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Witness: Stephen R. Colyer
Sponsoring Party: Union Electric Company
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2007-0003

DIRECT TESTIMONY

OF

STEPHEN R. COLYER

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
July, 2006**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **STEPHEN R. COLYER**

4 **CASE NO. GR-2007-0003**

5 **I. INTRODUCTION**

6 **Q. Please state your name and business address.**

7 A. Stephen R. Colyer, Ameren Services Company ("Ameren Services"), 607
8 E. Adams, Springfield, Illinois.

9 **Q. What is your position with Ameren Services?**

10 A. I am the Manager of Gas Technical Services. As Manager of Gas
11 Technical Services I provide support and services with respect to Union Electric
12 Company d/b/a AmerenUE's ("Company" or "AmerenUE") natural gas operations.

13 **Q. Please describe your educational background and employment**
14 **experience.**

15 A. I received a Bachelor of Science Degree in Petroleum Engineering from
16 The University of Tulsa in 1988. I joined Central Illinois Public Service Company
17 (CIPS) (now doing business as AmerenCIPS) in September 1991 as a Gas System Design
18 Engineer in CIPS' Gas Department located in Springfield, Illinois. Prior to my
19 employment at CIPS, I worked as a Project Engineer for an engineering services and
20 software development company in Carlisle, Pennsylvania.

21 In 1996, I was transferred to Union Electric Company where I worked in
22 Jefferson City, Missouri as a Senior Gas Engineer. In 1999, I was named Supervising
23 Engineer with responsibilities that included operation of the Mexico, Missouri gas meter
24 shop, engineering support for the AmerenUE District operations, and the primary

1 company contact with the Missouri Public Service Commission (“MPSC”) pipeline
2 safety staff regarding pipeline safety matters. In March 2001, I returned to Springfield,
3 Illinois as General Supervisor of Ameren’s Gas Operations Support Department and was
4 named Manager, Gas Operations Support in May 2002 with responsibility for gas
5 engineering and operations support for both AmerenUE and AmerenCIPS and gas
6 storage fields owned by the Ameren companies.

7 Currently, I hold the position of Manager, Gas Technical Services with
8 various gas engineering and operations responsibilities in Missouri and Illinois at
9 AmerenUE, AmerenCIPS, Central Illinois Light and Power Company d/b/a
10 AmerenCILCO, and Illinois Power Company d/b/a AmerenIP.

11 **Q. What are your primary responsibilities as Manager of Gas Technical**
12 **Services?**

13 A. My current duties include responsibility for gas meter shop operations and
14 testing programs for the gas utilities owned by Ameren Corporation, including
15 AmerenUE, AmerenCIPS, AmerenCILCO, and AmerenIP. I am also responsible for gas
16 engineering support for the AmerenUE operating divisions of Boone Trails, Central
17 Ozarks, Missouri Valley, and Southeast Missouri (SEMO) which includes identification
18 and prioritization of the replacement of cast iron mains, unprotected steel mains, and
19 unprotected steel service lines included in the Commission-approved replacement
20 programs.¹ My engineering staff in Jefferson City, Missouri is the primary contact with
21 the MPSC pipeline safety staff regarding pipeline safety matters. I am also responsible
22 for various aspects of gas transmission and distribution engineering and operations in

¹ Unprotected facilities are those that are not cathodically protected from corrosion. Cathodic protection involves the use of an electric current to inhibit corrosion.

1 Illinois for AmerenCIPS, AmerenCILCO, and AmerenIP, including gas pressure
2 regulation, transmission system engineering and field operations, cathodic protection,
3 odorization, field testing of commercial and industrial meters, and certain gas
4 Supervisory Control and Data Acquisition (“SCADA”) equipment installation and
5 maintenance activities.

6 **II. PURPOSE AND SUMMARY OF TESTIMONY**

7 **Q. What is the purpose of your direct testimony in this proceeding?**

8 A. First, I will provide a description and overview of the Company’s gas
9 operations. Second, I will provide information on the Company’s recent and ongoing
10 investments in its gas system, including improvement projects which have been
11 implemented throughout the AmerenUE service territory. Over the last several years,
12 these investments have included unprotected steel and cast iron main replacements and
13 unprotected steel service line replacements. Finally, I will address the Company’s
14 commitment toward improvements to the gas distribution system from its previous gas
15 rate case (Case No. GR-2003-0517, which was concluded by a Unanimous Stipulation
16 and Agreement approved by the Commission in January 2004) and improvements that
17 will be made beyond the end of test year and any applicable update period for this rate
18 case.

19 **Q. Please summarize your conclusions.**

20 A. AmerenUE’s gas system continues to grow as evidenced by the addition
21 of approximately 215 miles of polyethylene mains and over 10,000 new service lines,
22 over the past three years, to serve new customers. AmerenUE also continues to complete
23 its replacement of cast iron mains and service lines pursuant to replacement plans on file

1 with the Commission. The additional mains, service lines, the replacement programs,
2 and other system upgrades have resulted in capital expenditures over the last three years
3 of more than \$40 million. Additional expenditures of this type will continue in the
4 future. A summary of my direct testimony is included as Attachment A.

5 **III. DESCRIPTION OF AMERENUE'S GAS OPERATIONS**

6 **Q. Please describe AmerenUE's gas operations in Missouri.**

7 A. AmerenUE serves approximately 128,000 gas customers in 87
8 communities throughout Missouri and operates approximately 2,996 miles of gas
9 distribution mains. Approximately 165 miles of gas distribution mains included in this
10 total were added as a result of AmerenUE's 2004 acquisition of the Rolla, Salem, and
11 Owensville gas distribution systems that were previously owned by Aquila, Inc. Other
12 additions made to the gas system since the Company's last rate case are primarily
13 attributable to facilities installed to serve new customers. The customers are served by
14 three distinct and separate, non-interconnected distribution systems. Each system is
15 captive to one interstate pipeline for delivery of natural gas supplies. In addition, one of
16 these distribution systems is served by two intrastate pipelines. None of the AmerenUE
17 distribution systems have on-system gas storage facilities. The Company leases storage
18 capacity from interstate pipelines or from third-party storage providers. The customers
19 served by the Company's distribution systems are primarily residential and commercial.
20 The customer load requirements for each system are highly weather sensitive with sharp
21 variations in demand occurring during the peak winter season.

22 AmerenUE's largest distribution system is located in central and eastern
23 Missouri. It is connected to the Panhandle Eastern Pipe Line Company ("Panhandle

1 Eastern”) interstate pipeline that runs from mid-continent gas production areas to its
2 termination point in Michigan. AmerenUE’s central and eastern Missouri system is also
3 connected to two intrastate pipelines--Missouri Pipeline Company and Missouri Gas
4 Company, which in turn are connected to Panhandle Eastern. The Company’s two
5 remaining distribution systems are located in southeast Missouri and are served by the
6 interstate pipelines Texas Eastern Transmission L.P. and Natural Gas Pipeline Company
7 of America. Both of these pipelines run from production areas in the Gulf Coast and
8 mid-continent regions to termination points north and east of AmerenUE’s service
9 territory. The annual throughput of AmerenUE’s system is approximately 18 billion
10 cubic feet (“Bcf”).

11 **IV. INVESTMENTS IN GAS SYSTEM EXPANSION**
12 **AND IMPROVEMENT PROJECTS**

13 **Q. Has the Company made significant investments in its gas system since**
14 **its last gas rate case in 2003?**

15 A. Yes. AmerenUE has invested in its system in order to expand, maintain
16 and upgrade the system for the benefit of its customers.

17 **Q. Please describe expenditures that have been made for the expansion of**
18 **the gas system infrastructure.**

19 A. Significant investments in new facilities have been made since June 30,
20 2003 (the end of the test year for the Company’s last rate case) to meet extensive
21 customer growth, predominantly in the Company’s Boone Trails Division in the
22 Wentzville area and in the Columbia area of the Missouri Valley Division. The new
23 facilities installed during the last three years by the Company include approximately 215
24 miles of new mains and over 10,000 new service lines to serve new customers.

1 Expenditures for extensions to accommodate this growth total approximately \$21 million
2 from July 1, 2003 through the end of 2005. For the test year of July 1, 2005 to June 30,
3 2006, the Company estimates that the new business expenditures for new mains and
4 services will be approximately \$9.2 million. This estimate is based upon nine months of
5 actual costs and three months of forecast ending June 30, 2006.

6 **Q. Do you expect system growth to continue?**

7 A. The Company believes the increase in system growth experienced over the
8 past three years will continue at the current rate or at a minimum flatten out to current
9 levels. Although it is difficult to be certain, the most direct indication is that so far in
10 2006, the new business development is not declining most notably in the previously
11 mentioned areas of Wentzville and Columbia.

12 **Q. Please describe the Company's approach to maintaining and**
13 **upgrading its existing gas system infrastructure.**

14 A. Gas distribution utilities historically used cast iron or unprotected steel to
15 construct gas distribution mains and service lines. Over time, these materials are
16 susceptible to corrosion, resulting in leaks that can impact the reliability of gas service
17 provided to customers. Starting in the mid-1980's, AmerenUE began replacing cast iron
18 mains and the associated service lines with new polyethylene piping. In 1989, the
19 Commission formalized the requirement that gas utilities file specific replacement
20 programs for cast iron and unprotected steel mains, as well as unprotected steel service
21 lines. Significant investments in system upgrades, which includes work associated with
22 these replacement programs, have been made during the period from July 1, 2003
23 through the end of 2005, with expenditures of approximately \$19 million. During this

1 period, approximately 70 miles of cast iron and unprotected steel mains were replaced
2 along with about 3,300 service lines. For the test year of July 1, 2005 to June 30, 2006,
3 the Company estimates that the total system upgrade expenditures, which include the
4 replacement programs, will be approximately \$9.0 million. Capital expenditures will
5 continue until the cast iron main, unprotected steel main, and unprotected steel service
6 line replacement programs are completed.

7 **Q. What is the current status of the Company's replacement programs?**

8 A. Since 1993, when the Commission approved AmerenUE's replacement
9 programs, the Company has replaced or eliminated approximately 239 miles of cast iron
10 and unprotected steel mains and over 21,000 unprotected steel service lines. During
11 2006, the Company will complete the replacement of approximately 23 additional miles
12 of cast iron mains and about 2000 service lines with new polyethylene pipe. The
13 contracts and/or work orders for these 2006 projects have been issued or are under
14 development. It is anticipated that all cast iron mains and unprotected steel main lines
15 will be replaced by the end of 2007, which will complete the cast iron and unprotected
16 steel main replacement programs. There will be some unprotected steel service lines
17 remaining at the end of 2007 which the Company expects to replace by the end of 2009.

18 **Q. What is the current status of the Company's commitment to invest at**
19 **least \$15 million on ISRS (Infrastructure System Replacement Surcharge)**
20 **qualifying projects by the end of December 2006?**

21 A. The Company will meet or exceed the committed level of expenditures.
22 As shown by the reports of ISRS qualifying investments provided to the Commission's
23 Staff and the Office of Public Counsel each quarter, as of March 31, 2006, AmerenUE

1 reported ISRS qualifying investments of about \$13.3 million. For 2006, the Company
2 has budgeted and anticipates completing projects that will provide approximately \$4
3 million in additional qualifying investments for an estimated total investment from
4 July 1, 2003 through December 31, 2006 of about \$16 - \$17 million.

5 **Q. Is the Company seeking to establish an ISRS mechanism in this case?**

6 A. No. However, based upon the current forecast of capital expenditures, the
7 Company would have sufficient qualifying investments to file for an ISRS mechanism in
8 2007 or 2008 and the Company presently intends to do so at that time.

9 **V. OPERATIONAL PRO FORMA ADJUSTMENTS TO TEST YEAR**

10 **Q. What adjustments will be made to the test year in this rate case?**

11 A. The adjustments that will be made to the test year will include all actual
12 expenditures through the end of the test year (June 30, 2006) updated through
13 September 30, 2006. In addition, the Company will also make adjustments for all actual
14 expenditures related to ISRS qualifying investments through December 31, 2006.

15 **Q. What are the Company's plans for the major capital and maintenance**
16 **projects that extend beyond the test year in this rate case?**

17 A. As I stated earlier, the Company is committed to completing the
18 replacement of its cast iron and unprotected steel mains and unprotected steel service
19 lines within its Missouri gas distribution systems. In addition, the Company intends to
20 continue performing infrastructure upgrades to replace PVC mains and services,
21 unprotected steel services lines, and perform upgrades or replacement of obsolete
22 equipment. This work will continue to be a major focus of AmerenUE during the next
23 several years with estimated annual expenditures of \$3 to \$4 million.

1 **Q. Does this conclude your direct testimony?**

2 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

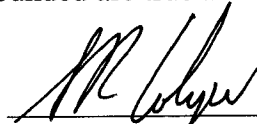
In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Gas Service) Case No. GR-2007-
Provided to Customers in the Company's)
Missouri Service Area.)

AFFIDAVIT OF STEPHEN R. COLYER

STATE OF MISSOURI)
)**ss**
CITY OF ST. LOUIS)

Steve R. Colyer, being first duly sworn on his oath, states:

1. My name is Stephen R. Colyer. I work in Springfield, Illinois, and I am employed by Ameren Services Company as Manager of Gas Technical Services.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 9 pages and Attachment A, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



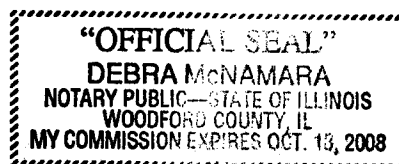
Stephen R. Colyer

Subscribed and sworn to before me this 26 day of ^{June}~~July~~, 2006.



Notary Public

My commission expires:



EXECUTIVE SUMMARY

Steve Colyer

Manager, Gas Technical Services

* * * * *

AmerenUE's gas system continues to grow as evidenced by the addition of approximately 215 miles of polyethylene mains and over 10,000 new service lines, over the past three years, to serve new customers. AmerenUE also continues to complete its replacement of cast iron mains and service lines pursuant to replacement plans on file with the Commission. The additional mains, service lines, the replacement programs, and other system upgrades have resulted in capital expenditures over the last three years of more than \$40 million, which include ISRS (Infrastructure System Replacement Surcharge) qualifying expenditures which, by December 31, 2006, will meet or exceed the Company's ISRS qualifying expenditure commitment previously made to the Commission. While the Company is not seeking to establish an ISRS in this case, the Company will have sufficient qualifying ISRS investments by 2007 or 2008 and would expect to request an ISRS mechanism at that time.