 3,
7 where you state, do you not, that the issue in this case
8 is whether the Metro East transfer is detrimental to the
9 public, meaning whether the transfer will negatively
10 impact UE's ability to provide reliable, safe and adequate
11 service to the public in Missouri?

12 A. I see it.

13 Q. And you make that statement, do you not?

14 A. Yes, I do.

15 Q. Are you the source of that statement, or is
16 there some other source for the statement that you make on
17 those pages?

18 A. As I said, when I began answering these
19 questions, it's a combination of my review of these cases
20 and education from company counsel. As I'm glancing
21 through my highlights, I don't see those records in these
22 two cases. Not saying that they're not there, but --

23 Q. And again, the two cases you're referring
24 to are the Gascosage and the Kansas City Power & Light
25 case?

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1 A. Yes, sir.

2 Q. I'd like to refer you to page 6 of your
3 surrebuttal testimony, lines 15 to 16, where you state, do
4 you not, that certainly the Staff factored in
5 Dr. Proctor's recommendation when concluding what would be
6 a fair and reasonable settlement. You state that, do you
7 not?

8 A. Yes, I do.

9 Q. On what do you base that statement?

10 A. Based on a review of Dr. Proctor's explicit
11 testimony where he talked about the -- this was in the
12 complaint case I'm referring to, as a way of background --
13 that Dr. Proctor had certain complaints about how the
14 JDA worked and even identified specific numbers. Clearly
15 in my mind that was a factor in the settlement of the
16 overall case. It was on the table. It was an issue on
17 the table that was resolved.

18 Q. Is there anything on which you base that
19 statement other than that you've just identified?

20 A. Solely on his testimony, yes.

21 Q. Did you attempt to verify that statement in
22 any manner other than read his testimony?

23 A. Other than reading his testimony and the
24 signed Stip & Agreement and the Commission Order, no,
25 that's the extent of it.

1 Q. Is there anything in the signed
2 Stipulation & Agreement and the Commission Order that
3 states that the Staff factored in Dr. Proctor's
4 recommendation when concluding what would be a fair and
5 reasonable settlement?

6 A. I don't remember anything.

7 Q. I'd like to direct you to page 7, lines 1
8 to 2 of your surrebuttal testimony where you state, do you
9 not, that the company does not believe that this is the
10 appropriate case for proposing such adjustments. You
11 state that, do you not?

12 A. Yes, I do. Yes, I did state it.

13 Q. Mr. Nelson, the company has indicated that
14 it would adopt or accept one of the Staff's
15 recommendations regarding the JDA, the Joint Dispatch
16 Agreement for purposes of this case. Am I correct?

17 A. That's correct.

18 Q. Are there any other items that AmerenUE
19 might accept in the Staff's case for -- at some point
20 later stage in these proceedings?

21 A. I guess you'll have to be more specific,
22 sir, as to what case you're talking about.

23 Q. This case, the presently pending case.

24 A. I'm sure it's in the realm of possibility
25 we could accept other Staff suggestions, yes, but without

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1 knowing what they are, it's really hard to say yes or no.

2 Q. All I'm referring to is what the Staff
3 recommendations are that have been filed.

4 A. Oh, filed.

5 Q. I'm sorry. That have been filed in this
6 proceeding. Nothing that the Staff would suggest that has
7 not already been filed in prepared rebuttal or cross-
8 surrebuttal testimony.

9 A. I guess I'd have to ask you to be more
10 specific. Yes, it's possible the company could accept
11 something Staff filed. Without going through each one,
12 I -- it's difficult for me to answer.

13 JUDGE THOMPSON: At this time,
14 Mr. Dottheim, we're going to recess for today. We will
15 return tomorrow at nine o'clock. You'll still be on the
16 stand and you may finish your cross-examination at that
17 time.

18 Now that we've gotten rolling and we don't
19 have agenda tomorrow, we should be able to move much more
20 expeditiously. I apologize for the delays that we had
21 today. I will expect counsel to be available after breaks
22 promptly so that we can resume as necessary. Thank you
23 very much. We are adjourned.

24 WHEREUPON, the hearing of this case was
25 recessed until March 26, 2004.

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