

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
3  
4  
5 TRANSCRIPT OF PROCEEDINGS  
6 Hearing  
7 April 2, 2004  
8 Jefferson City, Missouri  
9 Volume 13

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

22  
23 KEVIN A. THOMPSON, Presiding,  
24 DEPUTY CHIEF REGULATORY LAW JUDGE.

25  
26 STEVE GAW, Chairman,  
27 CONNIE MURRAY,  
28 COMMISSIONERS.

29  
30 REPORTED BY:  
31  
32 KELLENE K. FEDDERSEN, CSR, RPR, CCR  
33 MIDWEST LITIGATION SERVICES  
34  
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1 P R O C E E D I N G S

2 JUDGE THOMPSON: I think the next witness  
3 is Mr. Kind, so without further ado -- I see looks of  
4 shock and amazement out there.

5 MR. DOTTHEIM: I think the next witness is  
6 Dr. Proctor before Mr. Kind.

7 JUDGE THOMPSON: So it is. I apologize.

8 Dr. Proctor, I know Chairman Gaw has  
9 questions for you because he told me he did, but he ain't  
10 here, so we'll just have to hold you in the bullpen  
11 until --

12 THE WITNESS: I think I have to go up again  
13 on another issue.

14 JUDGE THOMPSON: You've been up there  
15 before, right?

16 THE WITNESS: Yes, I have been.

17 JUDGE THOMPSON: I remind you you're still  
18 under oath, and your testimony, I think, has already been  
19 admitted. I have to redo my entire cheat sheet here now.  
20 Okay.

21 Ameren, who's going to be examining for  
22 Ameren?

23 MR. HENNEN: Your Honor, I am.

24 JUDGE THOMPSON: Mr. Hennen.

25 MR. HENNEN: Yes. Should I begin, your

1 Honor?

2 JUDGE THOMPSON: You may inquire.

3 MICHAEL PROCTOR testified as follows:

4 CROSS-EXAMINATION BY MR. HENNEN:

5 Q. Good morning, Dr. Proctor.

6 A. Good morning.

7 Q. I believe we're to discuss transmission

8 issues this morning?

9 A. That's correct.

10 Q. I'll ask a few questions about those. On

11 pages 17 and 18 of your rebuttal testimony, you state that

12 today AmerenUE and AmerenCIPS currently operate the

13 respective transmission systems to a single control area?

14 A. Correct.

15 Q. You go on to state the reason AmerenUE and

16 CIPS operate their transmission systems as a single

17 control area is to increase the efficiency of the joint

18 dispatch process, correct?

19 A. Correct.

20 Q. And generally speaking, the joint dispatch

21 process allows Ameren to dispatch the AmerenUE Generating

22 plants and the Ameren Energy Generating plants based on

23 economic merit?

24 A. Correct.

25 Q. And this means that it's unlikely that the

1 amount of AmerenUE generation online at any given time  
2 will precisely match the AmerenUE bundled retail load,  
3 correct?

4 A. That's correct.

5 Q. And the amount of Ameren Energy generation  
6 online at any given time is not likely to match the  
7 AmerenCIPS load?

8 A. The Ameren AEG generation?

9 Q. Yes.

10 A. That's correct.

11 Q. So the joint dispatch process, energy is  
12 regularly provided by AmerenUE plants to serve AmerenCIPS  
13 load, and energy is regularly provided by Ameren Energy  
14 Generating plants to serve AmerenUE load, correct?

15 A. Correct.

16 Q. And you would agree that the generating  
17 assets that are part of this joint dispatch process you  
18 referred to in your testimony include all the Ameren  
19 Energy Generating and AmerenUE generation stations except  
20 for one Ameren Energy Generating plant located in Elgin,  
21 Illinois; is that correct?

22 A. I don't think I stated that in my  
23 testimony. The Elgin, Illinois plant is?

24 Q. Is in Elgin, Illinois. It's an Ameren  
25 Energy Generating plant?

1           A.       I'm not familiar with that.

2           Q.       You're not familiar with that. But are all  
3 the other plants, as far as you know, included in the  
4 joint dispatch process?

5           A.       I thought they all were, yes.

6           Q.       You also state in your rebuttal testimony  
7 that because AmerenUE and AmerenCIPS operate their  
8 transmission systems as one control area, there are no  
9 transmission charges applied to energy that is supplied  
10 from AmerenUE's generators to serve AmerenCIPS load,  
11 correct?

12          A.       Would you state that again?

13          Q.       Sure. Sure. You also state in your  
14 rebuttal testimony that because AmerenUE and AmerenCIPS  
15 operate their transmission systems as one control area,  
16 there are no transmission charges applied to energy that  
17 is supplied from AmerenUE's generators to serve AmerenCIPS  
18 load?

19          A.       Correct.

20          Q.       Nor is there a transmission charge applied  
21 to energy supplied from Ameren Energy Generating plants to  
22 serve AmerenUE load, correct?

23          A.       That's correct.

24          Q.       And you're not aware of any instance where  
25 a transmission charge was, in fact, assessed for energy



1 transferred from AmerenUE to AmerenCIPS or from Ameren  
2 Energy Generating to AmerenUE, are you?

3 A. I am not.

4 Q. And you're not aware of any cost associated  
5 with the ownership or operation of the AmerenCIPS  
6 transmission system that have been included in the cost of  
7 service used for developing AmerenUE's bundled retail  
8 rate, are you?

9 A. My understanding is that only AmerenUE  
10 generation -- or transmission assets are included in the  
11 determination of the transmission component of the bundled  
12 retail rates in Missouri.

13 Q. You would agree that only one of Ameren  
14 Energy Generating plants is connected directly to the  
15 AmerenUE system, correct?

16 A. Say that again.

17 Q. Only one of Ameren Energy Generating's  
18 plants is connected directly to the AmerenUE transmission  
19 system?

20 A. That would be the plant.

21 Q. Pinckneyville plant?

22 A. Maybe I've got it backward. I thought you  
23 were asking about AEG plants connected to AmerenUE.

24 Q. That's correct.

25 A. Okay. And I thought you were referring to

1 the combustion turbines in Columbia, but there may be not  
2 directly connected, and so Pinckneyville would be the  
3 other -- currently Pinckneyville.

4 Q. I think Pinckneyville is the only one  
5 that's connected.

6 A. Right.

7 Q. And you would agree that none of the  
8 AmerenUE generating stations are connected directly to the  
9 AmerenCIPS transmission system, correct?

10 A. I'm not sure about that.

11 Q. But they certainly are all -- all of the  
12 AmerenUE generating plants are connected to the AmerenUE  
13 transmission system?

14 A. There is a connection to the -- direct  
15 connection to the AmerenUE transmission system, correct.

16 Q. Presuming, if you will, that, in fact, none  
17 of the AmerenUE generating stations are connected directly  
18 to the AmerenCIPS transmission system, when these AmerenUE  
19 stations have provided energy to AmerenCIPS, there was no  
20 transmission charge assessed to this energy transfer,  
21 correct?

22 A. Correct.

23 Q. So today prior to the property transfer  
24 contemplated in this proceeding, you would agree that  
25 Ameren Energy Generating plants do not need to be directly

1 connected to the AmerenUE transmission system to provide  
2 energy to AmerenUE load without incurring a transmission  
3 charge, correct?

4 A. I agree.

5 Q. And you would also agree that it's not  
6 necessary for AmerenUE's generating stations to be  
7 connected to AmerenCIPS' transmission system to provide  
8 energy to AmerenCIPS without incurring a transmission  
9 charge, correct?

10 A. I agree.

11 Q. And the reason that there are no additional  
12 transmission charges for these energy transfers is because  
13 all the generators that the energy comes from are located  
14 in the single AmerenUE and AmerenCIPS control area,  
15 correct?

16 A. Correct.

17 Q. If the transfer of transmission assets from  
18 AmerenUE to AmerenCIPS is approved in this case, this will  
19 not cause any of AmerenUE's generation assets to fall  
20 outside of the single AmerenUE/AmerenCIPS control area,  
21 will it?

22 A. I don't believe that it will.

23 Q. You go on to state in your testimony on  
24 page 18 and 19 that you are not aware of any intention  
25 that AmerenUE or AmerenCIPS has to split the control area;

1 is that correct?

2 A. That's correct.

3 Q. So if AmerenUE and AmerenCIPS do not split  
4 the control area, which I think you have testified is  
5 their intention, and the AmerenUE transmission assets in  
6 Illinois are transferred to AmerenCIPS, as requested in  
7 this proceeding, we'd have to agree in light of your  
8 answers -- in light of the answers you have provided to  
9 the previous questions that AmerenUE will not incur any  
10 additional transmission charges to supply energy to  
11 AmerenUE load from any AmerenUE generating stations that  
12 are no longer directly connected to the AmerenUE  
13 transmission system as a result of the property transfer,  
14 correct?

15 A. I would add one other condition to what you  
16 have set out. I mean, being a single control area is one  
17 condition, but as long as the transmission portion of the  
18 Joint Dispatch Agreement doesn't change as well.

19 Q. What are you referring to in the Joint  
20 Dispatch Agreement in regard to transmission?

21 A. Section 7 of the Joint Dispatch Agreement  
22 discusses transmission charges and the allocation of  
23 transmission revenues among the various parties.

24 Q. And the transmission charges referred to in  
25 that document are for off-system sales, are they not?

1           A.       No. They're for native load. They are for  
2 point-to-point transactions and for non-firm transactions.

3           Q.       And what -- what aspect of the Joint  
4 Dispatch Agreement regarding native load is addressed in  
5 the Joint Dispatch Agreement?

6           A.       The Joint Dispatch Agreement talks about a  
7 revenue pool that comes from -- from all sources of  
8 revenue. Now, I'm -- I'm assuming that from that, they  
9 include native load or they include network load, is what  
10 they call it, that there's some imputation made for  
11 AmerenUE.

12          Q.       But there's nothing in the Joint Dispatch  
13 Agreement that requires a transmission charge to be  
14 assessed, correct?

15          A.       That's correct, and the Joint Dispatch  
16 Agreement exists today.

17          Q.       Right.

18          A.       I'm concerned about -- I'm concerned about  
19 changes that might occur.

20          Q.       And you're not aware of the company's  
21 intention to change that provision?

22          A.       I'm not aware of the company's intention to  
23 change that provision. But I am aware that we're in a  
24 whole process of talking about changes in the Joint  
25 Dispatch Agreement, and I am concerned that that

1 provision's going to come to play in any renegotiated  
2 agreement.

3 Q. You're not aware of any intentions of the  
4 company at this time?

5 A. I don't know what the company's intentions  
6 are at this time. I'm just concerned about possibilities.

7 Q. Sure. Let's assume that Ameren is now a  
8 member of the Midwest ISO through its arrangement with  
9 Grid America. Let's further assume that the property  
10 transfer has been approved in this proceeding.

11 Isn't it true that the transmission rate  
12 that AmerenUE bundled retail load will pay to purchase  
13 energy supplied from any generator located within the  
14 Midwest ISO will be the same?

15 A. That's correct. It's based on a license  
16 plate rate that MISO has set in its tariff.

17 Q. And won't that rate be the transmission  
18 component contained in the bundled retail rate established  
19 by this Commission?

20 A. Per the agreement that has been approved by  
21 FERC, that's true.

22 Q. You guessed my next question. The reason  
23 the bundled retail rate approved by this Commission would  
24 apply to the service agreement that AmerenUE entered into  
25 with the Midwest ISO as a result of the stipulation and

1 agreement reached by the parties in Case No. E0-2003-0271,  
2 which was recently heard by this Commission, correct?

3 A. Correct.

4 Q. And that stipulation and agreement reached  
5 in Case No. E0-2003-0217 was recently approved subject to  
6 certain conditions by this Commission, correct?

7 A. Correct.

8 MR. HENNEN: At this time, your Honor, I  
9 would like to mark an exhibit if I could.

10 JUDGE THOMPSON: Very well.  
11 Let's see. It looks like we're up to  
12 No. 61.

13 (EXHIBIT NO. 61 WAS MARKED FOR  
14 IDENTIFICATION BY THE REPORTER.)

15 MR. HENNEN: Your Honor, at this time I  
16 would move that Exhibit 61 be admitted into the record.

17 JUDGE THOMPSON: Okay. Do I hear any  
18 objection to the receipt of Exhibit 61?

19 MR. DOTTHEIM: No objection.

20 JUDGE THOMPSON: Very well. The same is  
21 received and made a part of the record in this proceeding.

22 (EXHIBIT NO. 61 WAS RECEIVED INTO  
23 EVIDENCE.)

24 BY MR. HENNEN:

25 Q. The approval provided by the Commission in

1 Case No. E0-2003-0271 was conditioned on the Federal  
2 Energy Regulatory Commission approving the service  
3 agreement between AmerenUE and the Midwest ISO without  
4 modification, correct?

5 A. Correct.

6 Q. And March 25th of this year, the Federal  
7 Energy Regulatory Commission issued an Order accepting the  
8 service agreement as filed, didn't they?

9 A. They did.

10 MR. HENNEN: At this time your Honor, I'd  
11 like to have another exhibit marked if I could.

12 JUDGE THOMPSON: Great. This will be 62.  
13 (EXHIBIT NO. 62 WAS MARKED FOR  
14 IDENTIFICATION BY THE REPORTER.)

15 JUDGE THOMPSON: While we're talking about  
16 exhibits, is this Exhibit 59 that I see draped up here  
17 over the Bench, the remaining part of Union Electric's  
18 10-K?

19 MR. DOTTHEIM: Yes, that is correct.

20 JUDGE THOMPSON: Thank you.

21 MR. DOTTHEIM: Judge, it's the actual  
22 total, so it should contain the portion also already  
23 distributed.

24 JUDGE THOMPSON: That's all of it.

25 MR. DOTTHEIM: To my understanding, that's



1 a complete set.

2 JUDGE THOMPSON: Very good. Thank you.

3 This is a FERC decision you're handing out,

4 right?

5 MR. HENNEN: That's correct, your Honor.

6 JUDGE THOMPSON: ER-04-571-000?

7 MR. HENNEN: That's correct, your Honor.

8 At this time, your Honor, I'd move that Exhibit 62 be

9 admitted into evidence.

10 JUDGE THOMPSON: Any objection to the

11 receipt of Exhibit 62?

12 MR. DOTTHEIM: No objection.

13 JUDGE THOMPSON: The same is received and

14 made a part of the record in this proceeding.

15 (EXHIBIT NO. 62 WAS RECEIVED INTO

16 EVIDENCE.)

17 BY MR. HENNEN:

18 Q. As a result of the Order I just handed to

19 you, Dr. Proctor, isn't it fair to say that, provided the

20 parties to the Missouri Public Service Commission Case

21 No. E0-2003-0271 agree that the order issued by FERC is

22 acceptable, that the most likely scenario going forward

23 for AmerenUE and AmerenCIPS is that they would be a member

24 of the Midwest ISO through a contractual arrangement with

25 Grid America?

1           A.       Yes.

2           Q.       And they'll operate a single control area  
3       within the Midwest ISO?

4           A.       They will either operate a single control  
5       area or there is a lot of discussion occurring now about  
6       going to a single control area in the entire Midwest ISO  
7       footprint.

8           Q.       And the approval is a five-year approval?

9           A.       That's correct.

10          Q.       So for at least the next five years, we're  
11       potentially looking at that sort of arrangement?

12          A.       That's correct.

13          Q.       Are you familiar with the service  
14       agreement?

15          A.       Yes.

16          Q.       Are you familiar with the Stipulation &  
17       Agreement as well?

18          A.       Yes.

19          Q.       Have you read the service agreement?

20          A.       Yes, I have.

21          Q.       And you certainly have read the  
22       Stipulation & Agreement, too, haven't you?

23          A.       I have.

24          Q.       You agree that nothing in the service  
25       agreement conditionally approved by this Commission and

1     accepted by the Federal Energy Regulatory Commission  
2     requires AmerenUE and AmerenCIPS to operate their  
3     respective transmission systems as a single control area,  
4     correct?

5             A.       There's no requirement for them to operate  
6     as a single control area?

7             Q.       That's the question.

8             A.       I don't recall any provision that required  
9     that.

10            Q.       There's nothing in the Stipulation &  
11    Agreement that would require that either, is there?

12            A.       Not to my knowledge.

13            Q.       So let's assume that sometime in the future  
14    AmerenUE and AmerenCIPS split their transmission systems  
15    into separate control areas within the Midwest ISO.

16            A.       Okay.

17            Q.       The service agreement between the Midwest  
18    ISO and AmerenUE would continue to be applicable, wouldn't  
19    it?

20            A.       It would.

21            Q.       And separating the AmerenCIPS and AmerenUE  
22    transmission systems into separate control areas would not  
23    require either AmerenUE or AmerenCIPS to leave the Midwest  
24    ISO, would it?

25            A.       It would not.

1           Q.       And provided AmerenUE remains a participant  
2   in the ISO and the service agreement is still applicable  
3   to the transmission rate applicable to AmerenUE's bundled  
4   retail load for energy delivered from -- start over.  
5   Strike that.

6                   And provided that Ameren remains a  
7   participant in the Midwest ISO and the service agreement  
8   is still applicable, the transmission rate applicable to  
9   AmerenUE's bundled retail load for energy delivered from  
10  generation anywhere in the Midwest ISO would be the same,  
11  wouldn't it?

12          A.       Yes, it would be determined by the Missouri  
13  Commission.

14          Q.       And that rate would be the transmission  
15  component contained in the bundled retail rate set by this  
16  Commission?

17          A.       That's correct.

18          Q.       And the rate the AmerenUE bundled retail  
19  load will pay to receive energy from generators connected  
20  directly to the AmerenUE transmission system is the same  
21  rate that the AmerenUE bundled retail load will pay to  
22  receive energy from generation connected to AmerenCIPS'  
23  transmission system, correct?

24          A.       As long as there are no other changes in  
25  the Joint Dispatch Agreement, yes.

1 Q. And the service agreement?

2 A. And the service agreement, yeah.

3 Q. Let's consider one other scenario. Let's

4 assume that some point in the future the Commission

5 decides that AmerenUE's participation in the Midwest ISO

6 is not working out.

7 A. Yes.

8 Q. And the Missouri Commission orders

9 AmerenUE out of the Midwest ISO. So AmerenUE splits --

10 excuse me. Ameren splits the transmission systems of

11 AmerenUE and AmerenCIPS so that AmerenUE is now out of the

12 Midwest ISO and AmerenCIPS is still in. Okay?

13 A. Okay.

14 Q. Now, if that were the case and the property

15 transfer had been approved, AmerenUE's Venice plant,

16 Keokuk plant and potentially the Kinmundy and

17 Pinckneyville plants will no longer be connected to the

18 AmerenUE transmission system, and the plants will be

19 located in the Midwest ISO, while AmerenUE's bundled

20 retail load will be outside of the MISO, correct?

21 A. Correct.

22 Q. And your concern with this situation would

23 be that AmerenUE could have to pay an out of MISO or

24 Midwest ISO transmission charge in order to receive energy

25 from these plants, correct?

1           A.       Something along that line.  Some kind of  
2   export charge to MISO for having access to those plants as  
3   network resources.

4                   MR. HENNEN:  Your Honor, I'd like to mark  
5   an exhibit if I could.

6                   JUDGE THOMPSON:  Absolutely.  Should be 63.  
7                   (EXHIBIT NO. 63 WAS MARKED FOR  
8   IDENTIFICATION BY THE REPORTER.)

9                   MR. HENNEN:  Your Honor, at this time I'd  
10   move that Exhibit 63, I believe it is, be admitted into  
11   evidence.

12                  JUDGE THOMPSON:  Objections?

13                  MR. DOTTHEIM:  No objection.

14                  JUDGE THOMPSON:  The exhibit's received.  
15                  (EXHIBIT NO. 63 WAS RECEIVED INTO  
16   EVIDENCE.)

17   BY MR. HENNEN:

18           Q.       Dr. Proctor, the exhibit I just handed to  
19   you is a recent Order issued by the Federal Energy  
20   Regulatory Commission, which I believe will help us  
21   understand the possibility of Midwest ISO assessing an out  
22   rate on energy transfer supplied from Ameren plants in the  
23   Midwest ISO to the AmerenUE bundled retail load outside  
24   the Midwest ISO in the future.  Are you familiar with this  
25   Order?

1           A.       Actually, I'm not, but that's --

2           Q.       So you're not familiar with this proceeding

3           that was held before the Federal Energy Regulatory

4           Commission?

5           A.       No, I'm not.

6           Q.       Okay. So it's safe to say you have not

7           read this Order issued by the FERC?

8           A.       I have not read this Order.

9           Q.       If I could direct you to paragraph 2 of the

10          Order I just handed to you. Doesn't the Order say, in

11          earlier orders in this proceeding the Commission ordered

12          the elimination of regional through and out rates between

13          the PGM and the Midwest ISO regions effective April 1st,

14          2004 and also found unjust and unreasonable through and

15          out rates of individual public utilities that had not yet

16          become members of PGM or the Midwest ISO effective

17          April 1, 2004; is that correct?

18                   MR. MICHEEL: Your Honor, I'm going to

19          object to this line of questioning in regards to what this

20          Order means or says. Dr. Proctor has said he's unfamiliar

21          with the Order and he hasn't read the Order.

22                   MR. DOTTHEIM: Same objection from --

23                   JUDGE THOMPSON: Sustained. Please

24          proceed.

25          BY MR. HENNEN:

1           Q.       Dr. Proctor, if the Federal Energy  
2   Regulatory Commission were to issue an Order that  
3   effectively eliminates the through and out rates that the  
4   Midwest ISO could assess to energy that exits the Midwest  
5   ISO and sinks into the control area operated by AmerenUE,  
6   would that alleviate any concerns that you have regarding  
7   the impact that the property transfer in this proceeding  
8   could have on transmission rates under the scenario I've  
9   handed you?

10          A.       No.   And let me explain.   The through and  
11   out rate is just one component of potential cost.  
12   AmerenUE would still be subject to or could still possibly  
13   be subject to congestion charges those plants to meet  
14   their -- to use those plants to meet their load.   What a  
15   rate entitles you to at this point, if you pay a rate, you  
16   have firm transmission service and you're entitled to an  
17   allocation of financial transmission rates that will hedge  
18   you against those congestion costs.

19                 My concern is if we had the kind of  
20   separation that you described, it's not clear -- it's just  
21   not clear to me what situation those plants would be in.  
22   Would they -- would they be subject to congestion charges  
23   from the Midwest ISO?   If they weren't paying a rate on  
24   it, would they be allowed to get an allocation of those  
25   FTRs, even though they weren't paying the Midwest ISO a



1 rate for transmission?

2                   Those are the kind of concerns that I --

3 that still remain even if they didn't have to pay in this

4 case an out rate to the Midwest ISO.

5           Q.       So if I understand you correctly, your

6 concern is with regard to congestion charges. You're not

7 concerned with whether or not they'll be actually able to

8 charge a rate for the transmission service to receive the

9 energy from the plants located still within the Midwest

10 ISO?

11           A.       Let me -- let me --

12           Q.       Is that correct?

13           A.       No. Let me kind of correct that. In --

14 paying of a rate is -- in part gives you or entitles you

15 to an allocation of FTRs. Okay. Another way you can

16 obtain FTRs -- I'm sorry -- financial transmission

17 rates -- is to buy them in an auction. Okay. Now, I'm

18 not sure I distinguish in my mind whether I paid the rate

19 and got the FTRs or I paid the price in the auction and

20 got the FTRs.

21                   So in the Midwest ISO day two market in my

22 mind it's all about what financial transmission rates you

23 have. And I would be concerned under the scenario that

24 you discuss that some kind of charges would be levied on

25 these plants that are in the Midwest ISO footprint but are

1 not connected to AmerenUE, whether they be transmission  
2 charges to get the FTRs, charges that AmerenUE incurs in  
3 an auction because they need to buy the FTRs to hedge  
4 themselves against congestion costs.

5 I guess I agree that it's all related to  
6 congestion, but that's just a part of what the day two  
7 market is in MISO.

8 Q. Are you required to obtain FTRs?

9 A. No.

10 Q. But you're still required to pay a  
11 transmission rate, are you not?

12 A. That's correct.

13 Q. So the statement you made that you weren't  
14 sure whether the transmission rate was paying for FTRs or  
15 paying the auction is incorrect?

16 A. That's correct. If you pay the  
17 transmission rate, you're entitled to receive an  
18 allocation of FTRs, subject to the rules. You may not get  
19 them all, but you -- it gives you an entitlement to  
20 receive an allocation of those. If you don't pay a  
21 transmission rate, then you would have to go to an auction  
22 to buy them.

23 Q. But there's nothing in the Midwest ISO  
24 rules that prohibits someone from acquiring FTRs that does  
25 not pay a rate to Midwest ISO, correct?

1           A.       That's absolutely correct.

2           Q.       So again, if AmerenUE is outside of the  
3   Midwest ISO and the FERC issued an Order eliminating the  
4   ability of Midwest ISO to assess a through and out rate on  
5   energy that sinks in AmerenUE's control area, will  
6   AmerenUE be required to pay a transmission rate to Midwest  
7   ISO to see energy from the plants located in the Midwest  
8   ISO?

9                   MR. DOTTHEIM:  Objection.  is that a  
10   hypothetical, Mr. Hennen, that you're asking Dr. Proctor?

11                  MR. HENNEN:  I'm sorry.  Yes, it is.

12                  THE WITNESS:  If the FERC eliminates  
13   through and out rates and the elimination of the through  
14   and out rate -- this is complicated.  Elimination of a  
15   through and out rate means you're not going to have to pay  
16   a rate on a specific charge. Okay.  But there may be an  
17   export fee that's uplifted.  FERC will allow that.

18                  In other words, if regions are not in  
19   balance, because -- because when you eliminate that, that  
20   rate, it has an impact on the revenues in one region, and  
21   if they're not in balance, FERC may allow an export  
22   charge.  And I don't know how that export charge is going  
23   to get levied, whether it would be levied specifically on  
24   AmerenUE.  I mean, we don't know, or whether it's going to  
25   be uplifted to everyone.

1                   If AmerenUE pulls out of the Midwest ISO,  
2   does not join another ISO and is a single control area  
3   or -- excuse me -- an isolated control area, I'm not sure  
4   how that's going to work, but like I said, I think it's --  
5   I think it's more complex than simply to say that we're  
6   going to eliminate an out rate.

7           Q.       Wouldn't you agree, Dr. Proctor, that ever  
8   since FERC issued Order No. 2000, it's been clear that its  
9   objectives for creating RTOs to eliminate pancake  
10   transmission rates?

11          A.       I would agree with that statement, yes.

12          Q.       And if energy leaving the Midwest ISO were  
13   assessed a transmission rate to sink in AmerenUE, which is  
14   outside of the Midwest ISO, wouldn't that be a pancake  
15   rate?

16          A.       Would it be a pancake rate?

17          Q.       Yes.

18          A.       Yes.

19          Q.       So if FERC has issued an Order or issues  
20   an -- if FERC's order that I referred to before eliminates  
21   those rates, then MISO could not assess a rate against  
22   that export, correct?

23          A.       MISO could not, that's correct.

24          Q.       And if, in fact, FERC eliminates the  
25   through and out rates of AmerenUE and AmerenCIPS and the

1 Midwest ISO and PGM, isn't it true, Dr. Proctor, that the  
2 transmission revenues that AmerenUE and AmerenCIPS  
3 currently receive from third-party users of its  
4 transmission system will be drastically reduced?

5 A. Go through that again.

6 Q. Sure.

7 A. I'm sorry.

8 Q. If FERC eliminates the through and out  
9 rates of AmerenUE and AmerenCIPS, PGM and the Midwest ISO,  
10 isn't it true that the third-party transmission revenues  
11 that AmerenUE and AmerenCIPS currently receive from these  
12 third-party use of the transmission system will be  
13 drastically reduced?

14 MR. DOTTHEIM: Mr. Hennen, will you clarify  
15 what you mean by drastically reduced?

16 BY MR. HENNEN:

17 Q. The amount of third-party revenue will  
18 decline significantly by millions of dollars?

19 A. I would assume that all OATT revenues from  
20 third parties directly to Ameren would go away, and that  
21 what would substitute for that is some allocation of  
22 revenues per the Midwest ISO tariff.

23 Q. Are you familiar with any allocation of the  
24 Midwest ISO tariff that --

25 A. Now you're pushing my memory back. I

1 believe transmission revenues are allocated based upon the  
2 load located within the zone, because -- and that's  
3 probably not a very good description of it, but --

4 Q. And I may help you with some hypotheticals.  
5 Let's say that a generator located within the combined  
6 AmerenUE/AmerenCIPS control area sells energy today, not  
7 in the MISO, today to a load located in Synergy, which is  
8 in Indiana.

9 A. Yes.

10 Q. Wouldn't that generator have to pay an out  
11 of Ameren rate?

12 A. Yes, it would.

13 Q. And wouldn't Ameren get all those  
14 transmission revenues?

15 A. Yes, it would.

16 Q. Now, if Ameren is in the Midwest ISO and  
17 that same transaction were to take place, Ameren wouldn't  
18 receive any transmission revenues, would it?

19 A. That's correct.

20 Q. And wouldn't that be a reduction in its  
21 transmission revenues?

22 A. Yes, it would.

23 Q. And all similar transactions in that vein  
24 would also not require or would not produce revenues for  
25 the -- for Ameren operating companies; is that correct?

1           A.       Yes. Well, all out transactions and  
2 through transactions as well.

3           Q.       So as a result of that, the third-party  
4 transmission revenues should go down?

5           A.       Yes.

6                   MR. HENNEN: Thank you. Your Honor, I have  
7 no further questions.

8                   JUDGE THOMPSON: Thank you, Mr. Hennen.  
9 Mr. Coffman. Excuse me. Mr. Micheel?

10           MR. MICHEEL: No questions.

11           JUDGE THOMPSON: Bless you.

12           MR. MICHEEL: I'm saving them up.

13           JUDGE THOMPSON: Okay. That's good. All  
14 right.

15                   I'm going to ask you some questions,  
16 Dr. Proctor.

17 QUESTIONS BY JUDGE THOMPSON:

18           Q.       I know you have formerly been a professor,  
19 and so you have had some somewhat slow students in your  
20 class from time to time.

21           A.       I'm sure.

22           Q.       I know you can tell me about these things  
23 in words that even I can understand.

24                   Now, is it my understanding that you're  
25 appearing here in order to tell us about some detriments

1     that you foresee in the event that this transaction is  
2     approved?

3             A.       Potential detriments and deficiencies.

4             Q.       Okay.  First let's start with the  
5     deficiencies, because that's a new term and I want to make  
6     sure I understand what you mean by that.  What do you mean  
7     when you say deficiencies?

8             A.       Well, in my rebuttal testimony I pointed  
9     out the fact that with this transfer there would be  
10    significant changes in ownership of transmission and that  
11    nowhere in AmerenUE's filing did they provide what the  
12    impact on AmerenUE rates would be, revenue requirements  
13    would be from this.

14            You have a change in rate base, you have a  
15    change in expenses, and you have a change in transmission  
16    revenues, and that appears nowhere in AmerenUE's  
17    documentation of the economics of this transfer.  And the  
18    Staff considers that to be an enormous deficiency in the  
19    study that was filed by the company.

20            Q.       Okay.  So let me make sure I understand.  
21    This transfer, if approved, will involve a significant  
22    change in rate base expenses and revenues?

23            A.       Correct.

24            Q.       And it is not, in your opinion, analyzed in  
25    UE's filings?



1           A.       That's correct.

2           Q.       Now, when you say it's not analyzed, do you  
3 mean it's not analyzed sufficiently or that it's just not  
4 analyzed at all?

5           A.       It was not included at all.

6           Q.       Okay. Now, are these changes in rate base  
7 expenses and revenues, are these changes that are going to  
8 affect Missouri ratepayers?

9           A.       Yes, they will.

10          Q.       Okay. Are there other deficiencies?

11          A.       In the transmission area, that is the  
12 deficiency, the only deficiency.

13          Q.       Okay. And I know you're here to talk about  
14 several different areas, aren't you?

15          A.       That's correct.

16          Q.       You are also here to talk about the  
17 JDA, right?

18          A.       That's correct.

19          Q.       Are there any deficiencies with respect to  
20 the JDA?

21          A.       No.

22          Q.       There are not. Okay. What else are you  
23 here to talk about, least cost analysis?

24          A.       That's correct.

25          Q.       And are there deficiencies with respect to

1 the least cost analysis?

2 A. Yes, there are.

3 Q. And we can get to them later in the day.

4 A. Correct.

5 Q. Very good. Now, what about potential

6 detriments to the public interest?

7 A. Most of the cross-examination today focused

8 on the potential detriment, which is under different

9 scenarios. A change in the JDA, for example, AmerenUE

10 potentially could incur a decrease in transmission service

11 from the plants located in Illinois, or could potentially,

12 in order to maintain that transmission service, have to

13 pay additional transmission charges.

14 Q. Now, do I understand that there are Ameren

15 generating units that are located in Illinois?

16 A. Correct.

17 Q. And by that I mean AmerenUE generating

18 units.

19 A. Yes, AmerenUE generating units located in

20 Illinois.

21 Q. Okay. And what are those units?

22 A. The ones located in Illinois currently are

23 the Joppa plant and the Venice plant.

24 Q. Joppa and Venice?

25 A. Right.

1 Q. What about Pinckneyville?

2 A. Pinckneyville is currently not an AmerenUE  
3 generating unit. It -- the company has submitted an  
4 application to transfer that before the FERC, and has an  
5 initial decision on it, but we're awaiting that to  
6 determine whether that would be --

7 Q. So Pinckneyville is not yet a UE generating  
8 unit?

9 A. That's correct.

10 Q. And UE would like it to be?

11 A. Yes. Right. And Kinmundy is also in that  
12 category.

13 Q. Which one?

14 A. K-I-N-M-U-N-D-Y.

15 Q. So Kinmundy and Pinckneyville are in the  
16 category of not UE yet but maybe?

17 A. Maybe, and located in Illinois.

18 Q. And they're also located in Illinois.  
19 Okay.

20 A. The last plant is -- is the Keokuk plant,  
21 which is actually located in the very southeast portion of  
22 Iowa.

23 Q. Okay.

24 A. Currently it is connected by a UE-owned  
25 transmission line to -- that is in -- that is in Illinois.

1 Q. Okay.

2 A. So it is also one of the plants that we're

3 concerned about, because that transmission line would be

4 transferred under the -- under the proposed transfer

5 agreement.

6 Q. Okay. So we're talking here about five

7 different plants?

8 A. That's correct.

9 Q. Now Keokuk, is that currently a Union

10 Electric plant?

11 A. Yes, it is.

12 Q. Serving Missouri load?

13 A. Yes, it does.

14 Q. And so the power generated -- help me with

15 this. The power generated in Keokuk, Iowa goes to

16 Illinois, and then eventually back to Missouri?

17 A. There is -- there is a -- power flows where

18 power flows, but contractual --

19 Q. The transmission --

20 A. Contractually, that would be correct.

21 Q. Excuse me?

22 A. On a contractual path, that would be

23 correct. On a physical path, power goes wherever it goes.

24 Q. So on a physical path, we don't know where

25 it goes?

1           A.       That's correct.

2           Q.       All right. All right. Now, with Joppa and  
3 Venice that are located in Illinois, what is the story on  
4 the transmission lines that serve those two plants?

5           A.       Well, currently they are connected to  
6 transmission lines that are owned by AmerenUE.

7           Q.       And are they going to continue to be owned  
8 by AmerenUE?

9           A.       No. Those transmission lines would be  
10 transferred to AmerenCIPS under the transfer, proposed  
11 transfer.

12          Q.       Okay. And is that part of your concern,  
13 then?

14          A.       Yes. That's also true of Pinckneyville, by  
15 the way.

16          Q.       I was just going to get to there.

17          A.       Okay.

18          Q.       That's the next line in my chart here. So  
19 what about Kinmundy and Pinckneyville? Those are served  
20 by transmission lines that will be transferred?

21          A.       Pinckneyville is, is connected to an  
22 AmerenUE line that will be transferred. Kinmundy is not.

23          Q.       Okay. What is Kinmundy attached to?

24          A.       AmerenCIPS transmission.

25          Q.       To a CIPS line?

1           A.       That's correct.

2           Q.       So in other words, Kinmundy is already in  
3 the situation that Pinckneyville will be in?

4           A.       That's correct.

5           Q.       Is that right? Okay.

6                   And finally, we already talked about  
7 Keokuk. That's connected to a transmission line that runs  
8 into Illinois and will be transferred?

9           A.       That's correct.

10          Q.       Is there no way to run a line directly from  
11 Missouri to Keokuk, Iowa?

12          A.       I'm sure there is, but that's not the way  
13 the transmission system is connected at this point.

14          Q.       That's not the way it is at this point. As  
15 far as you know, there are no plans to change it?

16          A.       That's correct.

17          Q.       Okay. Well, why does the transfer of  
18 ownership of these lines, why does that pose potential  
19 detriment?

20          A.       It poses a potential detriment in the  
21 sense -- in various scenarios that the Staff thought about  
22 and worked through.

23          Q.       In other words, there's, like, a range of  
24 possible future outcomes and in some of them this is a bad  
25 thing?

1           A.       That's correct.

2           Q.       Okay.  What if the transfer didn't take  
3 place and some of those scenarios came to be?

4           A.       I guess where we're at is that would not  
5 pose the same level of concern, because those plants are  
6 electrically connected to the AmerenUE transmission system  
7 and could continue to be designated as what are called  
8 network resources.  That is by the -- that's a  
9 transmission term.  Network resource is a -- is a  
10 generation plant that you are assured of having firm  
11 transmission from that plant to meet your native load.

12          Q.       Okay.

13          A.       Now, there's always -- there can always  
14 occur conditions when firm transmission gets interrupted,  
15 but --

16          Q.       I understand.

17          A.       But --

18          Q.       So if these UE plants in Illinois are  
19 connected to UE-owned transmission lines that run through  
20 Illinois and come eventually I guess to Missouri, we would  
21 nonetheless consider them to be network resources because,  
22 barring an act of God, their production is available to  
23 serve UE's native load in Missouri; is that correct?

24          A.       That's correct.

25          Q.       Is that what I'm understanding?  Okay.

1                   Whereas, if the transmission lines are  
2   owned by someone else, then the availability of this  
3   generation is less certain?

4           A.       It's less certain under various scenarios.

5           Q.       Because the owner of the transmission could  
6   just refuse to cooperate; is that it?

7           A.       Well, not so much that the owner would  
8   refuse to cooperate. It's under what conditions the owner  
9   might impose in order to cooperate.

10          Q.       Okay. For example, the owner -- the owner  
11   could hold Missouri ratepayers hostage and demand an  
12   outrageous transmission fee?

13          A.       They could.

14          Q.       Okay.

15          A.       That's possible.

16          Q.       Is it likely?

17          A.       An outrageous fee, no, I don't think it's  
18   likely.

19          Q.       Okay. What I'm trying to understand when  
20   we talk about detriments, what I really need to know is  
21   how likely is the detriment, what is the magnitude of the  
22   detriment, and that's what I'm trying to assess here. I'm  
23   trying to understand what is this potential detriment, how  
24   likely is it, and what is the magnitude, what is the scope  
25   of the effect?



1                   I mean, if everybody in St. Louis is going  
2   to be without power for an extended period of time, that's  
3   a large magnitude effect, right? But if everybody in  
4   St. Louis is going to pay 3 cents more a month for power,  
5   that's a small effect. I'm trying to understand  
6   magnitude.

7           A.       Right. The impacts that we are thinking  
8   about or that I think about are primarily economic.  
9   They're financial. They're -- no one's going to allow  
10   St. Louis to black out because of this.

11          Q.       So we're not talking about an interruption  
12   in transmission. We're just talking about paying more for  
13   the power?

14          A.       That's correct.

15          Q.       And how -- in your worst scenario, your  
16   worst-case scenario of the several that you tell me Staff  
17   has worked through, what is the financial effect?

18          A.       I would put it as twofold. And one is that  
19   they might have to pay a transmission rate in order to  
20   have these resources be network resources.

21          Q.       Okay. And how much are we talking about?

22          A.       It could be fairly significant. I have not  
23   estimated it, but if you -- if AmerenUE's -- if we take  
24   its transmission rate as an example, it's about a dollar a  
25   kilowatt per month.

1 Q. Okay.

2 A. And if you take the capacities of all these

3 units and add them together and get the kilowatts and

4 multiply that by, I guess, \$12 per year, that would give

5 you some estimate of what the potential costs are,

6 potential detriment would be.

7 Q. Okay. \$12 per kilowatt per year?

8 A. Yes.

9 Q. And how many kilowatts are we dealing with,

10 one?

11 A. No.

12 Q. A million? I'm a lawyer. I have no clue.

13 A. Let me take a minute. About a million

14 kilowatts.

15 Q. So we're talking about maybe in the worst

16 case an additional \$12 million per year?

17 A. Yes.

18 Q. Okay. Great. And how many Ameren electric

19 ratepayers are there in Missouri?

20 A. I don't know.

21 Q. You don't know. Okay. Do you think

22 there's as many as a million?

23 A. I really am not familiar with that

24 statistic.

25 Q. Okay. Very well. But nonetheless, this

1     \$12 million a year would be divided over 12 bills per year  
2     over however many thousands or millions or whatever number  
3     there is of Ameren bill payers, right?

4             A.       That's correct.

5             Q.       Okay.  So the effect on the typical  
6     residential electric customer of AmerenUE may not be  
7     great, would you agree?

8             A.       I haven't made the calculation, so --

9             Q.       You really -- you just don't know?

10            A.       12 million relative to their total revenue  
11     requirement is relatively small, so I would say it would  
12     be a small impact per customer.

13            Q.       Okay.  Let me ask you this:  Do you have a  
14     ballpark idea of what Union Electric's annual revenue  
15     requirement is?

16            A.       I believe it's over a billion dollars, but  
17     I don't know.

18            Q.       We had a case on this recently, didn't we?

19            A.       Right.

20            Q.       The UE 2001 case, EC?

21            A.       Right.

22            Q.       Okay.

23            A.       It's just not one of the numbers that I  
24     remember from that case.

25            Q.       I understand.  But you believe it's large

1 in comparison to the \$12 million figure?

2 A. Yes.

3 Q. Okay. Very good. And I don't mean to

4 imply that \$12 million is an insignificant number, but I'm

5 trying to gauge impact in terms of what is this going to

6 do to somebody who's paying a bill every month?

7 A. Correct. And, Judge, I just want to be

8 clear. I've made these calculations very quickly here,

9 and I may have made some mistakes.

10 Q. I understand.

11 A. And if I do, I --

12 Q. You'll tell me?

13 A. I'll let you know.

14 Q. I appreciate that.

15 Okay. Are there any other detriments that

16 you want to tell me about? What about with respect to the

17 JDA, is the detriment there the thing that we talked about

18 yesterday where Missouri may not get its fair share, if

19 that's the right phrase, of the revenues from off-system

20 sales?

21 A. There are actually two detriments --

22 Q. Okay.

23 A. -- in the JDA related to the transfer.

24 Q. Okay.

25 A. And I want to separate that from anything

1    else.  The one that was discussed yesterday is a detriment  
2    that when -- because the current profits from off-system  
3    sales are allocated based on load, when you -- when you  
4    move the load over to CIPS, the profits go with it and yet  
5    the generation does not change.  There's no change in  
6    generation and there's a loss of profits, and so we  
7    believe that is a detriment.

8                   The other detriment is that AmerenUE will  
9    now have to potentially and will serve the Ameren Illinois  
10   customers from its generation, and will have to serve  
11   those customers at just incremental cost and will not be  
12   able to take that power and sell it into the market.

13           Q.       Okay.  So that's the second detriment?

14           A.       That's the second detriment.

15           Q.       The lack of access to the market --

16           A.       No.

17           Q.       -- would be a good summary of that?

18           A.       It is the having to commit under the JDA to  
19   sell that power to CIPS to serve Illinois customers, which  
20   then prevents it from selling that power into the market.

21           Q.       Oh, I see.  It's like a lost opportunity?

22           A.       It's a lost opportunity, very good.

23           Q.       They could have made a lot of money off  
24   this?

25           A.       That's correct.

1           Q.       But when you say that, then you're saying  
2   that operating as a single control area is a bad thing?  
3           A.       No, I'm saying --  
4           Q.       Isn't this part and parcel of operating as  
5   a single control area?  
6           A.       No.  
7           Q.       Okay.  
8           A.       It is part and parcel of the Joint Dispatch  
9   Agreement.  
10          Q.       But isn't the Joint Dispatch Agreement what  
11   binds them together in a single control area?  
12          A.       No.  
13          Q.       What is?  
14          A.       They -- when they submitted their Joint  
15   Dispatch Agreement proposal at FERC, they got approval --  
16   well, actually FERC mandated that they operate their  
17   system -- transmission system as a single control area.  
18   They would have had to do that whether they had a Joint  
19   Dispatch Agreement or not.  
20          Q.       Okay. So the JDA has nothing to do with  
21   that?  
22          A.       The J -- I would say this, that -- that it  
23   would be very difficult to implement a JDA without a  
24   single control area. You could operate a single control  
25   area without a Joint Dispatch Agreement.

1           Q.       Okay. Let me ask you this: When Union  
2   Electric entered into this JDA, did they receive approval  
3   from this Commission?

4           A.       They did not -- they received approval for  
5   the merger with CIPS, and the Joint Dispatch Agreement was  
6   included as a part of their filing.

7           Q.       So they did receive approval from this  
8   Commission?

9           A.       They received approval for the merger.

10          Q.       So in other words, I guess what I'm asking  
11   you is, hasn't the Commission already considered and  
12   nonetheless approved the JDA, even though there would be  
13   this effect of lost opportunity of off-system sales?

14          A.       Well, let me separate two things, Judge.

15          Q.       Okay.

16          A.       A merger approval approves the merger, but  
17   doesn't necessarily approve ratemaking conditions that may  
18   come out of that merger at a later date. As I recall, in  
19   the -- in the merger approval, there was a condition that  
20   specifically said that there would be no ratemaking  
21   implications, particularly with respect to the Joint  
22   Dispatch Agreement. I'm stretching my memory here a  
23   little bit.

24          Q.       I understand. Nonetheless, the JDA was  
25   part of that merger?

1           A.       It was a part.

2           Q.       And was approved?

3           A.       That's correct.

4           Q.       And if Staff had these concerns, they have

5   been raised at that time?

6           A.       Well, here's the difference. When we get

7   into a rate case and there's ratemaking implications, I

8   will tell you that we do a much more thorough review than

9   in a particular merger case where we're trying to assess

10   the overall benefits of something. So Staff doesn't get

11   into -- if we got into that level of detail, it would take

12   forever for us to go through and analyze a merger

13   proposal.

14                   By the way, that's one of the reasons for

15   the separation.

16           Q.       Meaning the mergers aren't supposed to have

17   ratemaking impact, right?

18           A.       They're not supposed to have -- they're not

19   supposed to be preapproving ratemaking conditions.

20           Q.       Okay. Did this issue come up as part of

21   the overearnings complaint case?

22           A.       Yes, it did.

23           Q.       And was it resolved as part of this case?

24           A.       There was a black box settlement, so

25   everything was resolved.



1           Q.       So it was settled but not fixed?

2           A.       That's correct.

3           Q.       Okay. Now, it seems to me I interrupted

4   you when you were telling me about detriments on the

5   transmission side. You told me that they were twofold and

6   that the first of these was that there might be a

7   requirement to pay a transmission rate, and then we got

8   into that discussion where we got to the annual impact of

9   \$12 million, and I don't think I ever heard what the

10   second part of that was .

11          A.       A second part of the detriment from the

12   transmission?

13          Q.       I thought you had said it was twofold.

14          A.       I don't recall that, Judge.

15          Q.       Okay.

16          A.       I may have.

17          Q.       One fold is fine.

18          A.       One fold's fine.

19          Q.       We'll keep it there. Now, I just have some

20   more questions, if I can find -- we had an exhibit which

21   was that sheet that was going to illustrate Mr. Nelson's

22   first trip up to the box about all the benefits that were

23   going to flow out of this transaction.

24                   MR. LOWERY: I've got a copy, your Honor.

25                   JUDGE THOMPSON: If I could borrow your

1     copy, that would help.  And if somebody could loan  
2     Dr. Proctor a copy.

3                     MR. LOWERY:  Sure.

4                     MR. DOTTHEIM:  I think Dr. Proctor may have  
5     a copy.

6                     THE WITNESS:  I may have it, but finding it  
7     would be -- no, I don't have a copy.

8                     JUDGE THOMPSON:  We marked this, didn't we?

9                     MR. LOWERY:  I believe it's Exhibit 34,  
10    Judge.

11                    JUDGE THOMPSON:  Very well.  Are you sure  
12    about that?

13                    MR. LOWERY:  It is Exhibit 34, your Honor.

14                    JUDGE THOMPSON:  I'm going to write  
15    Exhibit 34 here on the bottom of the one you loaned me,  
16    Mr. Lowery.

17                    MR. DOTTHEIM:  Judge, I'm not sure if  
18    that's the document you're referring to.  Well, you would  
19    know, of course.  I thought you were referring to  
20    Exhibit 51.

21                    JUDGE THOMPSON:  No.  I was referring to  
22    that single sheet that was really a piece of demonstrative  
23    evidence that went with the opening statement.

24                    And then Mr. Lowry was put up here and we  
25    were told to ask him questions about this.  We were urged

1 to do that, and finally we're getting to it.

2 BY JUDGE THOMPSON:

3 Q. Okay. Have you seen this document?

4 A. No, I have not.

5 Q. You have not?

6 A. I do now have a copy.

7 Q. I'm going to give you five minutes to

8 review it, okay? We'll take a five minute recess, and at

9 the end of that, I'll ask you if you've had a chance to

10 review it. If that's insufficient, I'll give you some

11 more time.

12 A. Thanks.

13 (A BREAK WAS TAKEN.)

14 JUDGE THOMPSON: We'll go ahead and go back

15 on the record.

16 I should indicate that JoAnne French just

17 sent me an e-mail indicating that if I need a bailiff

18 she's available and ready to take on those duties.

19 BY JUDGE THOMPSON:

20 Q. Dr. Proctor, during the break I handed you

21 a booklet.

22 A. Yes.

23 Q. And it was open to a particular page. I

24 hope you didn't lose it, because I didn't note the page.

25 I think 53. If you look at the front cover of that, could

1     you tell me what that is?

2             A.       This is the 2003 annual report of the

3     Missouri Public Service Commission.

4             Q.       Okay. And on that page that it's open to,

5     the right-hand page, does that show the total number of

6     customers of Union Electric?

7             A.       Yes, it does.

8             Q.       And what is that number?

9             A.       It's 1,167,938.

10            Q.       Do you have any reason to doubt the

11     accuracy of that figure?

12            A.       No.

13            Q.       Okay. Thank you. If you could just hand

14     that back to Commissioner Murray. Thank you very much.

15                    now, you've had a chance to look over

16     Exhibit 34?

17            A.       Yes, I have.

18            Q.       Okay. And this has been explained as a

19     one-page compendium of the benefits that Missouri

20     ratepayers will realize if this transaction is approved.

21     Is that what you understand it to be?

22            A.       Yes.

23            Q.       Okay. And the benefits really fall into

24     two parts, do they not? In other words, one of them is a

25     projected savings because the transmission that's going to

1     become available or the power that's going to become  
2     available is low cost, correct?

3             A.       Yes.

4             Q.       And then the other is going to come about,  
5     and looking at B under Joint Dispatch Agreement, because  
6     of a proposed amendment to the Joint Dispatch Agreement  
7     with respect to how the proceeds of off-system sales are  
8     allocated?

9             A.       That's correct.

10            Q.       Okay. Now, as I understand it, Staff is in  
11    favor of changing the JDA to provide for allocation based  
12    on generation rather than load; is that correct?

13            A.       That was my testimony in the complaint  
14    case, yes.

15            Q.       Are you still in favor of it today?

16            A.       It was a way that we could deal with an  
17    inequity at that time. If I had to negotiate that today,  
18    with the day two market coming at MISO, I would negotiate  
19    it differently.

20            Q.       Okay. How would you negotiate it  
21    differently today?

22            A.       Well, essentially you have a market price  
23    for generation that's sold into the market, and you have a  
24    way to determine whose generation was sold into the  
25    market. So if UE's generation was sold into the market,

1     then UE would receive the profits, the revenues from that  
2     generation sale, and if CIPS generation is sold into the  
3     market, then CIPS would receive the revenues from those  
4     sales, rather than coming up with some arbitrary  
5     allocation formula for it.

6             Q.       So in other words, if I understand you  
7     correctly what you're saying is that a formula is not  
8     needed, because today we know whose generation is sold?

9             A.       We will when day two markets start in the  
10    Midwest ISO. They're scheduled to start this coming  
11    December.

12            Q.       Okay. So in other words, as of December of  
13    2004 --

14            A.       We will know.

15            Q.       -- it's your opinion that the revenue  
16    should simply be allocated based on whose power was sold?

17            A.       That's correct.

18            Q.       Okay. Does the JDA provide for that  
19    presently?

20            A.       No, it does not.

21            Q.       And if it were amended to provide for that  
22    as of December 2004, would that absolve your concerns with  
23    respect to this matter?

24            A.       Yes, Judge. And I would also say, given  
25    the sequencing in this particular case, we were not -- we

1 had information about this \$7 million business, but it  
2 wasn't officially a part of the case. It was confidential  
3 information prior to Ameren filing it in its surrebuttal  
4 testimony. This was not an offer that was on the board at  
5 the outset of this case.

6 Q. What was not?

7 A. The Joint Dispatch Agreement offer.

8 Q. The one that's on Exhibit 34?

9 A. That's correct.

10 Q. B?

11 A. That's correct.

12 Q. Which is not even the offer you would  
13 propose today?

14 A. Well, it's not the way I would propose to  
15 go about doing this in day two.

16 Q. Okay.

17 A. You have to -- you have to put this thing  
18 in the context of an overall -- at that point for the  
19 Staff it became a part of a negotiation.

20 Q. I understand.

21 A. And if you were going to ask me is this  
22 offer acceptable, okay, which is kind of where I felt like  
23 you were heading, the answer to that is, it depends. It  
24 depends upon what all the rest of the things are. It  
25 could be acceptable in the right context.

1           Q.       Well, when we talk about whether an offer  
2   is acceptable, that's kind of in a negotiation setting, it  
3   seems to me.  What I'm asking is, what would it take to  
4   make your concern about off-system sales revenues go away,  
5   What would it take to fix this problem on a going-forward  
6   basis?  And what I think I hear you saying is that after  
7   December of 2004, a different sort of fix is going to be  
8   required than would be required today?

9           A.       That's correct.

10          Q.       Okay.  For today, between today and  
11   December 2004, what kind of fix would you advocate?

12          A.       The one that Ameren has proposed here seems  
13   like a reasonable fix.

14          Q.       Allocation by generation rather than load?

15          A.       Yes.

16          Q.       And that's because between now and December  
17   2004, we can't know whose electricity is being sold; is  
18   that right?

19          A.       Well, we could know whose electricity is  
20   being sold.  We cannot specifically -- let me back up.

21                   We actually could set up a system -- it  
22   would be a fairly difficult system -- to establish where  
23   we could determine whose electricity was sold and what  
24   price it was sold at.  We could do that today, but it --  
25   it would be a fairly elaborate type of system.



1           Q.       Okay. It would only be needed for eight  
2 months?

3           A.       Right.

4           Q.       So probably not worth the effort?

5           A.       That would be my opinion.

6           Q.       Okay. And so what's proposed on Exhibit 34  
7 at B, which is allocation by generation rather than load,  
8 as far as you're concerned for that eight-month period,  
9 that would be adequate?

10          A.       It would be adequate.

11          Q.       Okay. But after December 2004, different  
12 conditions would apply and then you would advocate for  
13 really not even allocation at all, but just direct  
14 attribution?

15          A.       That's correct.

16                   JUDGE THOMPSON: Thank you very much. I  
17 appreciate that. You've made it very clear. And that's  
18 all the questions that I have for you. Thank you very  
19 much, sir.

20                   THE WITNESS: Thank you.

21                   JUDGE THOMPSON: Chairman Gaw?

22 QUESTIONS BY CHAIRMAN GAW:

23          Q.       Dr. Proctor, please forgive me. I'll  
24 surely be repetitive, and I apologize for that in advance.  
25                   From your perspective at the present time,

1 are there sufficient ways to write an Order that --  
2 protecting the interests of Ameren's Missouri ratepayers  
3 in order -- and allow this separation to take place?

4 A. My response to that is the Staff believes  
5 that there are and we're working on that document as you  
6 speak.

7 Q. Okay.

8 A. Right now. We think there are sufficient  
9 ways to provide protections. The main area that I'm  
10 testifying on right now deals with transmission, and we  
11 believe some form of hold harmless, and what we will put  
12 together are specifics of how to word that. And we also  
13 believe in -- and I spoke with the Judge about this --  
14 that we need to see from the company what a transmission  
15 rev-- what the transmission revenue requirements would be  
16 subsequent to this transfer.

17 If you look at this Sheet 32, you see  
18 generation, you see Joint Dispatch Agreement, but what's  
19 very much absent from this sheet is transmission. And  
20 when you're transferring the dollar amount of assets that  
21 are being transferred to leave transmission and  
22 transmission revenue requirements out of your analysis  
23 totally, we think is a major deficiency that needs to be  
24 addressed.

25 Q. I understand. And how would you address

1     that?

2             A.       Well --

3             Q.       Do you need more information to analyze it

4     or do you need specific protections written into the

5     language of any Order, if there's an Order approving the

6     transfer?

7             A.       I think what the Staff was looking for was

8     the specifics of what would transmission revenue

9     requirements look like before the transfer and what will

10    they look like after the transfer?  So in essence, we need

11    to see what will be the change in rate base, what will be

12    the change in expenses, and what will be the change in

13    transmission revenues from third-party sales before and

14    after the transfer.

15                    And my general hunch is that that will not

16    be a detriment, but I don't know.  I haven't seen the

17    specific numbers.  We've asked for those from the company.

18    The only thing we've gotten from them is change in rate

19    base.

20             Q.       So do you know whether the company -- have

21    you gotten any word that the company is going to provide

22    that information?

23             A.       We have not.

24                    CHAIRMAN GAW:  Ask Ameren, is Ameren

25    intending to provide that information?

1                   MR. HENNEN: Your Honor, I missed your  
2 question. I'm sorry.

3                   CHAIRMAN GAW: Dr. Proctor's describing  
4 information on transmission that he believes Staff needs  
5 in order to make an assessment of the detriment of  
6 transferring transmission assets in this transaction that  
7 he believes Ameren has not provided. And my question is  
8 whether Ameren intends to provide them the information or  
9 whether there's an understanding about what that  
10 information is that's being requested.

11                  MR. HENNEN: Commissioner Gaw, when we  
12 filed testimony in this case, we did not perceive this  
13 issue to be a significant issue. These are Illinois  
14 jurisdictional transmission facilities included in  
15 Illinois rate base. As a result of the transfer they'll  
16 continue to be Illinois jurisdictional facilities.  
17 However, Mr. Weiss, who will be testifying later, can shed  
18 some additional light on this issue.

19 BY CHAIRMAN GAW:

20                  Q.       Dr. Proctor, I don't know if you're going  
21 to get your information or not. I guess we will have to  
22 wait and see. How is it important that you receive  
23 information on assets that are currently Illinois assets?

24                  A.       Well, I agree they're currently located in  
25 Illinois, but they're AmerenUE assets.

1           Q.       Well, that was the point of my question.  
2    So it is -- they are assets that are going to be  
3    transferred to -- away from AmerenUE?  
4           A.       Yes, currently transmission assets, not  
5    distr-- distribution assets are assigned based on  
6    location. Transmission assets are not. Transmission  
7    assets are allocated among the jurisdictions.  
8           Q.       Do these transmission assets include  
9    transmission assets that will be necessary to transmit  
10   generation from Illinois into Missouri?  
11          A.       These transmission assets are assets that  
12   currently AmerenUE generation plants are connected to.  
13          Q.       Including Pinckneyville?  
14          A.       Including -- well, Pinckneyville is not --  
15   Pinckneyville is included, yes. Pinckneyville is  
16   connected to the AmerenUE transmission system.  
17          Q.       Including the transmission system that's  
18   being transferred?  
19          A.       Yes.  
20          Q.       How about Kinmundy?  
21          A.       Kinmundy is attached to the AmerenCIPS  
22   transmission system. So there's a difference between  
23   those two.  
24          Q.       All right. Thank you. Do you know what  
25   the total dollar amount is of the value of the assets,

1 transmission assets in Illinois that would be transferred  
2 away from AmerenUE, or is that information in the file  
3 somewhere in the record?

4 A. I believe it's in the file. It was also  
5 sent to me in response to a Data Request. I don't have a  
6 copy of it with me right now, but it's Data Request 36,  
7 Steve, if --

8 Q. While he's looking for that --

9 A. Sure.

10 Q. -- if there is -- is the -- is the  
11 transmission transfer away from AmerenUE that's located in  
12 Illinois, is it -- is it -- does it make sense to you if  
13 there is a separation of that transmission, that those  
14 transmission assets would also be transferred, or is it --  
15 or is it -- is it debatable whether they ought to be left  
16 as property of AmerenUE?

17 A. I think we -- the Staff has asked that  
18 question, and I'm not sure that I fully understand the  
19 rationale, but apparently if those assets aren't  
20 transferred to AmerenCIPS, then AmerenUE remains a  
21 regulated utility in Illinois subject to the ICC, and I --  
22 I didn't really focus too much on that, that particular  
23 question, though I know the Staff has raised that, and I  
24 believe that's the response that we got from the company.

25 Q. Well, I guess I'm asking for your opinion,

1 from a detriment standpoint.

2 A. I need to see the transmission revenue  
3 requirements.

4 Q. Before you can make that assessment?

5 A. Before I can make that assessment.

6 Q. That's the information you don't have?

7 A. That's the information I do not have.

8 Q. Without that, is it difficult for you to  
9 make an assessment on this issue on detriment?

10 A. That's correct.

11 Q. Would it be difficult in your opinion for  
12 the Commission to make that assessment?

13 A. If I -- yes.

14 Q. Yes, or you hope so or something?

15 A. Well, you know --

16 Q. You don't have to answer that.

17 A. I can't put myself in your mind.

18 Q. You don't have to answer that question.

19 CHAIRMAN GAW: Is that other information  
20 available, Mr. Dottheim?

21 MR. DOTTHEIM: Yes, it is, if I may  
22 approach Dr. Proctor.

23 JUDGE THOMPSON: You may.

24 MR. DOTTHEIM: Also, too, I have copies  
25 that I could provide to the Bench. I've provided a copy

1     which I think they have otherwise, but I've provided a  
2     copy to counsel for AmerenUE.

3                     JUDGE THOMPSON:  Let's go ahead and mark  
4     this as Exhibit 64.

5                     (EXHIBIT NO. 64 WAS MARKED FOR  
6     IDENTIFICATION BY THE REPORTER.)

7                     THE WITNESS:  All of our DRs have Janis  
8     Fischer's name on them.  She is the one who was in charge  
9     of DRs for the Staff.

10                    But this particular Data Request asked for  
11    an analysis that the -- of the impact that the transfer  
12    would have on Missouri cost of service related to  
13    transmission.  And the response that we got back was that  
14    the only analysis that they were aware of is the one that  
15    was -- that's attached.  It shows 74 million of  
16    transmission assets being transferred to AmerenCIPS.  
17    That's the top number.

18                    The next two numbers show the total  
19    AmerenUE transmission plant, which is 520 million, and it  
20    takes an allocation factor to Illinois of 6.51 percent  
21    that shows that if we would stay where we are today,  
22    Illinois would be allocated approximately 34 million in  
23    AmerenUE transmission.  The assets are worth 47 million,  
24    so the difference is 40 million.

25                    Another way of looking at that is that



1 Missouri customers today are paying for an additional  
2 \$40 million worth -- \$40 million worth of assets located  
3 in Illinois. They're paying for those in their rates, but  
4 after the transfer, that rate base should decrease by  
5 40 million.

6                   Okay. Now, that's a significant decrease  
7 in my mind. I want that translated to revenue, you know,  
8 from rate base to revenue requirements. They're going to  
9 be decreasing costs, there's going to be other decreases  
10 in overheads that go with that, because I'm assuming --  
11 and I have to assume because I don't know -- that the  
12 labor force, the UE labor force that maintains  
13 transmission that's located in Illinois will now be  
14 transferred to CIPS. So that number should go down. When  
15 the labor numbers go down, then allocations of overheads  
16 go down, and we just want to see the total picture put  
17 together.

18                   There's an additional element is offsetting  
19 revenues from third-party sales of transmission. In the  
20 Joint Dispatch Agreement, those revenues are allocated by  
21 transmission plant.

22                   Okay. So if that goes down, some of the  
23 revenues that AmerenUE now receives will go down. We just  
24 want to get the -- and I don't know if I've got every  
25 aspect of that picture, but I would like to see that total

1 picture put together. I find it difficult looking at this  
2 number of 40 million and saying it's not significant. It  
3 looks pretty significant to me.

4 Q. So I guess, Dr. Proctor, if that  
5 information comes up later in testimony, you would be  
6 available to be recalled to respond to it?

7 A. Yes, I would.

8 Q. The separation here of these assets, is  
9 there -- what's the dollar amount of the transaction  
10 that's being placed here, do you know --

11 A. No. I don't know.

12 Q. -- the entire transaction?

13 A. The entire transaction, I don't know. This  
14 sheet shows about 74 million. That's the book value for  
15 the transmission assets. There are distribution assets  
16 also involved that are in the Metro East UE service  
17 territory, and frankly, I'm not sure what the dollar  
18 values are associated with those.

19 Q. Is there a -- the way this transaction  
20 works, is there a bottom line figure of cash that's being  
21 exchanged? In the whole picture, I'm talking about  
22 everything.

23 A. Yeah. Probably Greg Meyer is a better  
24 witness to ask that question of.

25 Q. There are many occasions when this

1 Commission has in front of it proposed mergers?

2 A. Yes.

3 Q. The big picture concept on mergers I have,  
4 on many occasion when mergers are contemplated, heard  
5 about the savings resulting from efficiencies in a merger.

6 A. Yes.

7 Q. So I'm trying to understand here which  
8 appears to be the antithesis of a merger, separation --

9 A. Yes.

10 Q. -- why the conclusion on that is that  
11 there's also a benefit from splitting assets off?

12 A. Okay.

13 Q. All I hear about normally in a case is  
14 hearing the other direction I gained efficiencies. It  
15 sounds like it doesn't make any difference which way I go,  
16 I'm going to save money. I know that probably, at least,  
17 it doesn't on the surface make sense, and I understand  
18 there have been attempts all the way through this in very  
19 minute detail to demonstrate why there are savings to this  
20 transaction to Missouri customers.

21 But can you tell me at this point in time  
22 whether or not you believe that there are -- that the  
23 bottom line here is that Missouri customers are going to  
24 save money because of this transaction?

25 A. What I can tell you at this time is that

1 the study that the company produced shows a very, what I  
2 would call slight savings, 2.4 million per year under  
3 their initial proposal from the transfer. Most of that  
4 savings comes from savings in generation cost, variable  
5 production costs. Those savings are fairly significant.

6 The problem, of course, is that -- is there  
7 are a lot of fixed costs that we now take on, the fixed  
8 O&M cost of the existing plants, the cost of the the  
9 existing plants, the cost of the generation assets, that  
10 were being paid for before by Illinois, and so you have to  
11 balance that against something.

12 And in this particular case they balance  
13 that against a no transfer case where they would have to  
14 bring on additional capacity to meet the load, and they  
15 did that by bringing on two combustion turbines -- or I'm  
16 sorry -- 597 megawatts of combustion turbines. So now  
17 they're comparing those to as an economist I would say  
18 2.4 million is a -- is minute. It's thin. Whatever word  
19 you want to use to describe it, you know, it's -- they're  
20 very close to being equal, and --

21 Q. There's a phrase that's used in other  
22 things besides economics called something like the margin  
23 of error. When you start talking about in terms of  
24 2.4 million, you may be within the margin of error?

25 A. You're well within the margin of error on

1     this one. And to have a big chunk of the study missing,  
2     which is the transmission part, you know, just bothers me.

3             Q.       It makes it difficult for you to assess  
4     whether or not there may be detriments that you cannot put  
5     into dollars and cents at this point?

6             A.       Yeah. And I think what happens is other  
7     elements start taking on -- for instance, the JDA or the  
8     other issue that we have about liabilities, those start  
9     taking on a bigger -- they take on a bigger role  
10    because -- because you're about dead even between the  
11    various alternatives. So these other things start then  
12    taking on a larger and larger role.

13            Q.       Dr. Proctor, would you assume that the  
14    company's argument would give you a reasonable best-case  
15    scenario for their position?

16            A.       No, I think -- and we'll get into this in  
17    least cost.

18            Q.       All right.

19            A.       But -- in that part of the hearing, but my  
20    position is that they've mixed apples and oranges in their  
21    analysis.

22            Q.       So you think their analysis is flawed?

23            A.       Yes.

24            Q.       Are you concerned that the best-case  
25    scenario for an outcome here may be the company's figures,

1 but that a worst-case scenario might be far worse than an  
2 even split?

3 A. I haven't done that kind of sensitivity  
4 analysis, but I would have hoped that the company would  
5 have done that kind of sensitivity analysis in what they  
6 presented, and they did not.

7 Q. Let me ask you this: The company had -- do  
8 you believe the company has a legitimate reason to want a  
9 separation here?

10 A. Yes.

11 Q. And what is that -- what are those reasons,  
12 if there are more than one?

13 A. It becomes -- and these go beyond the  
14 economic analysis. But it becomes increasing difficult as  
15 Illinois's deregulated to have to somehow provide or have  
16 those customers be allocated a portion of regulated plant.  
17 And that's -- I mean, it becomes -- for example, it's  
18 possible that all the UE Illinois customers are taken away  
19 from somebody else, by someone else.

20 Then how do you allocate Missouri plant, UE  
21 plant? Do you allocate it to the customers that are  
22 remaining? I mean, how do you do those things? So I  
23 think there are regulatory reasons that would support the  
24 transfer.

25 Q. It becomes increasingly difficult for the

1 company to deal with two jurisdictions that have two  
2 different goals in mind, doesn't it?

3 A. That's correct.

4 Q. So from the company's standpoint, it does  
5 make sense that they would -- they would want this  
6 separation to try to keep the situation from arising where  
7 Illinois tells them to go one way and Missouri is telling  
8 them to go another with the very same -- the very same --

9 A. Assets.

10 Q. -- group of assets, correct?

11 A. I agree.

12 Q. So does it not make sense that the  
13 Commission should find some avenue to allow the company to  
14 not be placed in that situation?

15 A. I believe that makes sense, and I believe  
16 the Staff was working towards that same goal. And I think  
17 we'll continue after this case is heard to work towards  
18 that goal. The problem is at what cost.

19 Q. Well, and my problem is how do I determine  
20 what -- what if an Order is written to allow the  
21 separation, what do I need in that Order to assure myself  
22 that the Missouri customers are not going to bear the risk  
23 of something going awry with the separation and burden  
24 following on them disproportionately?

25 A. And I believe that's the same concern that

1 the Staff has had in trying to negotiate a settlement.

2 Q. Well, if you get this additional

3 information on the transmission, does that complete the

4 realm of information needed by Staff to make

5 recommendations to the Commission in regard to writing an

6 Order?

7 A. With regard to the issues that I'm involved

8 in, yes. I can't speak for the liability issue. I just

9 know what I heard yesterday in testimony, but with respect

10 to the issues of the economics and transmission, that's

11 all the information I need.

12 Q. Okay. How long does it take you to work

13 through that information after you have it?

14 A. It would not -- a couple of days.

15 Q. Okay. Is that assuming you're not taken --

16 you have two days to actually work on it?

17 A. That's correct. But I think it's high

18 enough priority that I would make room for two days.

19 Q. Earlier I just caught a bit of the

20 discussion in regard to the MISO day two market opening.

21 Is there a chance that that may actually be done at a

22 later time than December of this year? Do you think

23 that's a firm date?

24 A. I believe MISO's viewing it as a firm date,

25 and I think we'll see a lot of comments about that in



1 response to the MISO tariff that was just filed the 31st.  
2 I think there are some concerns that people -- that  
3 various stakeholders will want to have addressed, and my  
4 sense of this is that it will take some additional time to  
5 address those things, and that may cause maybe a delay of  
6 two to four months.

7 I think those concerns can be addressed  
8 within that time period. Most of those concerns have to  
9 do with readiness, whether or not MISO is -- actually will  
10 be ready in time to start market operations in December.

11 Q. Do you think that based upon the status of  
12 where we are today, Dr. Proctor, with being in this period  
13 of transition, before these markets are actually up and  
14 running, does that complicate analyzing this case or not?

15 A. I think the only complication that it  
16 brings in our mind is related to the transmission issue,  
17 because it's -- we have a pretty good idea of what  
18 transmission will look like after they join MISO, but it  
19 is different from what it is today. Let me give you just  
20 a simple example.

21 Today Ameren receives third-party revenues  
22 from pancake transmission rates. After they join MISO,  
23 they will no longer receive those direct payments. So how  
24 important is the allocation formula in the Joint Dispatch  
25 Agreement for transmission revenues? So you have to -- it

1 complicates it a little bit. We'll have to figure --  
2 somebody will have to figure through that

3           You know, if you're talking about just  
4 today, we can go back to historical test year. If we're  
5 talking about May 1st, then, you know, do we have to do  
6 these adjustments for known and measurable change, that  
7 type of thing. So it's those kinds of little  
8 complications, but I don't see anything major there.

9           Q.     You might just explain why the first is  
10 important. Why did you pick May 1st?

11          A.     Oh, as I -- I'm sorry. As I understand,  
12 that's the proposed date for Ameren to be on the Midwest  
13 ISO tariff.

14          Q.     So you're telling me it is not necessary  
15 for us to see what's actually going to happen after that  
16 takes place, you think you can -- you can calculate what's  
17 likely to occur based on historical information?

18          A.     Yes, sir.

19                 CHAIRMAN GAW: All right. Judge, I am  
20 going to stop right now, but I would like to have  
21 Dr. Proctor available to comment on additional information  
22 if it comes in from subsequent witnesses of Ameren.

23                 JUDGE THOMPSON: Yes, sir, he's going to be  
24 coming back to the least cost analysis, so we can recall  
25 him even after that, as necessary, for the Commission's

1 purposes.

2 Commissioner Murray?

3 COMMISSIONER MURRAY: Thank you.

4 QUESTIONS BY COMMISSIONER MURRAY:

5 Q. Good morning, Dr. Proctor.

6 A. Good morning.

7 Q. I was just looking at the application that

8 was filed here, and I noticed there was a motion for

9 expedited treatment, and it was stated that Ameren

10 requested the Commission to issue an Order authorizing the

11 transfer in the first quarter of 2004, and that action by

12 that date was required to allow AmerenUE to make the

13 necessary arrangements for its capacity and energy needs

14 for the summer of 2004.

15 Do you know whether there are -- other

16 arrangements are necessary because we have not issued an

17 Order and the first quarter of 2004 has ended?

18 A. Probably an Ameren witness is better to

19 answer that, but what I will tell you is that essentially

20 what you're talking about are -- how do I put this --

21 contractual arrangements. Ameren operates as a single

22 system. Both AmerenUE generation and Ameren Energy

23 Generation sources -- resources are counted against the

24 total load, the joint load of -- and I'm going to

25 distinguish for AmerenUE, AmerenCIPS and Ameren Energy

1 Marketing.

2 And there's significant amount of wholesale  
3 load that is also supplied from this Joint Dispatch  
4 Agreement. But it's treated as a single control area.  
5 It's treated as all of those are network resources to  
6 supply the joint load from a transmission perspective and  
7 from a reliability perspective.

8 What we're talking about is switching  
9 internally within that, who has ownership and I would say  
10 control, but that's not an issue. I mean, the units will  
11 be dispatched just as they were dispatched before the  
12 transfer's made.

13 Q. But for the Missouri jurisdictional load,  
14 is there a capacity problem potential?

15 A. If you look at the Missouri jurisdictional  
16 load -- well, let's say the transfer doesn't go through,  
17 so we're really talking about Missouri jurisdictional plus  
18 the UE portion -- I mean, Illinois portion of UE together.  
19 Yes, there would be a -- for that part of the business,  
20 they would be deficient of capacity and the other portion  
21 of the joint Ameren family would be overly -- they would  
22 have more capacity than they need.

23 Q. Okay. You've not done any analysis, I  
24 guess, in terms of whether there will be a problem or  
25 additional arrangements have to be made as a result of our

1 delay in getting out an Order?

2 A. No, I have not. In part, it appears to be  
3 somewhat of a legal -- internal legal question within  
4 Ameren's family.

5 Q. I want to go back to when the Judge was  
6 questioning you. I really appreciate the Judge asking  
7 things in such an organized way and getting elementary  
8 explanations, which help very much in understanding some  
9 of these things.

10 He was talking to you at one point about  
11 the transmission asset calculations, and you said -- you  
12 made the statement, I believe, that leaving the  
13 transmission asset calculations out of the revenue  
14 requirement analysis is a major deficiency; is that  
15 correct?

16 A. That's correct.

17 Q. And you indicated that you would want three  
18 questions answered in relation to the transmission asset  
19 calculations; the first being, what would be the change in  
20 rate base, and you said that answer was provided. That  
21 was the \$40 million answer?

22 A. That was the \$40 million answer.

23 Q. And then the next question was, what would  
24 be the change in expenses? Now, is that the -- would that  
25 answer be what you were -- what you were talking about

1 with the Judge earlier when you talked about the  
2 worst-case scenario where there might -- that UE might  
3 have to pay a transmission rate to have network resources  
4 that would be fairly significant?

5 A. No, ma'am.

6 Q. No, that was not it?

7 A. No. What that relates to is, I think  
8 later -- and I forget whether it was a discussion with the  
9 Judge or with Commissioner Gaw, I indicated that right now  
10 you have crews in Illinois, AmerenUE crews in Illinois --

11 Q. Operational expenses?

12 A. Operational expenses.

13 Q. Okay.

14 A. And then the associated overheads. That's  
15 what I was talking about there. On -- on the rate base,  
16 too, that needs -- that really needs to be converted to an  
17 annual revenue requirement, so all of the types of factors  
18 that typically go into that analysis, so we can see what  
19 it is on a year-to-year basis.

20 Q. And that would offset somewhat a reduction  
21 in rate base, that \$40 million reduction in rate base in  
22 terms of the calculation of revenue requirement?

23 A. Right. The reduction in rate base should  
24 translate to a reduction in revenue requirements.

25 Q. All right.

1           A.       There should also be a reduction in O&M  
2     expenses.

3           Q.       Which would -- and that would further  
4     reduce the revenue requirement?

5           A.       That's correct. The only -- the only other  
6     thing is that there would be a reduction in transmission  
7     revenues.

8           Q.       And that's your third question; is that  
9     right?

10          A.       Right.

11          Q.       What you want to -- what would be the  
12     change in the third-party revenues?

13          A.       Correct.

14          Q.       And --

15          A.       It goes the other direction.

16          Q.       Right. It would increase the revenue  
17     requirement?

18          A.       And that's what concerns me. Otherwise I'd  
19     say, well, I know there's no detriment to it, but with the  
20     revenues going the other direction, I think we need to see  
21     the total picture to make sure there's no detriment.

22          Q.       Okay. And we know that -- I assume we know  
23     that there are at least \$40 million of rate base  
24     reduction?

25          A.       Yes. Well, from the response to the DR, it

1 appears that's the case, yes.

2 Q. Then on the third-party revenues, would  
3 you -- would you tell me if that is -- just explain that.

4 A. Okay. In the most recent complaint case,  
5 we had to -- we include third-party revenues that are  
6 booked, that are credited -- I hate to use accounting  
7 terms -- to AmerenUE from the transmission business. My  
8 recollection of that is those are significant. We're  
9 talking something in -- I believe it was around  
10 \$30 million a year category. It's not an insignificant  
11 amount.

12 And when you -- when you compare -- that  
13 reduces the overall transmission cost of service, and when  
14 you subtract that from these other things, if it's going  
15 down, if it's becoming lower by a significant amount, it  
16 may be by more than the reduction that you would get in  
17 revenue requirements from rate base and expenses. And  
18 that's the thing we're just not sure about.

19 Q. And what do you need to know to be -- to  
20 find that out?

21 A. Actually, for the company to go through and  
22 do the calculations. We don't have access to all the  
23 records that are needed to make that calculation. We  
24 thought the company had done the calculation, put in the  
25 Data Requests, and the response was, well, we've only done



1 a part of it and here it is.

2 Q. Do you have any reason to believe that the  
3 change in third-party revenues would be great enough to  
4 make this issue a detrimental issue?

5 A. I don't have really enough information to  
6 determine that one way or the other, whether it would be  
7 detrimental or beneficial.

8 Q. You stated earlier that you had a general  
9 hunch that it was not a detriment?

10 A. That would be my hunch. I mean, you could  
11 probably add some other items to this. What's going --  
12 what are going to happen to third-party revenues in the  
13 future, will they be significantly reduced? I mean  
14 there's -- there are things that if you factor that in,  
15 you know, it probably would be almost minimal either way.  
16 However --

17 Q. So why should -- why should the resources  
18 be spent to determine that if there's no reason to suspect  
19 that?

20 A. I don't think we're talking -- I don't  
21 think we're talking about big amounts of resources.

22 Q. Okay. Go ahead with your answer.

23 A. I think we're -- I think we're talking  
24 maybe two days to sit down with the numbers and to come up  
25 and to verify it and to look at the assumptions that go

1   into it. I don't think it's a big deal one way or the  
2   other, for the company. I mean, they have access to the  
3   information that's needed to do it.

4                   But again, how do you factor this?  
5   Third-party revenues, pancake transmission rates go away,  
6   but there's also a settlement agreement out there that's  
7   going to provide for a transition period, some payment of  
8   revenues to Ameren to compensate it for the impact of  
9   those pancake transmission revenues going away. You know,  
10  you'd have to put that information together to do the  
11  whole analysis.

12           Q.       And what do you think would be the  
13  worst-case scenario in terms of an outcome that could --  
14  dollar-wise could affect Missouri ratepayers?

15           A.       Well, I'm sure within -- we're within the  
16  \$2.4 million range here either way.

17           Q.       Either way?

18           A.       Yeah.

19           Q.       So we're talking about an issue that, let's  
20  see, 2.4 million?

21           A.       Well, the company has added, they claim,  
22  7 million to that. I have some problems with that figure,  
23  but they -- to their offer in surrebuttal testimony,  
24  they've increased that amount somewhat. And here's what  
25  happens, Commissioner Murray, is when that margin is so

1 thin, then these other things take on greater importance.

2 I mean, if that margin had been \$20 million

3 a year, and I generally look at what's going on with

4 transmission, and I know transmission even as you said in

5 the worst case is going to be, say, 10 million negative, I

6 know I'm still positive. But in this case that margin,

7 2.4 million is so thin that every little element -- I

8 can't -- I can't guess on anymore. I can't fudge on it

9 and say, well, hey, I'm pretty sure that's not going to

10 cause this thing to be a detriment. I just can't do that.

11 Q. Let me ask you, is any increased cost a

12 detriment? For example, with the impact that you were

13 talking about that would result in about \$10 a year per

14 customer, the \$12 million impact that you were discussing

15 with the Judge earlier, that's like, you know, less than a

16 dollar a month per customer.

17 A. Uh-huh.

18 Q. Is that a detriment?

19 A. Well, I don't think it's -- what we said is

20 it's a potential detriment that sits out there, and I

21 guess our -- all we ask for was a hold harmless condition

22 on that.

23 Q. So the potential that the Missouri

24 customers at some point in the future might receive an

25 increase of about \$.80 a month is a det-- present

1     detriment that would --

2             A.       Commissioner --

3             Q.       -- prevent us from approving this transfer?

4             A.       No.   That's not the way to look at it.

5     That's not what we're saying.  What we're saying is we

6     want to put together a total package.  You can't look at

7     just one element of it.

8             Q.       So that one element alone you're not saying

9     would be a detriment, the potential for --

10            A.       Right.

11            Q.       -- increased cost of up to --

12            A.       No.

13            Q.       -- say a dollar per month?

14            A.       What we're trying to do is put together a

15     total package that will protect Missouri ratepayers from a

16     detriment.  So it's like if you take a lot of little

17     things, no one of them by themselves may be a detriment,

18     but when you -- when you add them all together, that's

19     when our concern is.

20            Q.       Let me ask you this:  Is there the

21     potential in the future for ratepayers to see a reduction

22     as a result of this transfer, Missouri ratepayers?

23            A.       Oh, gee.  We didn't analyze that.  What

24     we --

25            Q.       What do you think, just off the top of your

1 head? Do you think that would be a possibility?

2 A. Depends on how the Joint Dispatch Agreement  
3 turns out, I think, is going to have a big impact on that.

4 Q. So that would be a potential if --  
5 depending on how the Joint Dispatch Agreement --

6 A. I think there is -- in the complaint case,  
7 I estimated \$100 million a year savings to UE customers.

8 Q. 100 million. And so far we've talked about  
9 a possibility -- of a possibility in the future of a  
10 \$12 million detriment, and then the issue on the  
11 transmission asset calculations possibly around  
12 30 million; is that what you said?

13 A. Yeah, but, Commissioner Murray, we're not  
14 focused upon the Joint Dispatch Agreement in this  
15 proceeding. What we were asked to do is to advise the  
16 Commission as to whether this transaction had a potential  
17 detriment.

18 Q. And if the Joint Dispatch Agreement were  
19 amended as UE has offered to do, why would you not focus  
20 on that as a part of the total picture?

21 A. That wasn't the 100 million I was talking  
22 about. They're talking about -- they claim it's 7 million  
23 per year. I believe it's something significantly less  
24 than that related to the transfer, but --

25 Q. But you mentioned a potential reduction to

1 Missouri ratepayers based on an entire --

2 A. Go ahead.

3 Q. You go ahead, because maybe I misunderstood  
4 what you just said.

5 A. Okay. You asked if there was something  
6 that could potentially produce a rate reduction for  
7 AmerenUE customers in the future, and I -- maybe I  
8 misunderstood that, that you wanted to know if there  
9 potentially would be a rate reduction for AmerenUE  
10 customers simply because of the transfer in the future.  
11 And maybe I took the \$100 million out of context. That is  
12 not related to the transfer or to the UE offer in the  
13 transfer.

14 Q. What is it related to?

15 A. It's related to a continuing -- as of  
16 December of this year, the Joint Dispatch Agreement can be  
17 terminated by either of the parties, and so it's up for  
18 negotiation on a going-forward basis. I'm sorry I brought  
19 that up. That is out of the context of the transfer.

20 Q. All right. I'm asking about the effects of  
21 the transfer.

22 A. Transfer. Right. I apologize for that. I  
23 don't know the answer in the context of just the transfer  
24 itself, whether or not there could be a rate reduction. I  
25 don't think the Staff has looked at that.

1           Q.       Do you think it's -- if we're talking about  
2     potentials in the future based on different scenarios that  
3     could possibly happen, wouldn't it be at least reasonable  
4     to assume that if an increase could possibly happen  
5     resulting from different scenarios in the future, that a  
6     reduction could also possibly happen resulting from  
7     different scenarios in the future?

8           A.       It depends on what particular item you're  
9     looking at.

10          Q.       I'm saying, looking at all of the items  
11     together, that some scenario could come together and  
12     result in a reduction?

13          A.       I suppose that's the case, yeah. I'm  
14     trying to think through it, because I'm thinking of things  
15     like liabilities and, you know, the best outcome for a  
16     liability is that it doesn't happen. I mean, there's no  
17     chance that a liability's going to produce positive  
18     revenues.

19                   On the transmission issue, we're probably  
20     at the best outcome today, that they're not going to have  
21     to pay additional transmission costs for service there.  
22     Is there any chance that there will be an additional  
23     production of revenue from -- I don't think so. But I  
24     think your question is, for example, if coal prices drop  
25     relative to gas prices, does that widen the margin that

1 we're seeing in the two scenarios? And the answer is yes,  
2 because in the one scenario, you're bringing on  
3 597 megawatts of combustion turbines.

4                   Would the fact that if you didn't do the  
5 transfer and AmerenUE could buy combustion turbines  
6 cheaper than what they've assumed in this case, how would  
7 that affect -- I mean, you have all of those factors,  
8 you're right, that could go either way. They can lower it  
9 or they can raise it relative to the basic economics of  
10 what you're looking at.

11           Q.       It appears to me that when we're analyzing  
12 something like a proposed transfer such as this, that we  
13 could go on for years analyzing what possibly could happen  
14 to make the result either weigh in either direction,  
15 either detrimental or beneficial to the Missouri  
16 ratepayers. And it seems that at some point you should  
17 reach a -- a level in which there is enough comfort that  
18 it's reasonable, it may go -- you know, it's a  
19 possibility, there are always possibilities in the future  
20 that things won't turn out exactly as you think they will.

21                   But we would never take a step forward if  
22 we had to know for certainty how in the future we're going  
23 to turn out. So when do we reach that point and how close  
24 to it are we here?

25           A.       Well, I can't define that for all of the



1 Staff, because I'm not involved in all the issues. For  
2 example, I can't answer your question with respect to  
3 liabilities. Okay. But I can answer your question  
4 related to the generation cost and the transmission costs,  
5 and say that once we get this information on the  
6 transmission, that will give me some level of comfort  
7 greater than what I have today. And I could -- I think I  
8 could inform you at that point, am I comfortable with  
9 those two particular issues, the least cost issue and the  
10 transmission issue.

11 Q. Okay. And do you agree that regardless of  
12 how much analysis we do, we will never be certain that the  
13 cost/benefit analysis will turn out to be 100 percent  
14 accurate?

15 A. Absolutely. I agree with that.

16 COMMISSIONER MURRAY: Thank you. I think  
17 that's all I have.

18 JUDGE THOMPSON: Thank you. We are overdue  
19 for a break for the reporter, so we'll take a recess at  
20 this time. Why don't we take 10 minutes? And I mean  
21 10 minutes. And then we'll see where we go from there.

22 You'll be back up here, Dr. Proctor, so  
23 don't wander off. Thank you.

24 (A BREAK WAS TAKEN.)

25 JUDGE THOMPSON: Dr. Proctor, I'm just

1 about done with you.

2 THE WITNESS: Thank you.

3 FURTHER QUESTIONS BY JUDGE THOMPSON:

4 Q. If we could go back to the detriment you  
5 were talking about with respect to transmission just real  
6 briefly.

7 A. Yes.

8 Q. And you told me that in the worst-case  
9 scenario, out of several scenarios Staff has been looking  
10 at, that the fiscal impact would be about \$12 million a  
11 year?

12 A. Yes.

13 Q. How likely is that worst-case scenario?

14 A. I find it it's less than 50 percent. I  
15 would say it's probably in the 20 percent range. I'm just  
16 trying to be direct with you.

17 Q. Sure.

18 A. I can't --

19 Q. That's what I want.

20 A. -- tell you how I came up with 20 percent  
21 or 25 percent, but it's something in that range.

22 Q. That's why you're an expert witness. You  
23 can just tell us the answer.

24 A. Okay.

25 Q. So somewhere between 20 and 50 percent?

1           A.       Not as high as 50.  Something around 20,  
2  25 percent.

3           Q.       20 to 25 percent?

4           A.       Yes.

5           Q.       Okay.  And you said there were other  
6  scenarios you had looked at?

7           A.       Yes.

8           Q.       And are there any that are more likely than  
9  the worst-case scenario?

10          A.       Yes.  One of the scenarios that concerned  
11  me actually the most as having the highest likelihood is  
12  as we enter this process of negotiating a new Joint  
13  Dispatch Agreement --

14          Q.       Okay.  So --

15          A.       We --

16          Q.       I'm sorry.  You're not done, are you?

17          A.       Right.  That if there is a significant  
18  change, part of my concern is that in order to recuperate  
19  lost revenues to AEG and AmerenCIPS, that as a part of  
20  that negotiation process, something will be put into the  
21  Joint Dispatch Agreement as compensation for transmission.

22                 Okay.  Now, that's -- that would obviously  
23  have to be approved by FERC and -- but as a part of the  
24  negotiation process, I consider that highly likely.  I  
25  would put over 50 percent weight on that, that it's clear

1 in my mind that as we renegotiate this, that AmerenUE is  
2 going to gain beneficially from that and that AmerenCIPS  
3 is going to be looking for as many ways as it can to  
4 recoup its losses from that.

5 And my concern is that transmission may be  
6 one way to do that, and I consider that to be more likely.  
7 Whether the impact is great -- by the way, we did  
8 recalculate that. I was close. It's actually more like  
9 1150 megawatts. Excuse me. 1,150,000 kilowatts than -- I  
10 just -- I had rounded it to one million kilowatts, and --

11 Q. When you were coming up with the  
12 12 million?

13 A. 12 million. So it's more like  
14 13.8 million.

15 Q. Okay. That's good. I want that kind of  
16 correction.

17 Now, let's go back to this other one, the  
18 recalculation or renegotiation of the JDA and the  
19 nefarious attempts by AmerenCIPS to capture compensation.

20 A. Yes.

21 Q. You consider that to be more than  
22 50 percent likely?

23 A. Yes.

24 Q. So this is, in fact -- or would you agree  
25 this is the most likely of the several scenarios you have

1 considered?

2 A. In my mind, yes.

3 Q. In your mind. And you said you could not  
4 give it a financial impact figure?

5 A. No. I don't know how to -- the worst --  
6 the worst-case scenario would be something like  
7 13.8 million.

8 Q. Under scenario 2?

9 A. Under that scenario 2.

10 Q. So could we maybe make a range that the  
11 worst case is 13.8?

12 A. That would be fine.

13 Q. From zero to 13.8?

14 A. From zero to 13.8.

15 Q. Okay. And how likely is zero?

16 A. In my mind, very unlikely.

17 Q. And how likely is 13.8?

18 A. I think I gave you the percentage on that  
19 would be something in the range of 25 percent.

20 Q. And that was in the context, I thought, of  
21 a totally separate scenario. Now you're telling me that  
22 the likelihood of 13.8 under this renegotiation of the  
23 JDA scenario, that the likelihood of the 13.8 would been  
24 one out of four?

25 A. Let me explain.

1 Q. Please.

2 A. The 13.8 I indicated to you was the  
3 worst-case scenario. How that would occur, under what  
4 conditions it would occur are the other scenarios that I  
5 was talking about.

6 Q. Okay.

7 A. So I was -- this is the most likely  
8 condition which it would occur.

9 Q. I see. Thank you. I'm always looking for  
10 simplicity and always discovering it's much more  
11 complicated than I had hoped.

12 Let's take half of 13.8. Let's say 6.75.  
13 How likely would that be in your mind?

14 A. Oh, boy. I haven't -- now we are getting  
15 complicated. I haven't sat down and made these  
16 calculations in my head.

17 Q. You understand that --

18 A. The 50 -- let me explain. The 50 percent  
19 is -- or above 50 percent is the probability that I would  
20 put on that being a part of the negotiations.

21 Q. Okay.

22 A. Okay. The 13.8 is a worst-case scenario in  
23 my mind.

24 Q. And CIPS gets everything it wants?

25 A. Everything it wants on that.

1 Q. Okay.

2 A. And so now you're -- now the problem is,

3 now, how do I evaluate what do I think CIPS is going to

4 get between zero and 13.8 and, Judge, I'm not sure.

5 Q. Let me see if I can work --

6 A. That's a negotiated --

7 Q. -- work my way to this through a back door

8 kind of way. Now, CIPS is owned by Ameren?

9 A. Right.

10 Q. The holding company, right?

11 A. That's correct.

12 Q. As far as you know, is it wholly owned by

13 Ameren, the holding company?

14 A. Yes.

15 Q. Okay. And Union Electric is wholly owned

16 by Ameren, the holding company?

17 A. That's correct.

18 Q. In fact, I think I heard an assertion at

19 some point in this case that both CIPS and UE were told by

20 Ameren, the holding company, that they were going to do

21 this, whether they wanted to or not. Have you heard that?

22 A. The transfer?

23 Q. Yes.

24 A. Yes.

25 Q. Okay. And if Ameren, the holding company,

1 wholly owns both CIPS and UE, can it, in fact, tell them  
2 you're going to do this?

3 A. Are we talking about the transfer?

4 Q. The transfer.

5 A. I believe that to be the case. I think a  
6 proposal would have to go before the board, the Ameren  
7 board, and once it's approved, then they would file.

8 Q. So there's some process to go through?

9 A. There's a process involved.

10 Q. But the likelihood of, let's say,  
11 AmerenCIPS refusing to do what its owner Ameren tells it  
12 to do, what's the likelihood of that, if you can answer  
13 the question?

14 A. They may oppose it before the board, but if  
15 the board says, no, you're going to do this, I'd say  
16 there's zero likelihood.

17 Q. Okay. So when we talk about this  
18 renegotiation of the JDA, we're not really talking about a  
19 negotiation between arm's length negotiators, are we?  
20 They're all part of the Ameren family, aren't they?

21 A. That's correct.

22 Q. Okay. So let's say -- can you answer this  
23 question: How important to Ameren is this transfer?

24 A. I think it's very important to them.

25 Q. So if the Missouri Commission was to set a



1     number on this recoupment by CIPS problem that we're  
2     talking about here -- let's say the Missouri Commission  
3     said, gosh, that better not be more than three, do you  
4     think that Ameren could tell CIPS, you're going to be  
5     happy with three?

6             A.       Wow.

7             Q.       Because this whole thing is happening  
8     within the realities of who owns who and who wants what to  
9     happen, right?

10            A.       Yeah. In other words, if your order sets a  
11    limit on this, the way I would understand it is they would  
12    take that back to Ameren management and they would say, is  
13    this condition acceptable, and once they've signed off on  
14    that condition, yes, they could tell CIPS.

15            Q.       So really what we're talking about is  
16    conditions, what kind of conditions are necessary so that  
17    Staff would say, yes, if the transfer occurs under this  
18    condition, there would be no detriment, right?

19            A.       That's correct.

20            Q.       Okay. And as part of the paper, the list  
21    of conditions that Staff, I understand, is even now  
22    preparing pursuant to the directions given yesterday, is  
23    there going to be a condition that's going to apply to  
24    this particular concern?

25            A.       Yes, there is.

1           Q.       Okay. And is that condition, in fact,  
2 going to take the form of a monetary cap?

3           A.       So far it has not. It is a hold harmless.

4           Q.       When you talk about a hold harmless, when I  
5 think about hold harmless, that means if a particular  
6 possible bad thing happens, that I ain't going to pay for  
7 it.

8           A.       That's correct.

9           Q.       That's how lawyers understand hold  
10 harmless, right?

11          A.       That's correct.

12          Q.       Now, you're not really talking about a hold  
13 harmless; you're more talking about a guaranteed  
14 transmission rate, aren't you? That in other words, if  
15 this transfer occurs, if the transmission facilities in  
16 question go to the ownership of CIPS, as opposed to UE,  
17 that rates for this transmission, rates, charges, fees,  
18 whatever the appropriate and proper word is aren't going  
19 to go up to the detriment of Missouri ratepayers?

20          A.       That's correct.

21          Q.       Isn't that what we're really talking about?

22          A.       That's correct.

23          Q.       So it's really actually kind of a rate  
24 freeze, right?

25          A.       Uh-huh.

1 Q. Not a hold harmless at all?

2 A. Well, Judge, right now there is no rate.

3 Q. Because UE owns it?

4 A. There is no rate because it's a single

5 control area and because the Joint Dispatch Agreement

6 doesn't incorporate any rate for transmission.

7 Q. Okay. So what you're saying is in the

8 event that circumstances change --

9 A. Change.

10 Q. -- that it's no longer a single control

11 area, that the ownership has changed, that the world

12 changes in such a way that a rate could come out of

13 nowhere --

14 A. That's correct.

15 Q. -- it would be implied that that rate won't

16 be more than X?

17 Is that really what we're saying?

18 A. Yes. I think what we're saying is that it

19 will not be more than zero. That's what hold harmless

20 means.

21 Q. That's what you mean, guaranteed rate of

22 zero?

23 A. From certain specified plants.

24 Q. Okay. And can that not be enunciated as a

25 condition?

1           A.       Yes, we're working on it.

2           Q.       That's what you're working on now?

3           A.       That's correct.

4                    JUDGE THOMPSON: Great. Thank you. Thank

5 you very much.

6                    Further questions from the Bench?

7                    COMMISSIONER MURRAY: No, thank you.

8                    JUDGE THOMPSON: None? Okay. Let's go to

9 recross based on questions from the Bench.

10                   Mr. Hennen?

11           RE CROSS-EXAMINATION BY MR. HENNEN:

12           Q.       Dr. Proctor, you've been asked a number of

13 questions regarding the impact that this transfer --

14 property transfer will have on transmission revenues. I'd

15 like to explore that a little bit further with you.

16           A.       Yes, sir.

17           Q.       First of all, kind of put our arms around

18 all the scenarios that we've been discussing here this

19 morning. As a result of the FERC Order recently received

20 on the service agreement, wouldn't you agree that the most

21 likely scenario we're looking at in the near future is

22 AmerenUE and AmerenCIPS participating in the Midwest ISO

23 through Grid America as a single control area?

24           A.       Yes.

25           Q.       That's the most likely scenario?

1           A.       That's the most likely scenario.

2           Q.       It's not the only scenario, but it's the  
3 most likely?

4           A.       I agree.

5           Q.       Okay. That being the case, let's focus on  
6 that specific scenario. This property transfer could have  
7 an impact on a number of issues, one being whether or not  
8 there will be a charge assessed to AmerenUE to deliver  
9 energy from the plants in Illinois to serve Missouri  
10 bundled load; is that correct? That's one of the issues?

11          A.       That's correct.

12          Q.       And we determined this morning through  
13 cross-examination that there, in fact, would not be a rate  
14 assessed --

15          A.       What I --

16          Q.       -- through that transaction?

17          A.       What I think we determined is that there  
18 would not be a FERC-tariffed rate that would be assessed.

19          Q.       We determined that the bundled rate  
20 established by this Commission would apply?

21          A.       Yes.

22          Q.       And we also established that the bundled  
23 rate established by this Commission currently does not  
24 contain the cost of any of AmerenCIPS transmission assets,  
25 correct?

1           A.       That's correct.

2           Q.       If that were indeed the case going forward,  
3       there wouldn't be any cost for transmission to deliver  
4       energy from the plants in Illinois to UE's load in  
5       Missouri, correct?

6           A.       Let me -- let me back up and say that  
7       within the Joint Dispatch Agreement, there can be  
8       additional costs that give to a company, because of  
9       conditions that exist or that are perceived to exist. I  
10      agree FERC has to approve it. It's not a FERC-approved  
11      rate, but they have to approve it.

12          Q.       What rate are you referring to?

13          A.       The OATT transmission rate is the one I'm  
14      referring to. But they have to approve this transfer.  
15      Let me give you an example. There are -- in many Joint  
16      Dispatch Agreements, there are capacity equalization  
17      adjustments, which if the two companies don't hold equal  
18      reserves, then there's a payment from one company to the  
19      other. That's not a --

20          Q.       That's not our Joint Dispatch Agreement,  
21      right? You're just speculating on some other Joint  
22      Dispatch Agreements that might be out there?

23          A.       I know other Joint Dispatch Agreements have  
24      this.

25          Q.       What about the one we're dealing with?

1           A.       I agree, but I think your question is, did  
2   we establish that there will not be any charges for  
3   transmission? And my answer is, I think what we  
4   established is that FERC transmission rates would not  
5   apply, but that doesn't lead me to the conclusion that  
6   there won't be any charges, because those charges could be  
7   set in place in a Joint Dispatch Agreement to compensate.

8           Q.       And in the Joint Dispatch Agreement, were  
9   such charges might be put into place --

10          A.       Yes.

11          Q.       -- according to the Genco stipulation in  
12   EA-2000-37, a case before this Commission, the company did  
13   agree to giving the Missouri Commission approval to any of  
14   those changes in the JDA before they would be put into  
15   place, correct?

16          A.       I don't know.

17          Q.       If that were the case then, in fact, in  
18   order to apply charges as you described, we would have to  
19   get the approval of this Commission?

20                 MR. DOTTHEIM: Objection. Dr. Proctor has  
21   indicated that he doesn't know. He doesn't recall.

22                 MR. HENNEN: Your Honor, I posed it as a  
23   hypothetical.

24                 JUDGE THOMPSON: He asked it as a  
25   hypothetical, which is proper. The objection is

1 overruled.

2 THE WITNESS: I don't know all the  
3 specifics of what you're talking about, but if generally  
4 you want me to say if there's some kind of agreement out  
5 there that to make any changes like this, you would first  
6 have to get Missouri Commission approval, does that mean  
7 you have to get Missouri Commission approval, I agree. I  
8 just don't know what it covers. I don't know all the  
9 areas that are covered in that particular order.

10 BY MR. HENNEN:

11 Q. Okay. Aside from -- aside from some  
12 additional rate being assessed by FERC and transferred  
13 through the Joint Dispatch Agreement, you would agree that  
14 the rate that would apply for an energy transfer from UE's  
15 plants in Illinois to UE load in Missouri would be the  
16 bundled retail rate set by this Commission?

17 A. Let me -- yes, I would agree that the  
18 Missouri Commission will determine what that rate is in a  
19 case before the Commission here.

20 Q. So in any of these charges, these other  
21 charges that you've described that may come up in the  
22 future could be addressed --

23 A. Yes.

24 Q. -- in a rate case in the future?

25 A. That's correct.



1 Q. Dr. Proctor, do you have a copy of the  
2 exhibit that's been marked Exhibit 36?

3 A. Can you tell me what's on the front of it?

4 Q. That's entitled Order Approving Unanimous  
5 Stipulation & Agreement, Making Findings in the Public  
6 Utilities Holding Company Act and Closing Case; it's Case  
7 No. EA-2000-37?

8 A. I don't believe I do.

9 MR. HENNEN: May I approach the witness,  
10 your Honor?

11 JUDGE THOMPSON: You may.

12 BY MR. HENNEN:

13 Q. Dr. Proctor, if I could focus your  
14 attention to page 9 of Exhibit 36 -- excuse me --  
15 Schedule 2-22 of Exhibit 36; it's page 9.

16 A. Yes.

17 Q. Are you there?

18 A. Yes, I am.

19 Q. If you look at the paragraph on that page,  
20 paragraph 1A, could you read for me the first sentence of  
21 that paragraph?

22 A. AmerenUE agrees that all substantive  
23 proposed changes to the JDA between AmerenUE, AmerenCIPS  
24 and Genco shall be submitted to the Missouri Commission  
25 for approval.

1           Q.       Thank you. Does that help you refresh your  
2   recollection regarding what will be required if there were  
3   to be changes made to the JDA?

4           A.       Yes. Well, I don't know if it -- I'm not  
5   sure I had a memory of that, but I --

6           Q.       And would you consider any changes to the  
7   allocation of transmission revenues or transmission costs  
8   to respective parties to that agreement to be a  
9   substantive change?

10          A.       Yes.

11          Q.       So such a change would need to be approved  
12   by this Commission?

13          A.       That's correct.

14          Q.       Okay. The other aspect that we talked  
15   about this morning is the impact that this property  
16   transfer will have on the allocation of third-party  
17   transmission revenues under the JDA, correct?

18          A.       That's correct.

19          Q.       And I believe we agreed that once AmerenUE  
20   and AmerenCIPS are in the Midwest ISO, third-party  
21   transmission revenues that those companies are currently  
22   allocated under the JDA will decrease substantially?

23          A.       That's correct.

24          Q.       And they could go away entirely?

25          A.       After a transition period, yes.

1 Q. And what is that transition period?

2 A. I'm -- I think it's three years, but I'm

3 unsure.

4 Q. Could be less?

5 A. I'm unsure.

6 Q. Assuming those third-party transmission

7 revenues go down, what we're talking about here is what

8 impact that will have -- strike that. Let me start over.

9 Assuming that we transfer \$40 million worth

10 of transmission -- excuse me -- \$70 million worth of

11 transmission assets to AmerenCIPS in this proceeding, and

12 the total transmission plant of the combined UE and CIPS

13 is close to 800 million, then what we're talking about is

14 that percentage of those third-party revenues would go up

15 to AmerenCIPS, correct?

16 A. Correct.

17 Q. And what is that percentage?

18 A. I haven't calculated it.

19 Q. Could you calculate that?

20 A. If you get me a calculator.

21 Q. Okay.

22 A. And give me the numbers, I can -- I can do

23 the division.

24 Thank you.

25 Q. Sure. Okay. Let's assume that the total

1 transmission plant value of UE and CIPS is roughly  
2 800 million, and currently 30 percent of those  
3 transmission -- that transmission plant is CIPS and  
4 60 percent is UE. What does that make the CIPS  
5 transmission plant? Roughly 300 million?

6 A. I better write this down. 800 million  
7 total is what you're saying?

8 Q. Right.

9 A. And you want to know what 30 percent of  
10 that is?

11 Q. Right.

12 A. 2.4 million.

13 Q. 2.4 million. Okay. And they are -- we're  
14 adding to that 70 million. It was 240 million was the  
15 right answer?

16 A. Right. 240 million.

17 Q. And we're adding 70 million. So  
18 310 million?

19 A. 310 million.

20 Q. And 310 million into 800 million is what?

21 A. Everybody's already done this calculation  
22 except me.

23 JUDGE THOMPSON: I haven't.

24 THE WITNESS: I'm trying to get this  
25 calculator to work. 37.5 percent.

1 BY MR. HENNEN:

2 Q. Okay. And what was --

3 A. I think your initial was 30 percent and

4 it's gone up to 37.5.

5 Q. So we're talking about 7.5 percent change

6 in third-party revenues, correct?

7 A. Correct.

8 Q. And the total third-party revenues

9 currently received by the company are scheduled to go

10 down?

11 A. Yes.

12 Q. And could go down to zero?

13 A. It could.

14 Q. So 7.5 percent of zero is what?

15 A. I know that answer. Is zero.

16 Q. Okay. So 7.5 percent of -- let's say they

17 go down by 20 million, so we're left with 10 million.

18 What's 7.5 percent of 10 million, 750,000?

19 A. 750,000, yeah.

20 Q. So we're not talking about a significant

21 amount of money here?

22 A. Well, under the assumption that you're

23 making, that's true.

24 Q. Okay.

25 A. Post joining MISO, that's true.

1           Q.       And we've established again that the --  
2       that the transmission rate base that's going from UE to  
3       CIPS will reduce UE's transmission rate by 40 million,  
4       correct?

5           A.       Correct.

6           Q.       And we're only talking about a potential  
7       loss in third-party transmission revenues of \$750,000?

8           A.       That's -- well, perhaps.

9           Q.       Okay.

10          A.       You're taking me through some scenarios  
11       here, but I don't know how likely they are. So I can't --  
12       I can't agree to those numbers, but --

13          Q.       Well, Commissioner Murray asked whether or  
14       not it was necessary to do a study to determine the total  
15       impact of this transaction, and I think the company said  
16       that it did not do a study in its application submitted in  
17       its direct testimony because it felt like this issue was  
18       insignificant, it was almost a no-brainer that this would  
19       result in benefit to UE. And just going through the  
20       scenario, that seems to be the case, wouldn't you agree?

21          A.       Until I've -- I'm unsure until I get all of  
22       those numbers in front of me. I'm not going to agree that  
23       it's a no-brainer until I see that. I'm not going to  
24       agree on the stand that it's a no-brainer and then later  
25       find out that there was something that we didn't take into

1 account. I'm just not going to do that.

2 Q. Okay. All right. I think we've been  
3 talking and you received a number of questions whether or  
4 not you felt that this transfer would result in benefits  
5 to AmerenUE. In the event that AmerenUE does not go  
6 forward with this property transfer, what should the  
7 company do to meet its generation needs this summer?

8 A. I think Commissioner Murray was asking me  
9 about what it would have to do to meet those generation  
10 needs, and my response to her was, I don't believe there's  
11 a need on the Ameren system. I believe this is an  
12 internal thing between AmerenUE and Genco.

13 Now you're asking me how would I deal with  
14 that internal issue or maybe would I go external, would I  
15 attempt to go external to deal with it, to buy. That's a  
16 difficult question for me to ask or answer off the top of  
17 my head. I mean, I haven't thought about that in great  
18 detail.

19 I mean, one of the possibilities that would  
20 go through my mind is I would look at what external market  
21 is for capacity. I don't think I need energy. I think  
22 there's plenty of energy there. I need reserve capacity.  
23 I might look at the external market, see what that is,  
24 then enter into an arrangement with CIPS based upon that  
25 information, something along that line.

1                   It would be an internal transaction. It  
2       wouldn't affect rates, because we're under a rate  
3       moratorium. But that's just one possibility.

4           Q.       Sure. Thank you. And what would your  
5       suggestion be if UE doesn't go through with this property  
6       transfer to meet its capacity obligations long-term?

7           A.       Well, they're going to have to add capacity  
8       long-term. The way I see the situation is, if the  
9       transfer goes through, in order to -- then Genco is going  
10      to have to add capacity to meet its capacity obligations.  
11      If the transfer doesn't go through, AmerenUE will have to  
12      add capacity to meet its capacity obligations in the  
13      long-term.

14          Q.       And if the company elects to add capacity  
15      perhaps in the form of peaker plants, would that be your  
16      initial --

17          A.       That would be in my initial, you know, --  
18      that -- everything the company has provided us in the  
19      resource planning area indicates that that's the most  
20      logical and best alternative.

21          Q.       Okay. So if the company needs to look at  
22      installing peaker plants --

23          A.       Yes.

24          Q.       -- to meet its long-term capacity  
25      obligations in lieu of doing this property transfer?



1                   MR. MICHEEL: Your Honor, I'm going to  
2 object. Commissioner Murray asked him only about  
3 short-term capacity over the time of the study, and now  
4 counsel for AmerenUE is asking him about long-term, and I  
5 think that's beyond the scope.

6                   JUDGE THOMPSON: I'm going to overrule the  
7 objection. You may answer if you're able.

8                   THE WITNESS: Repeat the question.

9                   MR. HENNEN: Would you read back where I  
10 was?

11                  THE REPORTER: "Question: Okay. So if the  
12 company needs to look at installing peaker plants --

13                  Answer: Yes.

14                  Question: -- to meet its long-term  
15 capacity obligations in lieu of doing this property  
16 transfer?"

17 BY MR. HENNEN:

18                  Q.       Are with you me so far?

19                  A.       Yes.

20                  Q.       There would have to be some assumptions  
21 made, wouldn't there, to validate whether that's the best  
22 long-term solution based on gas prices?

23                  A.       Yes.

24                  Q.       And I believe in Ameren's case we used a  
25 projected gas price of around \$5 per million BTU for that

1 projection?

2 A. I looked at those projections, and that  
3 number kind of rings a bell. There was an escalation  
4 factor. I would have to go back to the work papers to  
5 confirm that.

6 Q. And wouldn't you agree that in light of all  
7 the pending environmental issues on the horizon, that  
8 there's a good chance that there may be coming more  
9 dependence on natural gas for generating electricity?

10 A. You're asking a very complex question.  
11 You're saying as gas prices rise?

12 Q. That was where I was going, but that's not  
13 where --

14 A. Well, that's where my mind's going. I  
15 apologize. Impending environmental meaning that that  
16 makes non-gas generation more expensive. So the concept  
17 there is that for the growing demand, the increase in  
18 demand, that that's more likely to be met by natural gas.

19 The problem is if gas prices go up, that  
20 may not be the case. It may be that the increase in the  
21 environmental cost and the increase in the gas prices tend  
22 to have an offsetting impact on one another. So -- so  
23 maybe.

24 Q. In the company's case, I believe they  
25 compared this property transfer to adding a combustion

1 turbine, correct?

2 A. That's correct.

3 Q. And if we know what the impact would be of

4 this property transfer, isn't that a safer bet, if you

5 will, than installing a combustion turbine knowing that

6 gas prices could go up in the future?

7 A. Again, to me it's a tradeoff between what's

8 going to happen to environmental costs on existing plants

9 compared to what's going to happen to gas prices and

10 environmental regulations on the other side. I think you

11 have to analyze all of those scenarios together to come

12 up -- and I think this was your initial question, don't

13 you have to make some assumptions? And the way I would

14 put it is you need to -- you need to look at a whole

15 continuum of alternatives before you make that final

16 decision about which is the best way to go.

17 Q. So you're referring to the razor-thin

18 margins, if you will, that exist in the company's case

19 that show there's a benefit in doing the property

20 transfer, that margin was, in fact, based on a \$5 gas

21 price which, in itself, is somewhat speculative?

22 A. Correct.

23 Q. And could go up, correct?

24 A. It could.

25 Q. Which would make the margin of this

1 transfer greater?

2 A. That aspect of it would. If you included  
3 environmental costs on the other side, that would tend to  
4 make it lower.

5 Q. But we're shedding a load, are we not?

6 A. You are shedding load, but if you have  
7 to -- let's say you have to go in and put scrubbers on all  
8 of your coal plants. That makes the margin lower for the  
9 transfer. And it's that kind of scenario analysis that  
10 you'd look at.

11 In my mind, what that -- just the way I  
12 think, what that produces is a distribution of -- under  
13 each of these scenarios, some of them may turn out to be  
14 not in favor of the transfer, some of them may turn out in  
15 be in favor of the transfer. Where's the weight? Where  
16 does the weight of this thing go? Does it go to going  
17 through with the transfer or --

18 Q. Okay. Let's change gears just a little bit  
19 here. I think you were asked some questions about  
20 potential changes to the JDA to alter the allocation of  
21 third-party transmission revenues, and also -- excuse me.  
22 Strike that -- to allocate off-system sales --

23 A. Yes.

24 Q. -- to UE and Genco.

25 You would agree that any changes to the

1 JDA effective with the initiation of the day two market  
2 will not have any immediate impact on rates in Missouri?

3 A. Because of the rate moratorium?

4 Q. Right.

5 A. That's correct.

6 MR. HENNEN: I believe that's all I have  
7 for now, your Honor.

8 JUDGE THOMPSON: Okay. We're going to  
9 interrupt recross by taking the lunch break. It's just  
10 exactly 12 o'clock. Those of you who are employed by the  
11 PSC know that we have a morale committee wiener roast up  
12 on the 10th floor, so how can we possibly miss that?

13 So can we come back in an hour? You guys  
14 get lunch out there somewhere and be back at one o'clock?  
15 Great. Because we have, what, I think 93 witnesses left  
16 to go and we're going to finish today by five.

17 Very good. We are in recess.

18 (A BREAK WAS TAKEN.)

19 JUDGE THOMPSON: We are going to have  
20 further recross of Dr. Proctor, and I have Mr. Micheel's  
21 name down here.

22 MR. MICHEEL: I think I'm next.

23 JUDGE THOMPSON: You are next.

24 MR. MICHEEL: Any questions I choose?

25 JUDGE THOMPSON: Any questions you choose,

1 and they can object if they don't like it.

2 MR. RAYBUCK: Can we go off the record one  
3 more minute?

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

5 JUDGE THOMPSON: Are you ready?

6 MR. MICHEEL: I've been ready, your Honor.

7 JUDGE THOMPSON: I understand that. You  
8 are not the source of the delay. Fire away.  
9 You are still under oath, Dr. Proctor.

10 RECROSS-EXAMINATION BY MR. MICHEEL:

11 Q. Dr. Procter, Chairman Gaw and Judge  
12 Thompson asked you regarding your view of deficiencies of  
13 AmerenUE's application. Do you recall that question?

14 A. Yes.

15 Q. Would you agree with me that -- and you set  
16 out a bunch of deficiencies that you believed were there,  
17 and one of the deficiencies you talked about was  
18 transmission; is that correct?

19 A. That's correct.

20 Q. Would you agree that lacking those items,  
21 that you cannot say that this is the least cost option?

22 A. I would say that.

23 Q. You had an extensive discussion, I believe,  
24 with Commissioner Murray, and maybe Judge Thompson,  
25 regarding costs related to the transmission issue. Do you

1 recall those questions?

2 A. Yes, I do.

3 Q. Assume for me that the cost of transmission  
4 issues are a no-brainer.

5 A. Okay.

6 Q. Okay. For purposes of this question. You  
7 still have question about whether or not this transaction  
8 is the least cost transaction; isn't that correct?

9 A. I raised additional questions that we  
10 didn't discuss today because it is in the least cost area.

11 Q. But my point is, you did speak with  
12 Chairman Gaw about the \$2.4 million; do you recall those  
13 questions?

14 A. That's correct.

15 Q. And I believe it was your testimony that  
16 that was within, to use your term, "the margin of error";  
17 is that correct?

18 A. That's correct.

19 Q. So even setting aside all these  
20 transmission issues, whether they're positive or negative,  
21 the benefit, the least cost benefit is still within the  
22 margin of error; is that correct?

23 A. That's correct.

24 Q. Now, Chairman Gaw asked you a question  
25 about some of the other detriments that you saw, and one

1 of the detriments that you talked about was the company's  
2 least cost analysis mixed, to use your terms, apples and  
3 oranges. Do you recall that question?

4 A. Yes.

5 Q. And when you said their least cost analysis  
6 mixed apples and oranges, what did you mean by that?

7 A. Again, we're getting into the least cost  
8 section of this, but on the transfer side, the company  
9 looked only at what I would call a test year analysis, but  
10 when we get to the combustion turbine side, they did a  
11 multi-year analysis, and I consider that -- and they  
12 combine that with the test year analysis, and that's what  
13 I meant by mixing apples and oranges. Say the apples are  
14 a test year analysis; the oranges are multi-year analysis.

15 Q. And do you have an opinion about whether  
16 that's the proper way to do the analysis?

17 A. I have testimony in this case that it's  
18 not.

19 Q. And would you agree with me that the  
20 studies for least cost are only as good as the inputs  
21 placed into those studies?

22 A. Yes.

23 Q. Commissioner Gaw asked -- or well, both  
24 Commissioners Gaw and Commissioner Murray, and I believe  
25 the Judge, actually, asked you some questions about the



1 Joint Dispatch Agreement. Do you recall those questions?

2 A. Yes.

3 Q. And you were asked to look at Exhibit 34,

4 which was the one-page list here?

5 A. Yes.

6 Q. Do you recall those questions?

7 A. Yes, I do.

8 Q. And you were focused on for the Joint

9 Dispatch Agreement that B will benefit ratepayers at least

10 \$7 million. Do you recall getting questions about that?

11 A. Yes.

12 Q. And I believe you said that did you not

13 agree with the \$7 million figure; is that correct?

14 A. That's correct.

15 Q. Could you tell me why you don't agree, and

16 if you believe the -- whether or not the \$7 million figure

17 is a valid figure?

18 A. My disagreement over the \$7 million figure

19 involves really two components or two aspects of it. The

20 first aspect is that the \$7 million is only partially

21 related to the transfer, the Metro East transfer.

22 And the second part of my problem with that

23 is that if the -- if there's a change in how the

24 allocations occur, that needed to be incorporated on the

25 other side of Mr. Voytas' analysis relative to the profits

1 from off-system sales from the combustion turbines, which  
2 would also contribute to narrowing the overall net  
3 benefits of that.

4 Q. So that's an input that Mr. Voytas, in your  
5 mind, failed to include in his analysis?

6 A. That's correct.

7 Q. And that would, if I understand your  
8 testimony, reduce the \$2.4 million?

9 A. Well --

10 Q. Or impact it.

11 A. The 9.5 million. It would reduce -- the  
12 9.5 is a sum of the 2.4 plus the 7 million rounded, I  
13 guess, and it would reduce -- would reduce that overall  
14 number.

15 Q. And do you have -- you said you did not  
16 agree with the \$7 million number for the JDA. Were you  
17 able to calculate a number that you feel is the  
18 appropriate number?

19 A. What is due to the transfer of that  
20 7 million is 3.67 million.

21 Q. You were asked some extensive questions  
22 about the possible \$12 million detriment. Do you recall  
23 that?

24 A. Yes.

25 Q. And the probability of that detriment

1 occurring; is that correct?

2 A. Correct.

3 Q. Do you have an opinion about whether or not

4 customers seeing rates raised about \$10.20 a year is a

5 detriment?

6 A. I tried to address -- the question of

7 detriment cannot be addressed just looking at a single

8 issue and its impact on customers. What you have to do is

9 any time you do something, a transfer, merger, whatever,

10 there are going to be costs and there are going to be

11 benefits. And you have to put all these together and look

12 at the overall impact. So I -- I have a real difficult

13 time of taking, like, 12 million bucks and saying, hey,

14 that's a detriment. Well, it's an increase, okay, but is

15 it offset by something on the other side? And to me

16 that's the right way to do the analysis in total.

17 Q. So the appropriate way, in your opinion, is

18 to look at both sides of the equation; is that correct?

19 A. That's correct.

20 Q. And is that what Ameren tried to do in its

21 analysis?

22 A. I think that's what they attempted to do,

23 yes.

24 Q. And is it your testimony that in your view

25 that analysis is deficient?

1           A.       That's correct.

2           Q.       So in your mind, they failed to properly  
3 weigh both sides of the equation; is that correct?

4           A.       They failed to include all of the elements  
5 and include them in a proper way, yes.

6                   MR. MICHEEL:  If I can just have a minute,  
7 your Honor, I think I'm finished.

8                   JUDGE THOMPSON:  You may.

9                   MR. MICHEEL:  Thank you for your time,  
10 Dr. Proctor.

11                  I'm finished, your Honor.

12                  JUDGE THOMPSON:  Thank you, Mr. Micheel.  
13 Mr. Dottheim, redirect?

14                  MR. DOTTHEIM:  Yes, thank you.

15                  JUDGE THOMPSON:  And now the recross and  
16 the redirect are covering also the JDA; is that right?  
17 Did you get all the JDA questions you wanted, Mr. Hennen?

18                  MR. HENNEN:  Yes, I believe I did, your  
19 Honor.

20                  JUDGE THOMPSON:  Okay.  Good.  Very well.

21 REDIRECT EXAMINATION BY MR. DOTTHEIM:

22           Q.       Dr. Proctor, you have a copy of  
23 Mr. Nelson's surrebuttal testimony?

24           A.       Yes, I do.

25           Q.       And if I could direct you to page 10.

1           A.       Yes.

2           Q.       And if you have a copy of your rebuttal  
3 testimony, I'd like to direct you to page 16.

4           A.       Okay.

5           Q.       Possibly in talking with Mr. Micheel, you  
6 may have addressed this in part, but you were asked  
7 questions yesterday respecting the comparability of the  
8 \$10 million number that's shown on your page 16 and the  
9 \$9.5 million figure that's shown on page 10 of  
10 Mr. Nelson's surrebuttal testimony. Are those numbers  
11 comparable?

12          A.       No, they're not.

13          Q.       Would you please explain why?

14          A.       On page 16, at line 11, where I discuss the  
15 \$10 million, there's a word in front of that 10 million  
16 that says "additional." That would be in addition to the  
17 2.4 million that was already there. The 9.5 million on  
18 page 10 of Mr. Nelson's testimony adds an additional  
19 7 million to the 2.4 million. So if you were going to say  
20 what should be compared here, it should 10 million to  
21 7 million, not 10 million to 9.5 million.

22                   That's my first concern, and of course, I  
23 have additional concerns about the validity of the  
24 7 million --

25          Q.       And --

1           A.       -- whether it's comparable.

2                    Let me explain that just a minute. The

3 10 million has to do with and was calculated based only on

4 the transfer. The calculation was very specific 2.5 --

5 \$2.50 cents per megawatt hour times the megawatt hours

6 that were transferred. It only has to do with the

7 transfer, and it only relates to the transfer.

8                    Unfortunately, the \$7 million figure on

9 page 10 combines an impact from the transfer and an impact

10 from the JDA that's not related to the transfer. So

11 they're not -- they are non-comparable on that basis.

12           Q.       Is there an exhibit that displays that? Do

13 you have a copy of Exhibit 51?

14           A.       I don't know. Show it to me and I'll tell

15 you.

16           Q.       (Indicating.)

17           A.       Yes, I have a copy of that.

18           Q.       Could I direct you to Exhibit 51?

19           A.       Yes.

20           Q.       What you just indicated about the

21 comparability, is that shown on any page of Exhibit 51?

22           A.       Yes, in the yellow box on --

23           Q.       What is at the top of the page?

24           A.       Alloca-- allocating the interchange sales,

25 is the title.

1           Q.       Is that a single page?

2           A.       Yes.

3           Q.       And the other components of Exhibit 51 are

4 multiple pages?

5           A.       I don't know. I don't have all of -- I

6 suppose they could be, if they were grouped that way.

7                   MR. DOTTHEIM: I'm going to -- if I can

8 approach the Bench and --

9                   JUDGE THOMPSON: You may.

10                  MR. DOTTHEIM: -- and give Dr. Proctor a

11 copy of the other portions of Exhibit 51.

12                  MR. RAYBUCK: Mr. Dottheim, can I caution

13 you that I believe this is marked HC?

14                  JUDGE THOMPSON: Do we need to go into

15 camera?

16                  MR. DOTTHEIM: Probably would be the best

17 thing if we did so.

18                  THE WITNESS: Can I -- all of these are

19 marked 51 and were entered together.

20                  MR. DOTTHEIM: Yes. Yes, there are three

21 items that are Exhibit 51. Two of them are multiple pages

22 and one item is only one page.

23 BY MR. DOTTHEIM:

24           Q.       And you've identified that the document

25 you're looking at is one page and it has at the top

1 allocating of interchange sales?

2 A. That's correct.

3 Q. And you are making reference to a box on

4 that page either of an orange color or even a yellow

5 color?

6 A. Yeah, a yellow-colored box on that page in

7 which is shown a calculation that splits the \$7 million.

8 At the bottom you will see a figure of 6.94 million.

9 That's the 7 million that we've been talking about, and it

10 splits that between two components. The first component

11 is entitled change due to JDA without the transfer, and

12 that's 3.27 million. And the second component is change

13 due to transfer after change in the JDA, and that's

14 3.67 million. So if you want comparability to something

15 that just im-- that's just an impact from the transfer, it

16 would be the 3.67 million to the additional 10 million.

17 Both of those are just impact on -- from the transfer.

18 Q. And when you say transfer, that is not

19 the -- you have two recommendations respecting the JDA?

20 A. That's correct.

21 Q. And we're only addressing one of those, the

22 transfer?

23 A. Well, Exhibit 51 just addresses the

24 transfer. The 10 million on page 16 also addresses the

25 transfer, but it addresses the pricing of -- of



1 transferred power. I don't want to confuse transfer.  
2 There's the Metro East transfer, and then there's a  
3 transfer of energy between the two companies. And the  
4 thing on page 16 addresses both the Metro East transfer,  
5 the kilowatt hours, and the transfer of energy to serve  
6 those kilowatt hours. On Exhibit 51, it addresses the  
7 transfer of the Metro East properties, but it only  
8 addresses the pricing of inter-- I'm sorry, the allocation  
9 of interchange -- profits from interchange sales.

10 Q. And if I could direct you to Exhibit 54, a  
11 one-page document that I think you were given this  
12 morning.

13 MR. RAYBUCK: Excuse me. Is 54 highly  
14 confidential?

15 MR. DOTTHEIM: No. Excuse me. I don't  
16 believe it's 54. When I look at it now, it looks like  
17 it's 34. It was the document, the demonstrative document  
18 that Mr. Lowery used for his opening statement, and a copy  
19 of it was provided to Dr. Proctor this morning.

20 MR. RAYBUCK: Thank you. And my related  
21 question was whether you were finished with the in-camera  
22 session?

23 MR. DOTTHEIM: I think we are.

24 JUDGE THOMPSON: I don't think we ever were  
25 in-camera.

1                   MR. LOWERY: I thought that we did go  
2 in-camera.

3                   MR. RAYBUCK: I misunderstood, Judge. 51  
4 was marked highly confidential.

5                   JUDGE THOMPSON: I understand. If you want  
6 us to go in-camera, you have to make a clear request, one  
7 that even I can't miss.

8                   I apologize if you thought we were  
9 in-camera. Was there anything in the discussion that  
10 needs to be placed in the secure part of the transcript?  
11 I don't think there were any specific numbers mentioned.

12                   MR. LOWERY: Well, in fact, there were  
13 numbers.

14                   MR. RAYBUCK: There were numbers mentioned,  
15 Judge, but based on our review, we're comfortable that it  
16 did not need to go into in-camera session. So we're  
17 willing to keep the record as it is.

18                   JUDGE THOMPSON: Okay. Very well.

19 BY MR. DOTTHEIM:

20               Q.       Dr. Proctor, do you have a copy of  
21 Exhibit 34?

22               A.       I don't have one in front of me, but I know  
23 what's on that.

24               Q.       I'll hand you a copy, and I'm going to  
25 direct you to Item 2B, which addresses the Joint Dispatch

1 Agreements a figure, a number there of  
2 aaaaaaaaaaaa. And there's a figure, a number there of  
3 \$7 million. And if you could, just refer to that  
4 \$7 million figure and identify which part of your  
5 recommendation that that refers to and also address the  
6 comparability question from the -- Mr. Nelson's  
7 surrebuttal testimony and your rebuttal testimony.

8 MR. RAYBUCK: Judge, I would object to  
9 this. I believe it's at least been asked and answered, if  
10 not this particular question, I would object as being  
11 repetitive.

12 MR. DOTTHEIM: I don't believe that I've  
13 asked previously Dr. Proctor anything regarding  
14 Exhibit 34.

15 JUDGE THOMPSON: The objection is  
16 overruled. Please proceed.

17 THE WITNESS: My understanding is the  
18 \$7 million per year addresses the question of the  
19 allocation of profits from off-system sales. It does not  
20 address the issue of the pricing of transferred energy to  
21 serve the Metro East load.

22 BY MR. DOTTHEIM:

23 Q. Dr. Proctor, do I understand you correctly  
24 that the \$10 million figure relates to the transfer of  
25 energy?

1           A.       That's correct, to serve the Metro East  
2   load that was transferred.

3           Q.       Yesterday Mr. Raybuck asked you some  
4   questions about the establishment of a transparent market?

5           A.       Yes.

6           Q.       And its timing relating to your  
7   recommendations?

8           A.       Yes.

9           Q.       Is the establishment of a transparent  
10   market essential with the starting point for which the  
11   Commission, the parties would be limited to addressing the  
12   recommendations that you've made in your rebuttal  
13   testimony?

14          A.       I'm struggling with the question because I  
15   don't -- essential, it makes sense to start it when the  
16   day two markets start and there's a transparent market.  
17   Could you do it another way? Sure. It may be very  
18   expensive to do it another way, it may not be very  
19   practical to do it another way, but it makes sense in my  
20   mind to start at the time the day two markets start.

21          Q.       Can the recommendations that you've made,  
22   can they be addressed in advance of the day two market in  
23   any manner?

24          A.       Sure. I mean, you can write a document  
25   ahead of time that says, I'm going to do this when the day

1 two markets start. If that's the question, yes.

2 Q. Yes. Mr. Raybuck asked you yesterday about  
3 your recommendations regarding the JDA in the Staff's  
4 excess earnings revenues complaint case against Union  
5 Electric Company?

6 A. Yes.

7 Q. And I believe he asked you some questions  
8 as to how your proposed recommendations were reflected in  
9 the case?

10 A. Yes.

11 Q. Were your recommendations reflected in the  
12 Staff's cost-of-service run?

13 A. Yes, they were.

14 Q. Were both of the recommendations?

15 A. Both the recommendations I made in this  
16 case?

17 Q. Yes.

18 A. No. I only made one recommendation in the  
19 complaint case, and that was to allocate profits from  
20 off-system sales based on generation rather than load. I  
21 made no recommendations in that case to change the pricing  
22 of transfers of energy between the entities.

23 Q. I'm going to hand to you a copy of the  
24 Staff accounting schedules in that case marked March 2002,  
25 and ask you if you could identify if that adjustment

1 appears in those accounting schedules?.

2 MR. LOWERY: Mr. Dottheim, what date was

3 that?

4 MR. DOTTHEIM: March 2002.

5 MR. LOWERY: There was a later one in June,

6 was there not?

7 THE WITNESS: Yes, I've --

8 BY MR. DOTTHEIM:

9 Q. Yes, Dr. Proctor?

10 A. Yes, I have found the adjustments.

11 Q. Okay. And where are they, if you can

12 identify a page.

13 A. Okay. They're found on Accounting

14 Schedule 10, page 1 and Accounting Schedule 10, page 2.

15 On accounting Schedule 10, page 1, adjustment labeled

16 S-5 is to adjust the interchange revenues by 9.7 million

17 upward. And on page accounting Schedule 10-2, there is an

18 Adjustment S-8 which is to adjust interchange expense for

19 increased allocation of off-system sales by an additional

20 6 million. So the net adjustment is to increase profits

21 by 3.7 -- \$3.75 million in that case.

22 And that -- that number is very comparable

23 to the number on the yellow -- on Exhibit 51. It's a

24 little bit higher. Here it's 3.75, but prices were higher

25 in that test year and that the test period wholesale

1 prices were higher in the test year for this case than  
2 they were in the test year that the company used for the  
3 Metro East transfer case.

4 Q. Do you have a copy of your direct testimony  
5 in Case No. EC-2002-1?

6 A. Yes.

7 Q. Dr. Proctor, have you found where in your  
8 direct testimony in Case No. EC-2002-1 or either in the  
9 testimony or the schedules in particular which reflect the  
10 adjustments that you've identified in the accounting  
11 schedules for March 2002?

12 A. Yes, they're found on Schedule 2, attached  
13 to my direct testimony.

14 Q. And it shows adjustment S-5-1 and  
15 adjustment S-8.1?

16 A. Yes, those are the numbers that I read to  
17 you from the accounting schedules.

18 Q. And it contains quantifications which you  
19 indicated?

20 A. That's correct.

21 Q. I believe yesterday Mr. Raybuck asked you  
22 about the dispatch of the Ameren units if the JDA was  
23 changed to price energy transfers at market price?

24 A. That's correct.

25 Q. Is the economic dispatch of the Ameren

1 units today affected by the price of energy in the market?

2 A. Yes, it is.

3 Q. Would the economic dispatch of the Ameren  
4 units be changed with a change in the JDA to market price  
5 for incremental costs that you've proposed?

6 A. The way I would understand that it would  
7 operate in a day two market environment is that what is  
8 called the economic loading order would reflect what it is  
9 today, and those would be the bids that Ameren would  
10 submit for its generation plants. To the extent that  
11 there's cheaper power in the market than the incremental  
12 cost of any of their generation units, they would, in  
13 essence, buy that power and not generate from their  
14 existing generation units.

15 They do that today, but they do it on the  
16 basis of arranged -- we would call them bilateral  
17 transactions. They call day ahead or week ahead or  
18 whatever and make arrangements to buy power that is  
19 cheaper than their own generation. That occurs today. I  
20 think it will -- well, I know it will occur under day two.  
21 I believe it will occur on a more efficient basis than it  
22 occurs today.

23 Q. Dr. Proctor, earlier today you were asked  
24 questions regarding dollar values of quantifications of  
25 what might be called detriment to the public or detriment



1 to the public interest?

2 A. Yes.

3 Q. Were you rendering any legal standard --

4 excuse me -- legal opinion as to what is the standard as

5 far as what dollar value is required in order to

6 constitute a detriment to the public?

7 A. No, I was not.

8 Q. In some questions from Commissioner Murray

9 earlier today, you mentioned a \$100 million item?

10 A. Yes.

11 Q. Could you please identify what you were

12 referring to?

13 A. Yes. What I was referring to was a

14 potential shift between AmerenUE and AmerenCIPS of dollars

15 if the total Joint Dispatch Agreement was renegotiated so

16 that transfer pricing would occur at market price instead

17 of at incremental cost.

18 And unfortunately that -- that's beyond

19 really the scope of this Metro East transfer, and I just

20 wanted to say that I probably shouldn't have brought that

21 up in that context, because I think it was confusing, but

22 the incremental pricing of the Illinois load transferred

23 would be much less than \$100 million.

24 MR. DOTTHEIM: Thank you. That's the last

25 question I have at the moment for Dr. Proctor.

1 JUDGE THOMPSON: Thank you, Mr. Dottheim.  
2 You may step down, Dr. Proctor.  
3 Now I'm concerned to get Mr. Bax and  
4 Mr. Pfeiffer out of here. Is Mr. Pfeiffer still here?  
5 MR. HENNEN: He's still here somewhere.  
6 JUDGE THOMPSON: If you can find him, we'll  
7 put him on and get him done, and then we'll get Mr. Bax on  
8 so then they won't have to come back, right?  
9 MR. HENNEN: That's correct.  
10 JUDGE THOMPSON: Now, Mr. Coffman was  
11 involved, I think, with these two witnesses originally.  
12 Do you need to go get him? Okay. Very well.  
13 Good afternoon, Mr. Pfeiffer. We're going  
14 to try to get you done so we can cut you loose.  
15 THE WITNESS: I appreciate that very much.  
16 JUDGE THOMPSON: I'll remind you you're  
17 still under oath. We're finished with questions from the  
18 Bench.  
19 Mr. Dottheim, recross based on questions  
20 from the Bench for Mr. Pfeiffer?  
21 MR. DOTTHEIM: No questions.  
22 JUDGE THOMPSON: Thank you. Mr. Micheel?  
23 MR. MICHEEL: No.  
24 JUDGE THOMPSON: Mr. Hennen, redirect?  
25 EDWARD PFEIFFER testified as follows:

1 REDIRECT EXAMINATION BY MR. HENNEN:

2 Q. Good afternoon, Mr. Pfeiffer.

3 A. Good afternoon.

4 Q. Could you tell me what is the transmission  
5 charge assessed to UE when it receives energy from AEG  
6 units?

7 A. There's no charge to the bundled load.

8 Q. I believe Mr. Dottheim asked you a question  
9 regarding congestion exposure to AmerenUE bundled load  
10 after the property transfer takes place. Could you  
11 describe what kind of increased exposure AmerenUE's  
12 bundled load will occur as a result of the property  
13 transfer?

14 A. I don't believe there's any increased  
15 exposure, inasmuch as congestion charges are not related  
16 to the ownership of the congested facility.

17 Q. I believe there was other questions  
18 regarding whether or not a generator that's connected  
19 directly to the AmerenUE system can be designated a  
20 network resource. If that, indeed, is the case, if a  
21 generation resource is connected directly to the AmerenUE  
22 system, can it always be designated a network resource?

23 A. It can be designated, but it doesn't  
24 necessarily mean it will not be constrained.

25 Q. Are you aware of any generators today

1 directly connected to the AmerenUE transmission system  
2 that could not be used as a designated resource?

3 A. To the AmerenUE system?

4 Q. Yes.

5 A. Owned by AmerenUE?

6 Q. By anybody.

7 A. The only generation which I'm aware of that  
8 has had problems with constraints connected to the  
9 AmerenUE system would be the NRG facility at Spencer  
10 Creek, the Audrain plant.

11 Q. Is it connected directly to the UE system?

12 A. As of today, it is. When it was installed,  
13 it was its own control area. It has subsequently  
14 relinquished its designation as a control area and now in  
15 the Ameren control area connected to the Ameren  
16 transmission system.

17 MR. HENNEN: Thank you. I have no further  
18 questions, your Honor.

19 JUDGE THOMPSON: Thank you, Mr. Hennen.  
20 Mr. Pfeiffer, you're excused.

21 THE WITNESS: Thank you.

22 JUDGE THOMPSON: Mr. Bax?

23 Mr. Dottheim, if you can find Ms. Fischer,  
24 we'll do her next.

25 Take your seat, Mr. Bax. I'll remind you

1     that you are still under oath.

2                     We are ready for recross based on questions

3     from the Bench.   Mr. Micheel?

4                     MR. MICHEEL:  No, sir.

5                     JUDGE THOMPSON:  Mr. Hennen?

6                     MR. HENNEN:  No questions, your Honor.

7                     JUDGE THOMPSON:  Redirect, Mr. Frey?

8                     MR. FREY:  Thank you, your Honor.  Just a

9     couple questions for Mr. Bax, but first a housekeeping

10    matter.

11                    When Mr. Bax was on the stand late

12    yesterday afternoon, you may recall we had a sort of a

13    rush filing of an exhibit, Exhibit 60.  I forget the title

14    but it had to do with switch gear building.

15                    JUDGE THOMPSON:  Was this the switch gear

16    agreement?

17                    MR. FREY:  Yes.

18                    JUDGE THOMPSON:  Okay.  I recall it.  I

19    can't find it, but I do recall it.

20                    MR. FREY:  Okay.  I believe we would like

21    to have that classified HC if that would be possible.

22                    JUDGE THOMPSON:  Okay.  I guess I'm going

23    to have to find it.

24                    There is the switch gear agreement.  Staff

25    has proposed that Exhibit 60, which we have referred to as

1 switch gear agreement, be designated highly confidential.  
2 Does the company have any objection to that?  
3 MR. LOWERY: In fact, we support that, your  
4 Honor.  
5 JUDGE THOMPSON: You support that. Does  
6 Public Counsel have any objection to that?  
7 MR. MICHEEL: No. I was looking for it,  
8 but we have no objections.  
9 JUDGE THOMPSON: Very well. We will  
10 designate Exhibit 60 as highly confidential. Was there  
11 any questioning about Exhibit 60 that occurred yesterday  
12 that --  
13 MR. FREY: I believe you may have had a  
14 question, and I believe it was for Mr. Coffman. As I  
15 recall, you asked him whether or not Public Counsel had  
16 any objection not -- I believe Mr. Coffman indicated that  
17 he had no objection to the admission of the document, but  
18 whether or not he --  
19 JUDGE THOMPSON: That part's not secret. I  
20 was concerned whether there was any testimony that should  
21 be -- should have been in-camera or that you wish had been  
22 in-camera.  
23 MR. FREY: No, there was no associated  
24 testimony.  
25 JUDGE THOMPSON: Very well. Please

1 proceed.

2 MR. FREY: Thank you.

3 ALAN BAX testified as follows:

4 REDIRECT EXAMINATION BY MR. FREY:

5 Q. Mr. Bax, yesterday I believe Judge Thompson

6 asked you some questions regarding Mr. Pfeiffer's

7 testimony and the likelihood that Ameren would at some

8 point no longer operate as a single control area. Do you

9 recall that?

10 A. Yes.

11 Q. And I'd like to ask you if there's a

12 significant change in the JDA, would this increase the

13 chances that Ameren would no longer operate as a single

14 control area for transmission service?

15 A. Yes.

16 Q. Also yesterday I think Judge Thompson on

17 behalf of Commissioner Murray asked to clarify your

18 definition of hold harmless. Do you recall that?

19 A. Yes.

20 Q. And I would ask, does hold harmless, as it

21 pertains to transmission service and transmission charges,

22 does it mean that the AmerenUE generation located in the

23 AmerenCIPS transmission system following an approval of

24 the transfer would continue as they would absent the

25 transfer?

1           A.       Yes.

2           Q.       And so hold harmless doesn't have anything

3   to do with any new generation asset or assets that don't

4   exist today, but that might subsequently be built in the

5   AmerenCIPS system?

6                   MR. HENNEN:  Object, leading question.

7                   MR. FREY:  Judge, I believe we're permitted

8   to ask leading questions on redirect.

9                   JUDGE THOMPSON:  Well, not on redirect, no.

10  Like direct, you have to ask non-leading questions.

11                   MR. FREY:  I'll rephrase that.

12                   JUDGE THOMPSON:  Thank you.

13  BY MR. FREY:

14           Q.       Would the hold harmless -- would hold

15  harmless have anything to do with any new generation

16  assets that don't exist today but that might subsequently

17  be built in the Ameren transmission system?

18           A.       No.

19                   MR. FREY:  Thank you, Mr. Bax.

20                   That's all I have, your Honor.

21                   JUDGE THOMPSON:  Thank you, Mr. Frey.

22                   Mr. Bax, you are excused.

23                   THE WITNESS:  Thank you, Judge.

24                   JUDGE THOMPSON:  I hope you'll come back

25  safely from your military deployment.



1                   Ms. Fischer?

2                   Mr. Nelson, I know that we need to do

3 recross and redirect of you as well, but I think from the

4 schedule you're going to be coming back anyway.

5                   MR. NELSON: Yes, sir.

6                   JUDGE THOMPSON: Okay. Since I can't spare

7 you the inconvenience, we'll leave that to be finished at

8 a later time.

9                   Please come on up.

10                  MS. FISCHER: My attorney isn't here, and I

11 come back for liabilities too.

12                  JUDGE THOMPSON: Okay. Well, do you want

13 to just wait for liabilities to finish?

14                  MS. FISCHER: I can.

15                  JUDGE THOMPSON: Yes, I see your name now.

16                  MR. LOWERY: We have no objection.

17                  JUDGE THOMPSON: What is the recross and

18 redirect on that we have, affiliate transactions?

19                  MS. FISCHER: Uh-huh.

20                  JUDGE THOMPSON: All right. We'll fold

21 that into the liability. Thank you. I apologize for

22 inconveniencing you.

23                  Are we ready then to go on to Mr. Kind?

24                  (No response.)

25                  JUDGE THOMPSON: Mr. Kind, come on up.

1 You're going to tell us about transmission related  
2 detriments, right?

3 MR. KIND: That's right.

4 JUDGE THOMPSON: I'll remind you, Mr. Kind,  
5 you're still under oath. Go ahead and take your seat.  
6 And I believe it is Mr. Frey, cross-examination?

7 MR. FREY: Your Honor, we have no  
8 questions.

9 JUDGE THOMPSON: You have no questions.  
10 Bless you.

11 Union Electric, who is representing Union  
12 Electric for this witness?

13 MR. HENNEN: I am, your Honor.

14 JUDGE THOMPSON: Mr. Hennen, step up.

15 RYAN KIND testified as follows:

16 CROSS-EXAMINATION BY MR. HENNEN:

17 Q. Good afternoon, Mr. Kind.

18 A. Good afternoon, Mr. Hennen.

19 MR. HENNEN: I have a very brief amount of  
20 cross-examination for Mr. Kind.

21 JUDGE THOMPSON: Bless you.

22 MR. HENNEN: Three questions. The first  
23 one of which, I don't believe, gets into highly  
24 confidential information. The second two will.

25 JUDGE THOMPSON: Let's go ahead and go

1 in-camera now so we don't have any mistakes about it this  
2 time.

3 (REPORTER'S NOTE: At this point, an  
4 in-camera session was held, which is contained in  
5 Volume 14, pages 1299 through 1304 of the transcript.)  
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1 QUESTIONS BY JUDGE THOMPSON:

2 Q. Mr. Kind, with respect to transmission  
3 facilities, are you aware of any potential detriments that  
4 are posed by this transaction?

5 A. Yes, I am.

6 Q. And what are those detriments?

7 A. The detriments, I guess I would -- I would  
8 essentially agree with the analysis of those detriments  
9 presented by Dr. Proctor this morning, and that centers  
10 around the generation units of AmerenUE becoming, for lack  
11 of a better word, stranded within the transmission  
12 facilities of another corporate entity over in Illinois.

13 Q. Okay. So you agree with the detriments  
14 identified by Dr. Proctor?

15 A. Essentially, yes.

16 Q. Did you identify any detriments that  
17 Dr. Proctor did not mention?

18 A. I don't believe so, in that he mentioned  
19 all the plants over in Illinois, the Joppa plant, the  
20 Venice plant, Pinckneyville plant, which may be acquired  
21 by AmerenUE.

22 Q. He mentioned those in the course of giving  
23 me a summary of what the plants in question were, and then  
24 we went over to transmission for each plant whose system  
25 it was on, whether or not it was proposed to be

1 transferred. Now, do you -- the detriments that I recall  
2 him mentioning were the possibility of paying transmission  
3 rates or transmission fees, costs, whatever the  
4 appropriate term would be, and then the JDA detriments.  
5 There's the off-system sale revenues and the mandatory  
6 sale of extra power to CIPS, and so the lost opportunity  
7 of selling them for a profit somewhere else.

8 Do you recognize any detriments or do you  
9 perceive any detriments other than those three?

10 A. I think that pretty well sums it up. You  
11 know, with respect to a lot of them had to do with just  
12 the potential for there being a separation of the CIPS and  
13 UE control areas, and I guess then the further  
14 complication of if those control areas were separated,  
15 that the control areas might be located in different -- in  
16 areas of different RTOs or different transmission  
17 providers.

18 Q. But we've heard testimony, have we not,  
19 that there are no plans to separate that single control  
20 area? Have you heard that testimony?

21 A. I have heard that. I think that's --  
22 that's -- that only halfway addresses that issue, sort of  
23 from the side of the company, and I can explain that, if  
24 you'd like.

25 Q. Please.

1           A.       Okay. Well, it is -- there is a  
2   possibility that this Commission could determine that  
3   Ameren should not remain in the MISO during the recent  
4   case. I think it was EO-2003-0271. The Commission only  
5   granted AmerenUE interim approval to become a member of  
6   the Midwest ISO or the MISO. And that approval lasts for  
7   just five years, and prior to the conclusion of that five  
8   years, there -- there's already a plan for doing a  
9   thorough cost/benefit analysis to determine whether or not  
10  AmerenUE should remain in the Midwest ISO or if there  
11  would be some other RTO or even just a separate -- or even  
12  if they should just exist as a separate transmission  
13  provider, if that might be desirable.

14                 Now, the Commission probably would not  
15  direct them directly to join -- I mean, to separate their  
16  UE control area, but if the Commission were to, for  
17  example, direct them to become a member of the SPP RTO,  
18  which is a proposed RTO that has an application currently  
19  pending at FERC, if that were to occur, it might be in  
20  Ameren's financial interest to keep its Illinois utilities  
21  in the Midwest ISO and not to move all of their utility  
22  operating companies over to the SPP if the Commission  
23  directed them to put their UE Missouri transmission  
24  facilities into the SPP.

25                 So what I'm saying is that could be a --

1 sort of a ramification of a Commission decision that UE  
2 should no longer be in the Midwest ISO.

3 Q. Well, let's say that happened. What would  
4 be the bad effect, if any?

5 A. That was pretty much covered by Dr. Proctor  
6 this morning, and --

7 Q. So in other words, the bad effect would be  
8 paying \$12 million more per year -- or excuse me -- 13.6?

9 A. Yeah. That was -- that's I think the gist  
10 of it probably.

11 Q. Do you agree with that figure?

12 A. I have not checked that figure or done an  
13 independent analysis.

14 Q. So you have no reason to disagree with it?

15 A. That's correct.

16 Q. Okay.

17 A. I guess the only other thing probably that  
18 wasn't covered this morning is just if you -- you know, if  
19 those generation facilities are in Illinois in the --  
20 located within a -- the transmission system of a separate  
21 transmission provider in a separate control area, and if  
22 the RTO decides that there are enhancements needed to the  
23 transmission system, it's unknown at this time whether  
24 enhancements would be based on a participant funding  
25 approach or what's called socialize the cost and spread it

1 out to everybody approach.

2 And there probably are some other, you

3 know, some factors related to that that could lead to some

4 risks of additional charges that are not related to the

5 transmission charges that Dr. Proctor discussed this

6 morning.

7 Q. Now, these are charges imposed by the RTO?

8 A. Correct. Yes.

9 Q. Required by the RTO?

10 A. Yeah, everyone who takes service would end

11 up paying them.

12 Q. Does the RTO have ratemaking power?

13 A. Their rates are approved by the Federal

14 Energy Regulatory Commission.

15 Q. So in other words, what you're saying is

16 that if the RTO did that and the FERC approved it, then

17 the Commission would have no choice but to impose these

18 charges on Missouri ratepayers?

19 A. I would not want to give you a definitive

20 answer to that, because I -- my knowledge of, really, the

21 interaction between who has jurisdiction over which piece

22 of transmission, I don't feel confident enough to say

23 100 percent either way.

24 Q. Okay. So what you're saying is that we're

25 at the mercy of the federal government and they might do



1 something bad, right?

2 A. That's one way to put it.

3 Q. That's pretty well the condition today

4 anyway, isn't it?

5 A. Well, no. I think actually you have more

6 control over your own destiny today. It seems like if

7 you're sort of a self-contained unit and you're not -- you

8 don't expose yourself to being at the whim of the federal

9 government.

10 Q. Okay. I mean, the point remains that no

11 matter what happens here, these generation plants are in

12 Illinois, right?

13 A. That's true. I actually don't see the

14 state line as being a significant factor at this point.

15 Q. Really?

16 A. No, I do not.

17 Q. Do you believe the power of this Commission

18 extends across the Mississippi River into Illinois?

19 A. To the extent that this Commission has the

20 authority to determine what portion of the total

21 transmission costs of UE should be allocated to Missouri

22 consumers, yes.

23 Q. This Commission has authority over what

24 goes on the bills that are sent to Missouri citizens that

25 are customers of UE, right?

1           A.       Right, and I thought that's the sort of  
2       detriments that we're addressing here.

3           Q.       And that control is going to continue to be  
4       there, regardless of what happens in this transaction,  
5       isn't it?

6           A.       No.   That's where you get into the area  
7       between state and federal jurisdiction, I believe,  
8       actually.

9           Q.       But you're not an attorney, right?  Right?

10          A.       That's correct.

11          Q.       Okay.  So in terms of the intricacies of  
12       state/federal interrelations in terms of who controls  
13       what, you're not really able to guide us in what would  
14       happen, correct?

15          A.       I think I already stated that, but I  
16       wouldn't attribute that to my not being an attorney.

17                   JUDGE THOMPSON:  Okay.  We'll attribute it  
18       to whatever you would like.  That's fine.  Very well.  
19       That's all the questions I have for you, Mr. Kind.  Thank  
20       you.

21                   THE WITNESS:  Thank you.

22                   JUDGE THOMPSON:  Mr. Dottheim or Mr. Frey  
23       or whatever Staff attorney would like to step in.

24                   MR. FREY:  No questions.

25                   JUDGE THOMPSON:  Mr. Hennen?

1     RE CROSS-EXAMINATION BY MR. HENNEN:

2             Q.       Mr. Kind, I believe Judge Thompson asked

3     you some questions regarding what you perceive to be the

4     detriments associated with this property transfer. Do you

5     recall those questions?

6             A.       Yes, I do.

7             Q.       And you responded by saying that one of the

8     detriments is the fact that the UE generating plants in

9     Illinois would no longer be directly connected to the

10    AmerenUE system in Missouri; is that correct?

11            A.       That's correct.

12            Q.       And assuming that we proceed, we meaning

13    AmerenUE and AmerenCIPS proceed to becoming a member of

14    the Midwest ISO, would there be a -- there would not be a

15    transmission rate assessed, would there, for energy

16    delivered from those generating plants in Illinois to

17    AmerenUE load in Missouri?

18            A.       Not a charge for transmission service per

19    se. There would be some -- I think there would be some

20    transmission charges that UE would have to pay to the

21    Midwest ISO.

22            Q.       And what are those charges?

23            A.       I couldn't tell you all of them off the top

24    of my head. There's administrative charges --

25            Q.       Schedule 10?

1           A.       I think it's Schedule 10, yes.

2           Q.       And Schedule 10, is that based on where the  
3 generation is located or is that based on load?

4           A.       I don't really know.

5           Q.       What other charges would be assessed?

6           A.       Well, since we just concluded that case, I  
7 feel like I should know, but I frankly, you know, there's  
8 Schedules 16, 17, 18, 19, all those. I can't remember if  
9 all of those, frankly, are just charges that are avoided  
10 due to the service agreement that was filed, some or all  
11 of them or not.

12          Q.       But you affirmatively stated that you  
13 thought that there would be a detriment, but you're just  
14 not sure what these charges are?

15          A.       No. I can clarify that. I didn't state  
16 that there would be a detriment while you were in the  
17 Midwest ISO. I stated that there would be a detriment --  
18 I was trying to explain that the Commission had the  
19 authority to compel you to leave the Midwest ISO after  
20 this five-year interim approval, and that's the -- I  
21 didn't try to -- I wasn't trying to give the impression  
22 that there would be any detriments outside of that  
23 scenario.

24          Q.       Fair enough. So what you're saying is,  
25 then, that unless the Commission ordered AmerenUE to

1 withdraw from the MISO, there would not be a detriment?

2 A. Yes, that's correct.

3 Q. Okay. And if the Missouri Commission

4 required AmerenUE to withdraw from the Midwest ISO,

5 wouldn't you think that one of the factors they would

6 consider in making that decision is the potential that

7 they may have to incur costs that they wouldn't otherwise

8 have to incur if UE were to remain in the Midwest ISO?

9 A. Whether they needed to -- whether that or

10 not would, I think, depend on whether or not a hold

11 harmless condition came out of this case.

12 Q. So essentially, then, what you're asking

13 the Commission to do is hold harmless Missouri ratepayers

14 from future Commission action?

15 A. Hold harmless ratepayers from -- asking the

16 Commission to hold ratepayers harmless from costs that

17 would not be incurred absent this transaction that the

18 company is proposing be the Metro East transfer.

19 Q. Correct. But again, you said the detriment

20 would only arise by virtue of subsequent Commission

21 actions?

22 A. That's correct.

23 Q. So if it were not for the subsequent

24 Commission action, there wouldn't be anything to hold

25 ratepayers harmless from?

1           A.       I think in my mind the triggering event  
2       would be this transfer, not the subsequent action.

3           Q.       You talked about, in response to one of  
4       Judge Thompson's questions regarding detriments, the  
5       impact of participant funding on this situation, correct?  
6       Do you recall that?

7           A.       Correct.

8           Q.       And essentially participant funding  
9       involves the allocation of upgrade costs to those who  
10      benefit from the upgrade, correct?

11          A.       That's correct.

12          Q.       And if, in fact, AmerenUE benefits in the  
13      future from some sort of transmission upgrade and a  
14      participant funding approach had been adopted by the  
15      Midwest ISO, wouldn't Ameren be allocated some portion of  
16      the cost of that upgrade?

17          A.       Yes, they would.

18          Q.       And each portion of the upgrade cost due to  
19      that participant funding methodology would not be impacted  
20      whatsoever by its current transmission assets, would it?

21          A.       Well, I wasn't actually -- you might have  
22      misunderstood me. I wasn't trying to get at the detriment  
23      being related to the participant funding.

24          Q.       If you could answer my question.

25          A.       Okay.

1                   MR. HENNEN:  Would you read that back?

2                   THE REPORTER:  "Question:  And each portion

3   of the upgrade cost due to that participant funding

4   methodology would not be impacted whatsoever by its

5   current transmission assets, would it?"

6                   THE WITNESS:  It's my understanding

7   actually that that is -- that it is possible, I mean, I'm

8   not sure what you mean by its current transmission assets

9   or --

10   BY MR. HENNEN:

11                  Q.       Let me help you out.

12                  A.       -- what they would be after the transfer.

13                  Q.       Either way.  Whatever AmerenUE owns at that

14   time.  Okay?  That's the base case, and there's a

15   participant funding methodology adopted by the Midwest

16   ISO, a new line is built, new line is built.  Participant

17   funding says that should be allocated to the utilities

18   that benefit from the new line, correct?

19                  A.       Yeah, or that drove the need for the new

20   line.

21                  Q.       Based on the benefits that they received?

22                  A.       Right.

23                  Q.       And that benefit that they received has

24   nothing to do with the existing transmission plant that

25   they have in place, correct?

1           A.       I think I agree with you probably, but --  
2           Q.       Thank you.  
3           A.       I don't think I can give you a definitive  
4       that I'm absolutely correct, but I think I'm following  
5       you.  
6           Q.       Okay. So the property transfer, then,  
7       would have absolutely no impact on the participant funding  
8       methodology adopted by the Midwest ISO, correct?  
9           A.       I don't think so. I haven't really  
10       explored -- that wasn't what I was discussing with the  
11       Judge, and I don't know that I've really given maybe a  
12       thorough analysis of that. I was thinking more of under  
13       the situation where there was not participant funding and  
14       where the costs were just socialized, and everybody paid  
15       for the transmission upgrade regardless of whether they'd  
16       already paid for transmission facilities that were  
17       adequate to serve their needs.  
18          Q.       Okay. Let's say -- let's say it's  
19       socialized as you've described. Wouldn't you suggest that  
20       the allocation would be based on load?  
21          A.       Probably. These things aren't determined  
22       yet, I don't think.  
23          Q.       It certainly wouldn't be allocated based on  
24       your transmission plant, would it?  
25          A.       Well, I think whether you got allocated



1 any, you know -- I mean, that's -- I guess that's the  
2 risk, is that if you -- if you don't have the transmission  
3 facilities, then, you know --

4 Q. But if you had -- let's say that the  
5 transfer does not take place. That does not prevent  
6 future allocations being made to AmerenUE, does it?

7 A. On the socialized basis?

8 Q. Correct.

9 A. Correct.

10 Q. And on the participant funding basis?

11 A. Well, I think on a participant funding  
12 basis that it's more likely that you can make an effective  
13 argument that we've already paid for the facilities to --  
14 you know, to take care of serving our customer over time,  
15 and if that investment has already been made, there's a  
16 need for new facilities, others should pay for those  
17 facilities. And the point would be, if we don't still own  
18 the transmission facilities in Illinois, how do -- how  
19 does UE make the argument that, well, we've already paid  
20 for our facilities, because there aren't any there.

21 Q. Isn't the goal of establishing regional  
22 transmission organizations to further wholesale  
23 competition?

24 A. I think a lot of people have a lot of  
25 different purposes, and that's certainly one of them.

1           Q.       And one way of furthering wholesale  
2   competition by the creation of RTOs is to eliminate the  
3   disparities of delivering energy from one generation  
4   source versus another to the same load, correct?

5           A.       Correct.

6           Q.       So if Ameren remains in an RTO, generation  
7   in the future that it may choose to serve its native load  
8   should go beyond that which is directly connected to its  
9   own transmission system in order to reap the benefits of  
10   an RTO, correct?

11          A.       Is that -- are you asking me is that what  
12   they should do or is that what I think the company's plans  
13   are or --

14          Q.       Yes.

15          A.       Yes. Okay. Well, I mean, the company says  
16   that, and pretty much repeatedly in this case in support  
17   of the transfer that the Commission Staff wants us to  
18   build our own generation and just rely on our own  
19   generation, and that we should not be relying on the  
20   wholesale market to serve our load. So I guess I'm not  
21   following what you're --

22          Q.       That's for capacity, correct, but for  
23   energy in the real-time market, I believe Dr. Proctor --

24          A.       Oh. I think that's an important  
25   distinction, yeah. I would agree with that, if you put it

1     that way.

2             Q.       So delivering energy from any place in the  
3     Midwest ISO is the same cost for delivering energy from  
4     our own generating plants, correct?

5             A.       Well, that tariff got filed recently. I  
6     can't say that I've cracked it open yet, but I understand  
7     that's the --

8             Q.       What tariff are you referring to?

9             A.       Just the market, the tariff for the Midwest  
10    ISO.

11            Q.       What about the existing Midwest ISO tariff,  
12    under the one that's currently in place? It's not a day  
13    two market. It's a day one market. Under that day one  
14    market tariff energy delivered from a generator anywhere  
15    in the MISO comes to AmerenUE Missouri for the same price  
16    as generation connected directly to the AmerenUE system,  
17    correct?

18            A.       I can't say. I think that's the idea of  
19    RTOs.

20            Q.       Do you not know?

21            A.       I can't say I've analyzed the tariff enough  
22    that I can tell you that that's definitely true.

23            Q.       So you haven't analyzed the tariff. You  
24    don't know what the tariff says, but you're here  
25    testifying that there's a detriment associated with a

1 disaggregation of generation from the AmerenUE system; is  
2 that correct?

3 A. Doesn't have to do with the Midwest ISO  
4 tariff. The detriment I was pointing out had to do with  
5 splitting the control areas or with future policies for  
6 participant funding versus socialized funding.

7 Q. Are you familiar with a FERC proceeding  
8 E2111?

9 MR. MICHEEL: At this point, I'm going to  
10 object. It's beyond the scope. I don't think anybody  
11 ever brought up EO whatever this FERC document is, and I  
12 don't think it's pertinent to any question from the Bench.

13 MR. HENNEN: Your Honor, this FERC order  
14 has a direct impact on the costs that AmerenUE would incur  
15 if, in fact, the control areas were split and --

16 JUDGE THOMPSON: Well, there's been plenty  
17 of talk about splitting control areas, so I'm going to  
18 allow the question. The objection is overruled. Please  
19 proceed.

20 BY MR. HENNEN:

21 Q. Are you familiar with the FERC proceeding  
22 EO-2111 where the FERC has issued an Order eliminating the  
23 through and out rates for the Midwest ISO for PJM for  
24 AmerenUE and AmerenCIPS effective December 1, 2004?

25 A. Is that the Order that you made an exhibit

1     this morning?

2             Q.       Yes.

3             A.       I think that was the first time that I'd

4     seen that order.

5             Q.       So you've not read that order?

6             A.       No, I haven't.

7             Q.       You're not familiar with that order?

8             A.       Just came out a couple weeks ago, didn't

9     it?

10            Q.       It was issued, I believe, March 19th.

11            A.       This year?

12            Q.       Yes, this year.

13            A.       Been pretty busy with this case since

14     March 19th, working on least cost issues and things like

15     that.

16            Q.       Okay. Assuming that FERC has issued an

17     Order which, in fact, has eliminated the ability of

18     AmerenUE, AmerenCIPS, MISO, PJM to charge a through and

19     out rate, assuming that to be the case, if, in fact,

20     AmerenUE and AmerenCIPS split their control area, wouldn't

21     that prevent a charge from being assessed on generation

22     that's supplied from the UE generating assets in Illinois

23     to the Missouri load?

24            A.       I actually just don't know enough about

25     that order to be able to answer it.

1 JUDGE THOMPSON: He asked you a  
2 hypothetical, which you don't have to know anything about  
3 the Order. Are you able to answer the hypothetical that  
4 he posed?

5 THE WITNESS: I'd have to read the Order to  
6 know what --

7 JUDGE THOMPSON: No, you don't have to  
8 read --

9 THE WITNESS: -- to know what through and  
10 out rates means in this context.

11 JUDGE THOMPSON: You don't have to know the  
12 Order. You just have to listen to the hypothetical and  
13 either you can respond or not. If you can't respond,  
14 that's okay, but it's got nothing to do with the Order,  
15 other than I assume the hypothetical is intended to  
16 incorporate the pertinent parties.

17 Kellene, can you read back the  
18 hypothetical?

19 THE REPORTER: "Question: Okay. Assuming  
20 that FERC has issued an Order which, in fact, has  
21 eliminated the ability of AmerenUE, AmerenCIPS, MISO, PJM  
22 to charge a through and out rate, assuming that to be the  
23 case, if, in fact, AmerenUE and AmerenCIPS split their  
24 control area, wouldn't that prevent a charge from being  
25 assessed on generation that's supplied from the UE

1 generating assets in Illinois to the Missouri load?"

2 THE WITNESS: When you say there's no

3 charge for through and out rate, is that just between PJM

4 and MISO? In other words, to go out of MISO into PJM,

5 there's no out charge and to go out of PJM into MISO

6 there's no out charge, or to go out of the two combined

7 RTOs?

8 BY MR. HENNEN:

9 Q. The hypothetical FERC order that I'm

10 referring to would prevent the Midwest ISO, AmerenUE and

11 AmerenCIPS and PJM from assessing an out rate on any

12 transaction that sank within those same areas.

13 A. Well, so the -- so the sink being, say, the

14 St. Louis area on the west side of the river, and the

15 control area's split, so the St. Louis area on the west

16 side of the river is no longer -- is not within PJM and

17 MISO. Then we're not -- am I getting this right, then?

18 Q. You can assume that to be the case. We'll

19 take that as one hypothetical.

20 A. Okay.

21 Q. The AmerenUE Missouri load has been

22 withdrawn from the Midwest ISO. The FERC order, this

23 hypothetical FERC order that I've been referring to does

24 not allow the Midwest ISO to charge an out rate for

25 transactions that sink within UE. Would they able to

1 charge for energy delivered from UE's plants in Illinois?

2 A. Not if it's for -- yeah. Yeah, for

3 transactions that sink within UE. I thought it was for

4 transactions that sink within the -- within the boundaries

5 of the MISO and PJM was what you were saying.

6 Q. You are referring to the Order or my

7 hypothetical?

8 A. I thought that was your hypothetical. Did

9 you change your hypothetical?

10 Q. Let's start over. Okay. One hypothetical,

11 UE is still in the Midwest ISO. Okay?

12 A. Okay.

13 Q. FERC order comes out and says that there

14 can be no through and out rate assessed for any

15 transaction that sinks in the MISO, PJM or AmerenUE and

16 CIPS control area. That being the hypothetical, UE and

17 CIPS split their control area. Can a transmission charge

18 be assessed against the energy that's delivered from the

19 UE plants in Illinois to deliver energy to Missouri load?

20 A. Okay. There's a split in the control area,

21 but UE remains in the MISO?

22 Q. Correct.

23 A. No charge.

24 Q. No charge.

25 Okay. Next scenario, UE is outside the



1 Midwest ISO, again, a hypothetical FERC order prevents  
2 MISO from assessing an out rate for any transaction that  
3 sinks in the AmerenUE system. That's the FERC order.  
4 MISO says you cannot charge an out rate for any  
5 transaction that sinks in the AmerenUE system.

6 That being the case, can or will there be a  
7 transmission charge assessed to deliver energy from the  
8 plants located in Illinois to serve UE's load in Missouri?

9 A. I don't believe so. It would be helpful if  
10 I knew -- is that also what you're saying that this  
11 111 order, the same -- it had the same --

12 Q. That's precisely what the --

13 A. -- conditions in it?

14 Q. -- EO-2111 order says.

15 A. Well, I'll have to take your word for it.

16 MR. HENNEN: Okay. I have no further  
17 questions, your Honor.

18 JUDGE THOMPSON: Thank you, Mr. Hennen.

19 Now, we also have outstanding the recross based on  
20 questions from the Bench of Mr. Kind regarding the JDA.  
21 Since we've got him up here, let's do that now, too. All  
22 right.

23 MR. RAYBUCK: No questions from the  
24 company, your Honor.

25 JUDGE THOMPSON: You have no questions.

1     What about Staff?

2                     MR. FREY:  No questions, your Honor.

3                     JUDGE THOMPSON:  See, I waited until

4     Dottheim was gone to ask that.  So let's do redirect then,

5     and let's cover the JDA and also the transmission.  I see

6     Mr. Coffman's here, if he has stuff prepared on the JDA.

7                     MR. MICHEEL:  Can I just check with him and

8     then I'll go --

9                     JUDGE THOMPSON:  We're at about time where

10    we need to take a break for the reporter anyway.  So let's

11    go ahead and take 10 minutes now.

12                     (A BREAK WAS TAKEN.)

13                     JUDGE THOMPSON:  Did you get a chance to

14    confer with Mr. Coffman?

15                     MR. MICHEEL:  I did, your Honor, and we

16    have no redirect on either the JDA or the issue of

17    transmission, to speed things along.

18                     JUDGE THOMPSON:  Bless you.  Now, don't

19    overlook some really good questions just to speed things

20    along, because we're going to come back next week anyway.

21                     Okay.  You may step down, sir.  Thank you

22    very much for your testimony.

23                     THE WITNESS:  Thank you.

24                     MR. MICHEEL:  Your Honor, one thing that

25    I've noted is that Exhibit 64 was marked at your behest;

1     that was Staff DR-36. I don't know, are we going to offer  
2     that or is it just going to remain marked or how are you  
3     going to deal with that? I just want to make sure I get  
4     my exhibit list correct.

5                     JUDGE THOMPSON: 36? 36 has been offered  
6     and received.

7                     MR. MICHEEL: No. Exhibit 64, Staff DR-36,  
8     sir.

9                     JUDGE THOMPSON: That has been neither  
10    offered nor received. I don't know. I don't care if it  
11    comes in.

12                    MR. MICHEEL: Okay. You had it marked, so  
13    I just --

14                    JUDGE THOMPSON: I had it marked so that I  
15    could keep it straight with all the paper flying around.  
16    As far as whether it comes into the record, I don't care.

17                    MR. MICHEEL: Fine with me.

18                    JUDGE THOMPSON: Okay. Let's see. Who is  
19    our next witness?

20                    MR. FITZHENRY: Your Honor, I believe we  
21    were going to have Mr. Wallace testify.

22                    JUDGE THOMPSON: That would be fine. Let's  
23    have Mr. Wallace testify. We're starting a new topic now,  
24    right?

25                    MR. FITZHENRY: We are.

1 JUDGE THOMPSON: You're the guy that's been  
2 dying to get out of here. We've got two hours. Maybe we  
3 can finish up with you, Mr. Wallace.

4 (Witness sworn.)

5 JUDGE THOMPSON: Please state your name,  
6 spell your last name for the reporter. Go ahead and take  
7 your seat.

8 THE WITNESS: My name is Matthew T.  
9 Wallace, last name W-A-L-L-A-C-E.

10 MR. FITZHENRY: May I proceed?

11 JUDGE THOMPSON: You may proceed,  
12 Mr. Fitzhenry.

13 MATTHEW T. WALLACE testified as follows:

14 DIRECT EXAMINATION BY MR. FITZHENRY:

15 Q. Good afternoon, Mr. Wallace. Do you have  
16 before you what's been marked for identification as  
17 Exhibit 22, titled surrebuttal testimony of Matthew T.  
18 Wallace?

19 A. Yes, sir.

20 Q. And was this prepared by you?

21 A. Yes, sir.

22 Q. Do you have any corrections to this  
23 testimony?

24 A. Yes, sir, I do.

25 Q. Please identify the correction.

1           A.       Page 4, line 2, the rating on the small  
2     frame, Pinckneyville units, 5-8 GE frame 6B should be  
3     40 megawatts versus the 34 identified.

4           Q.       Any other corrections?

5           A.       No, sir.

6           Q.       And with that correction, do you adopt this  
7     as your sworn testimony?

8           A.       Yes, sir.

9                   MR. FITZHENRY: Your Honor, at this time I  
10    move for the admission of Exhibit 22 and tender  
11    Mr. Wallace for cross-examination.

12                  JUDGE THOMPSON: Thank you. Could you  
13    repeat your correction for me?

14                  THE WITNESS: Yes, your Honor. The number  
15    34 should be changed to 40.

16                  JUDGE THOMPSON: Great. Thank you. Do I  
17    hear any objections to the receipt of Exhibit 22?

18                  (No response.)

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

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

24                  JUDGE THOMPSON: Mr. Frey?

25                  MR. FREY: Thank you, your Honor.

1 CROSS-EXAMINATION BY MR. FREY:

2 Q. Hello, Mr. Wallace.

3 A. Good afternoon.

4 Q. Welcome.

5 A. Thank you.

6 Q. You indicated that you prepared this

7 testimony; is that correct?

8 A. Yes, sir.

9 Q. Is this the first time you've filed

10 testimony with this Commission?

11 A. Yes, sir.

12 Q. Did you have the assistance of counsel in

13 preparing this testimony?

14 A. Yes, sir.

15 Q. Anyone else?

16 A. There were others that I referred to as

17 reference.

18 Q. You stated in your surrebuttal that you

19 were a certified system operator, did you not?

20 A. Yes, sir, I have.

21 Q. And have you maintained this certification?

22 A. It elapses this year. It's a five-year

23 certification.

24 Q. Does anyone else at AmerenUE have such

25 certification or are you the only one?

1           A.       I am not the only one, and there are many  
2 others.

3           Q.       Too many to name?

4           A.       The Staff in energy supply operation, which  
5 has direct control over the generation of voltage systems,  
6 must have NRC certification. So all of the power  
7 dispatchers, the transmission dispatchers and the power  
8 supply supervisors by title; in number, maybe 25, 30.

9           Q.       Okay. Thank you. In your surrebuttal  
10 testimony, you discuss various types of combustion turbine  
11 generators at the various plants; is that correct?

12          A.       Yes, sir.

13          Q.       And there are two new ones going in at the  
14 Venice site, correct?

15          A.       That is correct.

16                   JUDGE THOMPSON: Is that secret?

17                   THE WITNESS: No, sir.

18 BY MR. FREY:

19          Q.       What type of CTG is currently available in  
20 service at Venice?

21          A.       Presently, commercial at Venice are two  
22 machines, one is a Pratt Whitney FT8 and the other is a  
23 Westinghouse 301G, both Arrow derivatives. Excuse me.  
24 The 301G is not an Arrow; it is a Trane.

25          Q.       A Trane?

1           A.       Yes.

2           Q.       Large, small?

3           A.       Small.

4           Q.       So you have one Arrow derivative and one

5 small?

6           A.       Yes.

7           Q.       And what type of CTG or what types of CTG

8 is being added?

9           A.       There will be two 501 FD2s, which are large

10 frames.

11          Q.       Your current position, Mr. Wallace, at

12 AmerenUE is CTG group manager; do I have that correct?

13          A.       That is correct.

14          Q.       And in your capacity as a group manager,

15 did you make the decision as to the type of CTG to add at

16 Venice?

17          A.       No, sir. The decision to purchase these

18 machines predates my involvement with the group.

19          Q.       Would that decision have been made by your

20 predecessor?

21          A.       There was no predecessor. I'm the first of

22 my kind.

23          Q.       Who then made that decision, do you know?

24          A.       I do not know. There's some history with

25 the machines which extends maybe for two, three, four



1     years previous.

2             Q.        Would that have been likely an Ameren  
3     personnel or AmerenUE?

4             A.        I do not know.

5             Q.        Is it your responsibility as CTG group  
6     manager to advise Ameren as to the types of CTGs to be  
7     admitted to the Ameren generation mix?

8             A.        Yes, sir. I provide guidance to corporate  
9     planning as to the desired operating characteristics of  
10    the various types of machines.

11            Q.        And would that be for -- would that be just  
12    for AmerenUE or for -- would that be Ameren-wide?

13            A.        AmerenUE.

14            Q.        Did you recommend the installation of the  
15    large-frame CTG at Venice?

16            A.        As I mentioned earlier, the decision to  
17    install those predates my involvement with the combustion  
18    turbine generators. Ameren had owned those machines and  
19    it was a decision to install them. The location turned  
20    out to be Venice.

21            Q.        I guess I did ask you that one before.  
22    Sorry.

23            A.        No problem.

24            Q.        Do you know what other types of CTGs were  
25    considered for that additional capacity at Venice?

1           A.       No, sir, I do not. I don't know what  
2     deliberations predated my participation in the CTG group.

3           Q.       So then you're not able to explain the  
4     rationale for the decision to install these large frame  
5     CTGs at Venice; is that correct?

6           A.       I can explain the operational  
7     characteristics of the machines and contrast those with  
8     other types, but not the specifics of this installation.

9           Q.       Can you give an opinion as to why this type  
10    of CTG was settled on?

11                  MR. FITZHENRY: Your Honor, I think that's  
12    an inappropriate question. Mr. Wallace has stated several  
13    times now that he wasn't around at the time the decision  
14    was made. He doesn't know who made the decision; he  
15    doesn't know the rationale underlying the decision. So I  
16    think it's inappropriate now to ask him to speculate as to  
17    what was the basis for those decisions.

18                  MR. FREY: I'm sorry, your Honor, I didn't  
19    appreciate that he said he didn't know the rationale. I  
20    was just simply asking him if he had an opinion as to what  
21    the rationale might have been. I'll move on.

22                  JUDGE THOMPSON: Well, since you've  
23    withdrawn the question, I won't rule on the objection. Go  
24    ahead.

25    BY MR. FREY:

1           Q.       Mr. Wallace, based on your experience,  
2     you're familiar with the concept of economic dispatch, are  
3     you not?

4           A.       Yes, sir, I am.

5           Q.       Could you briefly explain what is meant by  
6     that term?

7           A.       Economic dispatch is an order of  
8     dispatching your units based on lowest cost on incremental  
9     energy generally.

10          Q.       And in terms of economic dispatch, could  
11     you please list the three types of CTGs you've addressed  
12     in your surrebuttal testimony in order of the least  
13     expensive to the most expensive?

14          A.       The least expensive to dispatch would be an  
15     Arrow derivative, such as Pinckneyville Units 1 through 4.  
16     The most expensive, if you include start costs, would be  
17     the large frames.

18          Q.       So presumably, then, the small frames are  
19     in the middle?

20          A.       Small frames turn out to be in the middle.

21          Q.       Can you state what is meant by the term  
22     "capacity factor"?

23          A.       Capacity factor is the utilization of the  
24     machine based on its percent that it's available and the  
25     time that it's dispatched.

1           Q.       I'm sorry. Could you repeat that, the  
2 first part of that?

3           A.       The capacity factor is the availability of  
4 the machine divided by the amount of time that it's  
5 actually dispatched.

6           Q.       Okay. When you say availability, would  
7 that mean -- let's say the total number of hours in a year  
8 minus, say, planned outages?

9           A.       Yes, sir.

10          Q.       Okay. Do you have your surrebuttal  
11 testimony there?

12          A.       Yes, sir, I do.

13          Q.       Okay. On page 6, beginning at line 9, you  
14 point out that the Arrow derivative unit at Pinckneyville  
15 and Peno Creek have run at substantially higher capacity  
16 factors than a number of large frame units. Have I  
17 characterized that correctly?

18          A.       That is correct.

19          Q.       And given that you've listed the Arrow  
20 derivatives as the most attractive type of CTG from an  
21 economic dispatch standpoint, would it be fair to say that  
22 that explains those capacity factor differences that  
23 you've cited there in that testimony?

24          A.       It's a fair characterization. Those are  
25 not -- that's not the absolute difference. There are

1 other issues, run time being another one. Typically our  
2 dispatches are of short duration and the Arrow derivatives  
3 are much more suited to a short duration dispatch period.

4 Q. And, sir, considering the current mix of  
5 AmerenUE CTGs, do you believe that a certain type of CTG  
6 should be given -- should be added for the company's next  
7 increment of capacity?

8 A. Over and above the two that are being  
9 installed at Venice?

10 Q. Yes.

11 A. I think that would have to be analyzed and  
12 look at the benefits of one versus the other.

13 Q. And, Mr. Wallace, did you have input into  
14 the decision as to the type of CTG that Mr. Voytas used in  
15 his least cost analysis?

16 A. Mr. Voytas has asked questions as to the  
17 operability of various different types. The number, I  
18 think, he calculated was based on an average of the dollar  
19 per KW that we have shown.

20 Q. Is there -- based on the number he used,  
21 can you -- is there a certain type of combustion turbine  
22 generator that that would most likely conform to? I mean,  
23 does that fit the profile in terms of the cost of a  
24 certain type of CTG?

25 A. In my surrebuttal testimony on page 8, I

1 think you're asking me if the \$471 was reasonable.

2 Q. Yes.

3 A. And that's in the mid -- mid range of all

4 the types that we have as assets on the system.

5 MR. FREY: May I have a minute, your Honor?

6 JUDGE THOMPSON: You may.

7 MR. FREY: Thank you, Mr. Wallace.

8 I have no further questions, your Honor.

9 JUDGE THOMPSON: Mr. Micheel?

10 MR. MICHEEL: Yes, your Honor.

11 CROSS-EXAMINATION BY MR. MICHEEL:

12 Q. Mr. Wallace, is it correct that there are

13 three types of combustion turbine generators, Arrow

14 derivatives, small frame and large frame?

15 A. Those are three general classifications,

16 yes.

17 Q. And you note that in your surrebuttal

18 testimony, do you not, page 3, lines 12 through 16?

19 A. Yes, sir.

20 Q. And you would agree with me that sometimes

21 large frame CTGs -- and when I call them CTGs, you know

22 that stands for combustion turbine generator, correct?

23 A. That is correct.

24 Q. Sometimes large frame CTGs are referred to

25 as heavy frame CTGs; is that correct?

1           A.       GE classifies their machines as heavy  
2 industrial frames. That is their specific terminology.

3           Q.       And is a heavy frame CTG the same thing as  
4 a large frame CTG? I'm just trying to understand, because  
5 Mr. Voytas calls it a heavy frame in his testimony and you  
6 call it a large frame in your testimony.

7           A.       There's a degree of colloquialism amongst  
8 the group here. A large frame is more indicative of size.  
9 The heavy frame is a construction style. For example, the  
10 GE 6B is also a heavy frame, but its size is 34 megawatts  
11 on summer rating, which would classify it as a small frame  
12 machine. I hope that's illuminating.

13          Q.       Have you reviewed Mr. Voytas' testimony in  
14 preparation for today?

15          A.       I have read his testimony.

16          Q.       Do you have a copy of it there with you?

17          A.       No, sir. Well, surrebuttal testimony?

18          Q.       Yes, sir.

19          A.       Yes, I do.

20          Q.       Could you turn to page 42 there in  
21 Mr. Voytas' testimony?

22                    JUDGE THOMPSON: What was the page?

23                    MR. MICHEEL: Page 42, your Honor. And I'm  
24 focusing on the question and answer beginning on line 11,  
25 sir.

1 JUDGE THOMPSON: This is the rebuttal,  
2 surrebuttal?

3 MR. MICHEEL: Surrebuttal. He didn't file  
4 rebuttal.

5 JUDGE THOMPSON: Whatever.

6 MR. FITZHENRY: What was the line  
7 reference?

8 MR. MICHEEL: I'm focusing there on  
9 page 42, lines 11 through 13.

10 BY MR. MICHEEL:

11 Q. And that's where the term heavy frame is  
12 used, and I'm just trying to understand that term.

13 A. Yes, sir.

14 Q. And so when -- if you know, is Mr. Voytas  
15 talking about a blend of heavy frame CTGs and Arrow  
16 derivative CTGs there, is he talking large, small frame  
17 and Arrow derivatives?

18 A. Give me a moment to read this, please.  
19 Please restate the question.

20 MR. MICHEEL: Could you just read it back,  
21 Kellene?

22 THE REPORTER: "Question: And so when --  
23 if you know, is Mr. Voytas talking about a blend of heavy  
24 frame CTGs and Arrow derivative CTGs there, is he talking  
25 large, small frame and Arrow derivatives?"



1                   THE WITNESS: He's using an average cost of  
2   the units that are comprised of small frame, large frame  
3   and Arrow derivatives.  
4   BY MR. MICHEEL:  
5                   Q.       Is it correct that AmerenUE recently  
6   completed the commissioning of five Arrow derivative CTGs  
7   and is in the process of building two large frame units?  
8                   A.       That is correct, sir.  
9                   Q.       And you note that, do you not, sir, at  
10  page 8, lines 2 through 4 of your surrebuttal testimony?  
11                  A.       That is correct.  
12                  MR. MICHEEL: Your Honor, I need to get an  
13  exhibit marked, and it's an HC exhibit.  
14                  JUDGE THOMPSON: Okay. Do you want to go  
15  in-camera?  
16                  MR. MICHEEL: Yes, I do.  
17                  JUDGE THOMPSON: This would be Exhibit 65.  
18  We will go into closed session at this time.  
19                  (REPORTER'S NOTE: At this point, an  
20  in-camera session was held, which is contained in Volume  
21  14, pages 1343 through 1350 of the transcript.)  
22  
23  
24  
25

1 JUDGE THOMPSON: Okay. We're back in  
2 public session at this time.

3 BY MR. MICHEEL:

4 Q. Sir, at page 7, line 9 of your surrebuttal  
5 testimony, you state that \$390 per KW figure is even low  
6 for large frame CTs; is that correct?

7 A. That's correct.

8 Q. Would you agree with me -- and don't say  
9 the number, because it's a secret -- that Ameren's  
10 installing two large frame CTGs at Venice that have an  
11 installed KW price that is lower than \$390 per kilowatt?

12 A. That is correct, given the situation at  
13 Venice.

14 Q. Do you know if any of the sites that  
15 AmerenUE owns in Missouri -- do you know of any sites that  
16 AmerenUE owns in Missouri that would be suitable sites for  
17 new combustion turbine generation?

18 A. We have another site.

19 Q. And what site is that? And if it's HC, let  
20 me know and we'll go back into camera. I just don't know  
21 about this.

22 A. Luetzville (ph. sp.) location.

23 Q. And where in Missouri is that?

24 A. It's in the southeast quarter.

25 Q. And is that a green field site or a brown

1 field site?

2 A. I'm not -- I don't know too much about it.

3 I believe it's a green field site.

4 Q. Is that a site that's located where there's

5 either -- where AmerenUE already has either gas or

6 coal-fired generation installed?

7 A. No, sir. No on both.

8 Q. Do you know if AmerenUE has plans to

9 install any CTGs at any of its currently owned sites other

10 than the ones we've discussed in the HC proceeding?

11 A. No, sir.

12 Q. Do you know of any sites in Missouri owned

13 by other utilities or generation development companies

14 that may be for sale?

15 A. I am not aware.

16 Q. Is AmerenUE considering purchasing any

17 other CTG sites in Missouri?

18 A. I am not aware. That's not what I do.

19 Q. That's not what you do as development of

20 director -- let's see.

21 A. I operate. I do not purchase.

22 Q. Do you know if AmerenUE has any plans to

23 add any CTGs beyond the four at the Peno Creek site at

24 Peno Creek?

25 A. There are no development plans that I'm

1     aware of at Peno.

2                     MR. MICHEEL:  If I can just have a moment,  
3     your Honor, I think I'm finished.

4                     JUDGE THOMPSON:  Absolutely.

5     BY MR. MICHEEL:

6             Q.     Do you know, sir, if there's additional  
7     room at Peno Creek to install any other combustion turbine  
8     generators?

9             A.     No.  I believe there is not any more room  
10    at Peno.

11            MR. MICHEEL:  Thank you very much for your  
12    time, sir.

13            THE WITNESS:  You're welcome.

14            JUDGE THOMPSON:  Thank you, Mr. Micheel.

15    QUESTIONS BY JUDGE THOMPSON:

16            Q.     Mr. Wallace?

17            A.     Yes, your Honor.

18            Q.     What exactly is the purpose of your  
19    testimony?

20            A.     I'm here to testify in response to Office  
21    of Public Counsel Witness Ryan Kind's testimony.

22            Q.     Okay.  Because earlier I asked if he was  
23    the right person to start with, is he the one who injected  
24    this whole least cost thing in here and you told me that  
25    he was, but in fact, you're responding to Mr. Kind, right?

1           A.       Yes, your Honor.

2           Q.       What is it Mr. Kind said that you're

3    responding to?

4           A.       Mr. Kind does not agree to the

5    reasonableness or the representative -- does not agree

6    that the Pinckneyville and Kinmundy generation assets are

7    appropriate for our use, for our transfer.

8           Q.       That they shouldn't be transferred?

9           A.       That they don't represent the least cost.

10          Q.       They already belong to Union Electric,

11   right, or do they not?

12          A.       Not Union Electric.

13          Q.       Who do they belong to?

14          A.       Ameren Energy Generating, AEG.

15          Q.       Okay. The transfer that's in front of the

16   Commission here -- and help me if I'm confused because I

17   could very well be -- is to transfer the natural gas and

18   electric service areas in the Metro East area to

19   AmerenCIPS; isn't that right?

20          A.       Yes, your Honor.

21          Q.       And does this transaction also include

22   transferring Kinmundy and Pinckneyville from AEG to

23   AmerenUE?

24          A.       That is our intent.

25          Q.       That is your intent. Okay. But do you

1     need permission from this Commission to do that, as far as  
2     you know? And you may not know.

3             A.     I don't know.

4             Q.     That's fine. That's the right answer if,  
5     in fact, you don't know.

6             A.     Engineer, not lawyer.

7             Q.     Right. That's okay. There have been times  
8     today that I wished I was not.

9                     Do you know the basis of Mr. Kind's  
10    objection or concerns to the transfer of those units?

11            A.     I believe it was cost.

12            Q.     Cost being in what sense, that those are  
13    expensive units to operate?

14            A.     No, sir. I'm going to have to identify  
15    what I think he mentioned was --

16            Q.     Tell me -- if your testimony is to respond  
17    to him, then yes, can you tell me what you think he said.

18            A.     That the Pinckneyville and Kinmundy assets  
19    are at a premium compared to what's available in the  
20    marketplace.

21            Q.     Okay. Let me see if I understand. If the  
22    transfer goes through, then these two units will become  
23    part of the fleet. Is that the right word?

24            A.     That's correct.

25            Q.     Okay. Of generating assets that Union

1 Electric will use to serve its Missouri load; is that  
2 correct?

3 A. Yes, sir.

4 Q. Okay. And presently they are not part of  
5 that fleet, right?

6 A. They are not.

7 Q. Okay. And Mr. Kind suggests that they  
8 should not become part of that fleet, you believe, right?

9 A. That is my understanding.

10 MR. MICHEEL: I'm going to object, just to  
11 the extent that that's a mischaracterization of Mr. Kind's  
12 testimony.

13 JUDGE THOMPSON: Okay. Well, you'll get a  
14 chance to put Mr. Kind on to straighten this all out.

15 BY JUDGE THOMPSON:

16 Q. What I want to know is what you believe,  
17 and then they can -- if you're wrong, they'll tell us.

18 A. I presume so.

19 Q. Okay. Explain to me again, because I  
20 didn't follow you, why Mr. Kind thinks those units are  
21 inappropriate additions to the fleet.

22 A. I'm having trouble articulating. I believe  
23 Mr. Kind has stated that the cost of the CTGs at the  
24 Pinckneyville and Kinmundy site are not -- are at a  
25 premium compared to what's available elsewhere.

1 Q. Okay. Now, when we say cost, do we mean  
2 cost to acquire?  
3 A. To acquire.  
4 Q. As part of this transfer, is UE paying AEG  
5 to acquire these units?  
6 A. I'm not exactly certain how the asset  
7 transfer is accounted for.  
8 Q. Okay. Do you know about cost to operate  
9 these units?  
10 A. In general terms, yes.  
11 Q. Would you say these are high cost or low  
12 cost or medium cost units as CTGs go?  
13 A. The Arrow derivatives are the least cost to  
14 operate.  
15 Q. Of all CTGs?  
16 A. Of all CTGs by a wide margin.  
17 Q. And the ones we're talking at Kinmundy  
18 and --  
19 A. Pinckneyville.  
20 Q. -- Pinckneyville, are they Arrow  
21 derivatives?  
22 A. Pinckneyville Units 1 through 4 are Arrows.  
23 The Pinckneyville Phase 2 are GE 6Bs, which are small  
24 frame, which are relatively low cost to operate and  
25 maintain. The Kinmundy units are large frames, which are



1 relatively high cost to operate and maintain.

2 Q. And all these units, are they all various  
3 sorts of what we would call peaking units?

4 A. They would be used as a peaking capacity  
5 for AmerenUE.

6 Q. In other words, they don't operate all the  
7 time like Labadie, do they?

8 A. No, sir.

9 Q. They operate when it's necessary to meet an  
10 increased load situation?

11 A. That is correct.

12 JUDGE THOMPSON: Okay. I think that's all  
13 the questions I have for you. Thank you, Mr. Wallace.  
14 Chairman Gaw?

15 CHAIRMAN GAW: Thank you, Judge.

16 QUESTIONS BY CHAIRMAN GAW:

17 Q. Mr. Wallace, just so I follow what this  
18 issue is, on this case, whether or not the units at  
19 Kinmundy or Pinckneyville end up being transferred to  
20 AmerenUE, that is -- is that dependent in any way on the  
21 outcome of the case that's in front of us?

22 A. I don't know. I'm strictly concerned with  
23 the operation of the --

24 Q. Just the operation of the units?

25 A. Yes.

1           Q.       Okay.  Is there any problem in regard to --  
2   let's see.  You don't know, do you, whether or not there's  
3   any -- this has anything to do at all with this case?

4           A.       It does have something to do with the case.

5           Q.       Tell me how.

6           A.       This is the portion of the least cost in  
7   the way for Ameren to meet its capacity requirements.

8           Q.       How is that relevant to whether or not this  
9   transfer takes place of the -- of the territory over in  
10  Illinois being transferred away from AmerenUE?  How is  
11  that important?  How is that that different because  
12  there's a proposed transfer?

13          A.       This relates to capacity requirements for  
14  the AmerenUE system.

15          Q.       Those capacity requirements are capacity  
16  requirements that you have whether or not the transfer  
17  took place, are they not?

18          A.       Yes, sir, but in order for us to meet our  
19  capacity requirements, the least cost alternative for us  
20  or reasonable alternative for us will be to transfer the  
21  Pinckneyville and Kinmundy assets to AmerenUE.

22          Q.       Is that if -- are you saying that you  
23  wouldn't be proposing to transfer them if you did not  
24  receive approval to transfer the Illinois territory?

25                 MR. FITZHENRY:  Your Honor, I hate to

1 interrupt your questioning of the witness, but I'm really  
2 concerned that this line of questioning from the Bench is  
3 not conducive to this record, and I don't mean to  
4 interfere with your questioning.

5 Mr. Wallace's testimony is very narrow in  
6 terms of what we're doing in this case. It came in in the  
7 surrebuttal part of the case. All he's trying to do is  
8 defend the \$471 per KW proxy cost that Mr. Voytas used in  
9 his least cost planning analysis, in defending the Metro  
10 East transfer. He's an operational guy. He runs CTGs.  
11 He knows the ins and outs of those CTGs and the numbers.

12 CHAIRMAN GAW: Then if he doesn't know the  
13 answer, he can say, I don't know. Thank you, Counsel.

14 MR. FITZHENRY: Thank you.

15 BY CHAIRMAN GAW:

16 Q. Go ahead, sir, if you know the answer. Is  
17 this an issue in this case, as far as there being a  
18 difference between whether or not Pinckneyville and  
19 Kinmundy are proposed to come online or to be transferred  
20 in AmerenUE, whether or not the outcome of this case is  
21 different?

22 I'm trying to understand if this is an  
23 issue that is about whether or not there's a difference in  
24 whether or not those transfers take place based upon the  
25 outcome of this case, if you know?

1           A.       I do not know.

2           Q.       That's what I wanted to know.

3           A.       Thank you.

4           Q.       Who knows the answer to that?

5           A.       I believe either Mr. Nelson or Mr. Voytas

6 will be able to answer your question.

7                   CHAIRMAN GAW: That will be fine. That's

8 all I have, Judge. Thank you.

9                   JUDGE THOMPSON: Thank you, Chairman Gaw.

10 Recross based on questions from the Bench. Mr. Frey?

11           MR. FREY: No questions, your Honor. Thank

12 you.

13           JUDGE THOMPSON: Mr. Micheel?

14           MR. MICHEEL: Yes, indeed.

15           JUDGE THOMPSON: Somehow I thought you

16 would have some.

17 RECROSS-EXAMINATION BY MR. MICHEEL:

18           Q.       Now, Mr. Wallace, Judge Thompson asked you

19 some questions with respect to Mr. Kind's testimony in

20 this case. Do you recall those questions?

21           A.       Not in detail, but in general, yes. Won't

22 be able to repeat them. You'll have to help me.

23           Q.       I'll give you all the help you need. Is it

24 correct that Mr. Voytas in his least cost planning for

25 determining the CTG option utilized a figure of 471 per KW

1 figure; is that correct?

2 A. That is correct.

3 Q. And that was with the CTG method, is that

4 correct, for the combustion turbine generation portion of

5 his analysis, is that correct?

6 A. If I understand your question, that is the

7 dollar per KW aggregate cost for CTGs.

8 Q. That Mr. Voytas used in his least cost

9 analysis in this proceeding; is that correct?

10 A. Yes, sir.

11 Q. And that's what you indicate on page 8 of

12 your surrebuttal testimony, is that not correct?

13 A. Yes, sir.

14 Q. Mr. Kind in his rebuttal testimony

15 indicated that he thought that that number should be lower

16 than \$471 per KW; is that correct?

17 A. That is correct.

18 Q. And if the number is something different

19 than \$471 per KW, used in the CT transfer op-- the

20 purchase CT option that's shown on Schedule 4 of

21 Mr. Voytas' testimony, that changes the economics of the

22 proposed transfer; isn't that correct?

23 A. I don't have that in front of me. I don't

24 know.

25 Q. Are you aware that Mr. Voytas did a

1 purchase CT option?

2 A. I do not know the details of Mr. Voytas'

3 analysis.

4 Q. Are you aware that Mr. Voytas, in his

5 purchase CT option, used a value \$471 per KW?

6 A. I believe that is correct.

7 Q. And you testified in your surrebuttal

8 testimony that you thought that was a reasonable proxy; is

9 that correct?

10 A. That is a reasonable aggregate cost

11 representative of the CTG fleet.

12 Q. And today we established that the most

13 recent CTGs that AmerenUE has installed has an aggregate

14 cost that is lower than the \$471 KW cost used by

15 Mr. Voytas; isn't that correct?

16 A. That is correct. However, it's heavily

17 biased by virtue of the Venice situation installation.

18 Q. And that's because the Venice installation

19 is even lower than the \$391 KW cost that Mr. Kind utilized

20 in his rebuttal testimony; isn't that correct?

21 A. There -- there are specific reasons why the

22 Venice number is lower.

23 JUDGE THOMPSON: Sir, you need to answer

24 yes or no.

25 THE WITNESS: Yes.

1 BY MR. MICHEEL:

2 Q. And so this issue has to go to whether or  
3 not the transfer of the Illinois properties is the least  
4 cost proposal, and that's the purpose of Mr. Kind's  
5 testimony; isn't that correct?

6 A. Please repeat the question.

7 MR. MICHEEL: Could you just read it back  
8 please.

9 THE REPORTER: "Question: And so this  
10 issue has to go to whether or not the transfer of the  
11 Illinois properties is the least cost proposal, and that's  
12 the purpose of Mr. Kind's testimony; isn't that correct?"

13 THE WITNESS: Yes.

14 BY MR. MICHEEL:

15 Q. And you hopefully reviewed Mr. Kind's  
16 testimony, did you not?

17 A. I have read it, but not recently.

18 Q. And you would agree with me -- just so I  
19 know that you know, you would agree with me that Mr. Kind  
20 disputes and believes that a different -- a \$391 or \$390  
21 KW number should be utilized for the purchase CT option;  
22 is that correct?

23 A. It is his opinion that 390 is a number, is  
24 the appropriate number.

25 MR. MICHEEL: If I can just check with my

1 witness, I think I'll be finished.

2 JUDGE THOMPSON: Please.

3 MR. MICHEEL: I don't think I have anything

4 more. I think it was disjointed, your Honor, because we

5 took this witness out of order. And if we'd done the

6 other witnesses on least cost, it would have been a little

7 more clear, but that's okay.

8 JUDGE THOMPSON: Well, that's what I was

9 trying to establish earlier, and I was told this was the

10 best witness to start with. At least I thought that's

11 what I was told.

12 MR. LOWERY: Your Honor, I apologize if

13 there was any confusion. The reason we asked to take

14 Mr. Wallace first is that we could hopefully be done with

15 him today so he could get back to Venice to run his CTGs.

16 JUDGE THOMPSON: Thank you. I appreciate

17 that. Mr. Fitzhenry, redirect?

18 MR. FITZHENRY: Yes, your Honor.

19 We'll need to go in-camera, your Honor.

20 JUDGE THOMPSON: Very well. We'll go into

21 closed session at this time.

22 (REPORTER'S NOTE: At this point, an

23 in-camera session was held, which is contained in

24 Volume 14, pages 1366 through 1370 of the transcript.)

25



1                   MR. DOTTHEIM: Judge, might we have a short  
2 recess?  
3                   JUDGE THOMPSON: We might. What's the  
4 purpose?  
5                   MR. DOTTHEIM: Purpose is I just completed  
6 review of the document that the Commission has requested,  
7 so --  
8                   JUDGE THOMPSON: The list of conditions?  
9                   MR. DOTTHEIM: Yes. So I'm not quite  
10 organized to start up on the --  
11                   JUDGE THOMPSON: By all means. How long do  
12 you need, Mr. Dottheim? We're looking at about eight  
13 minutes to four.  
14                   MR. DOTTHEIM: Can I have about maybe five  
15 minutes after four?  
16                   JUDGE THOMPSON: 'Til five minutes after  
17 four. Yes, you may. Sure.  
18                   We'll go ahead and go into recess now.  
19                   (A BREAK WAS TAKEN.)  
20                   JUDGE THOMPSON: We're back on the record  
21 briefly. There was a discussion at the Bench at the very  
22 end of the recess and it has been determined that we will,  
23 in fact, adjourn proceedings for today and resume on  
24 Wednesday morning at nine o'clock. Right?  
25                   Very good. So if there's nothing further,

1 we are adjourned.

2 WHEREUPON, the hearing of this case was  
3 recessed until Wednesday, April 7, 2004 at 9:00 a.m.

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